

CHAPTER–VI

Internal Control

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Introduction

6.1 Internal controls, in simple terms, are mechanism, rules and procedures that are put in place by the management of an organisation to ensure that its activities are proceeding as planned and in an efficient and effective manner to meet its defined objectives. An effective internal control is a prerequisite for any successful organisation.

Audit Findings

Audit analysed the system of internal controls relevant to land acquisition and allotment of properties in GNIDA with reference to the functions of GNIDA laid down in the Uttar Pradesh Industrial Area Development (UPIAD) Act, 1976 and the powers of the State Government laid down in the UPIAD Act, 1976 as well as other applicable laws. Audit findings in respect of internal control are classified as follows:

- Governance and policy framework at apex level of Government and Board (*Paragraphs 6.2 to 6.2.7*);
- Dilution of strategic objectives and enforcement at Board level (*Paragraphs 6.3 to 6.3.4*);
- Deficiencies on implementation by GNIDA and failure to check thereto (*Paragraphs 6.4 to 6.4.2*);
- Irregularities in allotment of properties (*Paragraphs 6.5 to 6.5.2*); and
- Monitoring system, sharing of information and communication with stakeholders (*Paragraphs 6.6 to 6.6.2*).

Governance and policy framework at apex level of Government and Board

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

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

Annual Report not being prepared and placed in the Legislature by GNIDA

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

In contravention of the provisions of UPIAD Act, 1976, GNIDA did not prepare and submit Annual Reports to State Government for laying before State Legislature.

Besides, audited accounts of the organisation, the annual report of Government Bodies contains information about important activities carried out during the year.

Audit noticed that neither the Government of Uttar Pradesh (GoUP) has prescribed the form and dates for submission of such reports by GNIDA, nor GNIDA prepared and submitted Annual Reports to the GoUP for onward submission to the State Legislature as statutorily mandated since its inception (1991).

In its reply, GNIDA stated (December 2021) that GoUP had not issued any pro forma for preparation of Annual Reports of Industrial Development Authority which is pending (March 2022).

Thus, GoUP as well as GNIDA failed to comply with the provisions of UPIAD Act, 1976 and consequently inhibited legislative oversight over the activities of GNIDA.

Form of accounts not approved by the State Government

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

GoUP failed to prescribe the form of accounts to be maintained by the Industrial Development Authorities (IDAs) resulting in lack of uniformity in preparation of Accounts by IDAs.

Audit noticed that IIDD, GoUP, the administrative head of the Authorities, has not prescribed the form of accounts to be maintained by the Industrial Development Authorities (IDAs) since the inception of these Authorities. Thus, GoUP failed to perform its role prescribed in the UPIAD Act, 1976.

In absence of the form prescribed by the GoUP, the preparation of accounts by the IDAs was not standardised and there was lack of uniformity in preparation of accounts among these IDAs. GNIDA has prepared its Financial Statements upto 2019-20 where basis of accounting followed was a hybrid of cash and accrual basis. In case of NOIDA, the Financial Statements were initially prepared on cash basis of accounting till 2017-18, which was subsequently revised on accrual basis from the year 2005-06.

The Annual Accounts upto the year 2015-16 had been certified by the Local Fund Audit Department as per the requirement of the Section 22 of the UPIAD Act, 1976. Subsequently, GoUP entrusted (July 2017/January 2018) the audit of GNIDA to CAG from the year 2005-06 onwards. GNIDA has submitted¹ its Annual Accounts from the year 2005-06 to 2019-20 in the Office of the Principal Accountant General (Audit-II), Uttar Pradesh, Lucknow for which audit was under progress (April 2022).

In its reply, GNIDA stated (September 2020) that after being pointed out by Audit, it had submitted (September 2018) the format for Annual Accounts to the GoUP for approval which is pending at level of the GoUP. GNIDA further stated (March 2022) that GoUP had not prescribed the format of accounts for Industrial Development Authority till date.

¹ During June 2019 to February 2022.

Expenditure beyond mandate of the UPIAD Act, 1976

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

GNIDA incurred expenditure of ₹ 1,179.61 crore towards meeting expenditure relating to the State Government Departments, which was beyond its mandate under the UPIAD Act, 1976.

Audit observed that, GNIDA incurred expenditure of ₹ 1,179.61 crore during the period 2007-08 to 2017-18 towards meeting expenditure relating to the State Government Departments and entities like Medical University, Multi Speciality Hospital, Boys and Girls Inter Colleges, SC/ST hostels, DM and SSP offices, *etc.*, which were beyond the functions of GNIDA as specified under the UPIAD Act, 1976. These expenditure were required to be incurred by respective State Government Departments after legislative authorisation.

In its reply, GNIDA stated (September 2020) that construction of Boys and Girls Inter College and Multi Speciality Hospital were decided by the Board² of GNIDA in compliance of the announcement made by the Chief Minister and the Multi Speciality Hospital was decided (July 2012) to be developed as Medical University by the Government of Uttar Pradesh.

The reply is not acceptable as these expenditure pertained to Department/entities and were not in the purview of the Board's authority.

During the Exit Conference (January 2021), the State Government assured that view of the Government would be communicated after consultation with Additional Chief Secretary (Finance Department). Information about the said communication is awaited.

Delay in finalisation of Sub Regional Plan by GoUP

6.2.4 Government of India enacted (February 1985) National Capital Region Planning Board (NCRPB) Act, 1985, which provided constitution of a Planning Board for the preparation of a plan (Regional Plan) for the development of National Capital Region (NCR) and for co-ordinating and monitoring the implementation of such plan so as to avoid any haphazard development of NCR. The development area of GNIDA falls within the ambit of NCR, therefore, GNIDA and GoUP, as the participating State, are to comply with the provisions of the NCRPB Act, 1985.

NCRPB Act, 1985 required that the participating States, after due consideration of the observations made by the NCRPB, finalise the Sub-Regional Plans after ensuring that it is in conformity with the Regional Plan. Regional Plan 2021 (published in September 2005) further provided that Sub-Regional Plan and Master Plan of authorities should be prepared within the overall framework of the Regional Plan.

Audit noticed that GoUP approved Sub-Regional Plan 2021 in December 2013 while it approved the Master Plan 2021 of GNIDA in June 2006. This has resulted in a peculiar situation of a lower level Plan (MP 2021) being approved

² 67th Board meeting dated 05 February 2008.

without the approval of higher level plan (SRP 2021). Further, as discussed in **Paragraph 2.6.1**, GNIDA implemented MP 2021 without approval of NCRPB due to which it had to stop development under MP 2021 during the period 21 October 2011 to 24 August 2012 in compliance with the orders of the Hon'ble Allahabad High Court³. Thus, GoUP and GNIDA failed to ensure compliance of the overarching framework of the NCRPB Act, 1985.

During the Exit Conference (January 2021), the State Government stated that the compliance of NCRPB directions will be ensured in future.

Absence of adequate oversight by Board

6.2.5 Audit noticed from the minutes of the Board meetings, that it did not object to its authority being taken for granted in a routine manner by way of not submitting scheme terms and conditions, change in important conditions and/or putting up for *ex-post facto* approval by GNIDA.

Out of 46 schemes for allotment of properties test checked in Audit, GNIDA did not provide information regarding approval of scheme brochures by Board in 24 cases. In remaining 22 cases, only one scheme brochure (Krishi Farm Houses) was approved by the Board before launching the scheme. GNIDA submitted 12 schemes to the Board *ex-post facto*, out of which Board granted approval of 10 scheme brochures while in other two cases (Sports City-02 and REP-01), it merely perused these brochures without approval or rejection. Remaining nine scheme brochures were not submitted to the Board even for *ex-post facto* approval (**Appendix-6.1**).

This indicates that the Board failed to exercise its oversight function over the functioning of GNIDA. Taking of the Board for granted and seeking *ex-post facto* approval for important decisions does not speak well about independence and effectiveness of GNIDA's Board.

During the Exit Conference (January 2021), GNIDA stated that they usually seek prior approval of the Board in important cases of policy change only and in rest of the cases *ex-post facto* approval/perusal is sought.

On being pointed out by Audit that Government should look into the matter so that prior approval is sought when major issues are involved or there is a departure from established past approach, the State Government expressed its agreement in this regard and State Government further stated that in case of urgency, *ex post facto* approval of the Board should be obtained.

Absence of manuals/guidelines

6.2.6 Manuals are a set of written guidelines/instructions approved by the competent authority to standardises the procedure to be adhered during day to day working.

Audit noticed that the Board of GNIDA did not direct formulation of the manuals for pricing of the properties and allotment under various categories (except allotment under Industrial, Institutional and Commercial categories). In the absence of manuals, various irregularities/discrepancies relating to pricing and allotments were noticed, as discussed in the Chapters-IV and V.

Absence of manuals in GNIDA led to irregularities in pricing and allotment of properties to the detriment of GNIDA's own interest.

³ Judgement dated 21 October 2011 in case of Gajraj and Others vs. State of Uttar Pradesh and Others (Writ Petition C. No. 37443 of 2011).

Further, there was lack of uniformity in the terms and conditions of allotment between various categories of allotments and across the years within same categories of allotment, since these were relaxed in successive schemes to the detriment of GNIDA's interest. These resulted in huge losses to GNIDA.

During the Exit Conference (January 2021), the State Government agreed on the above issue raised by Audit and assured remedial action.

Invoking urgency clause rampantly for acquisition of land

6.2.7 GNIDA in all the 38 cases (test-checked in Audit) of land acquisition upto 2011 forwarded its proposals to the Additional District Magistrate (Land Acquisition) routinely with a standard justification in each case for acquisition of land invoking urgency clause (Section 17 of Land Acquisition Act, 1894). The ground for invoking urgency clause, as mentioned in standard justification, did not fall under the ambit of conditions laid down in Section 17 of the LAA, 1894, as discussed in **Paragraph 3.5.1** of Chapter-III: Acquisition of Land. Audit noticed that GNIDA did not formulate any parameter to define cases in which urgency clause under LAA, 1894 would be invoked. Thus, lack of internal control in land acquisition cases either from GoUP or from Board led to routine use of urgency clause which also deprived the right of landowners to public hearing as provided under Section 5A of LAA, 1894.

In reply, GNIDA stated (September 2020) that acquisition proposals were prepared and forwarded in accordance with the provisions of UPIAD Act 1976, NCPRB Act 1985 and Master Plan 2021 and the urgency clause was imposed in public interest for rapid industrial development and generation of employment.

The reply is not acceptable as GNIDA forwarded all the acquisition proposals under the urgency clause on standard justification and the grounds for invocation of urgency clause were not in accordance with the purposes specified in the LAA, 1894. It also failed to relate the lack of necessity of urgency with the considerable delays in processing the proposals at its own level.

During the Exit Conference (January 2021), the State Government stated that now land acquisition is being done as per LAA, 2013.

Dilution of strategic objectives and enforcement at Board level

6.3 The Board of GNIDA is vested with the responsibility to clearly identify strategic objectives of GNIDA, risks in achieving such objectives and taking measures to manage such risks. Shortcomings noticed in test check pertaining to risk assessment by the Management of GNIDA are discussed in following paragraphs:

Dilution of dominant objective

6.3.1 The Section 6 (1) of UPIAD Act, 1976 provides that the object of GNIDA shall be to secure the planned development of the industrial development areas. In the case of Gajraj and others vs. State of UP and others⁴, Hon'ble Allahabad High Court held that the dominant objective of the

⁴ Judgement dated 21 October 2011 in case of Gajraj and Others vs. State of Uttar Pradesh and Others (Writ Petition C. No. 37443 of 2011).

Authorities established under the Act of 1976 is industrial development, and that the activities of development of residential, commercial and other area, etc., are subservient to industrial development.

Audit noticed that GNIDA significantly diluted its dominant objective of development of industry and gave priority to residential development both in the preparation of Master Plans and during its implementation, as discussed in **Paragraph 2.6.2** in the Chapter-II on Planning. Even original vision of development of Sports City got diluted as another plan for development of housing. Thus, GNIDA remained more like housing development body rather than industrial development authority.

Misclassification of uses of land

6.3.2 Clause 2 of Chapter I of the Greater Noida Industrial Development Area (Preparation, Revision and Finalisation of Plan) Regulations, 2012 defined the ‘commercial use’ and ‘institutional use’ as being defined in the Master Plan. The Master Plan 2021 stated that institutional land use comprised area of Government/Semi Government and private institutions and offices, regional level institutions (IT and ITeS use) and public utilities.

GNIDA allotted plots for uses of commercial nature under Institutional category at lower rates resulting in financial loss.

Audit noticed that GNIDA allotted plots for uses of commercial nature under the institutional category at the corresponding lower rates. Such misclassification not only caused financial loss to GNIDA but also to State Exchequer as discussed in **Paragraph 5.5.6.3** of Chapter V (5) ‘Allotment of Institutional and IT Plots’.

During the Exit Conference (January 2021), the State Government and GNIDA stated that action will be taken in the light of Audit observation and guidelines will be issued after consulting Chief Town and Country Planner which is pending (March 2022).

Absence of Internal Audit

6.3.3 Internal auditing is an independent appraisal function established within an organisation to examine and evaluate its activities and report to management. The objective of internal audit is to assist members of the organisation in effective discharge of their responsibilities.

There was no Internal Audit put in place by the GNIDA for periodical review of its working.

Internal audit is also conducted to examine and evaluate the level of compliance with the organisational rules and procedures so as to provide reasonable assurance to the management on the adequacy of the risk management and internal control framework in the organisation.

Audit observed that system of internal audit was not put in place by the GNIDA in spite of its size, functions and responsibilities cast upon it. In the absence of an Internal Audit, periodical inspection of records of the working of GNIDA could not be carried out. Absence of any internal oversight led to unchecked and frequent violation of rules/orders and procedures as brought out in this Report.

In its reply, GNIDA accepted (September 2020) the Audit observation and stated that it has hired a firm of Chartered Accountants for conducting internal

audit for the year 2018-19 and onwards. Results of internal audit are awaited (March 2022).

Absence of dedicated Enforcement Wing

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

Audit noticed that GNIDA did not form any dedicated Enforcement Wing since inception (1991) due to which GNIDA failed to restrict encroachment of land of GNIDA and illegal construction by the allottees. As per information provided by GNIDA, 549.91 hectare of land worth ₹ 1,924.68 crore (at 2018-19 prices⁵) of GNIDA stands encroached (January 2018) and is not available to GNIDA for any productive use.

During the Exit Conference (January 2021), the State Government accepted the need for having Enforcement Wing and stated that the matter has been taken up with Finance Department for creation of posts which is under examination (March 2022).

Deficiencies on implementation by GNIDA and failure to check thereto

6.4 The Board of GNIDA as part of its oversight functions formulates the policies and procedures for day to day working and conducts the activities in accordance with the laid down policies to achieve the intended objectives of the organisation. The following deficiencies have been noticed in this regard.

Incorporation of conditions in the scheme brochure in deviation from building regulations

6.4.1 Section 9 (2) of the UPIAD Act, 1976 confers on GNIDA the power to make regulations for construction of the buildings with the previous approval of the State Government. The Greater Noida Industrial Development Area Building Regulations (GNIDA BR) *inter alia* prescribe the permissible Floor Area Ratio (FAR) and Ground coverage (GC) for various categories of land use.

Audit noticed that the scheme brochures of GNIDA indicated higher FAR and GC over and above the notified norms as per the prevailing Building Regulations. In the absence of an effective internal control system in GNIDA, this irregularity continued year after year and led to undue favour to builders. GNIDA suffered substantial losses as discussed in **Paragraph 5.2.5.16** in the Chapter- V (2) on Allotment of Builders/Group Housing Plots.

In its reply, GNIDA stated (September 2020) that GNIDA BR, 2006 were notified before GNIDA BR, 2010, in the background of which, builder schemes were being launched from time to time.

The reply of GNIDA is not acceptable as GNIDA had allowed FAR and GC over and above that permissible under the GNIDA BR, 2006. GNIDA did not

⁵ At the rate of ₹ 3,500 per sqm.

address the issue raised by Audit for allowance of such higher FAR and GC in contravention of the prevailing Building Regulations, which could have been prevented with effective internal control system.

Deficiencies in verification of payments made by allottee

6.4.2 Para 4 of the 'Work Procedure-Estate Management Division' provides that Scheme-in-charge shall be responsible for all collections from allottees against a property. The bank authorised by the Finance Division for collection of instalment/other dues will have a separate account for each scheme. The banks will send the challans, along with the bank statement of each scheme account, to the Finance Division of all the deposits received against a particular scheme. The scheme-in-charge will receive the same from Finance Division on a daily basis and ensure that the same is fed into the computer on a daily basis by the scheme assistant and tallied with the bank statement.

Further, the Date Entry Operators (DEOs) of the Systems Division were authorised for making corrections in the payment intimations⁶ of the allottees for which user IDs and passwords were provided to them.

Audit noticed systemic deficiencies in the system of reconciling the deposits made by allottees. The deposits made by the allottees were not being reconciled with the challans and bank statements by the Scheme-in-charge and/or the Finance Division till financial year 2012-13. The Finance Division was made solely responsible for feeding of deposits and reconciliation in July 2013 in place of the existing system of feeding by the respective Property Divisions.

Original copy of challans deposited by allottees were not available in respective allotment files. This was prone to risk of fraud.

Audit noticed that only few challans were kept in original (GNIDA copy) and most of the challans were photocopies (bank/applicant copy), as found in the case files of allotments under all the categories. Audit reviewed the status of challans in three⁷ cases of Commercial Allotments and four⁸ cases of Industrial Allotments and found that 11 challans of ₹ 4.59 crore (Commercial Allotments: 5 challans for ₹ 0.96 crore and Industrial Allotments: 6 challans for ₹ 3.63 crore) were original while the remaining 34 challans of ₹ 10.59 crore (Commercial Allotments: 5 challans for ₹ 0.53 crore and Industrial Allotments: 29 challans for ₹ 10.06 crore) were photocopies (bank/applicant copy). The practice of not maintaining original challans indicates lax internal control mechanism for deposits and therefore needs urgent attention of GNIDA. Because of this, accuracy and correctness of the deposit amounts shown by the System Division against the allottees could not be ensured. Absence of original copy of challans and lack of reconciliation of the deposits is also prone to risk of fraud.

Due to the above explained faulty system, GNIDA detected (August 2019) 52 suspected entries involving deposit of ₹ 1.65 crore relating to period January

⁶ Statement showing date wise payment plan showing installments due, actual deposits by the allottees there against and outstanding amount.

⁷ Gaurav Kumar Yadav (Shop No. OM3 DKI-C, Sector OMICRON), Rajesh Kumar Varshney (Shop No. Eco 51, Ecotech II), Rajesh Bhati (Shop No. 8, Sector 8 Delta 2).

⁸ Jackson Engineers Limited (Plot No. 25, Sector Ecotech-III), Multitex Filtration Engineers Limited (Plot No. 111, Sector Ecotech-XII), Kanishk Panwar (Plot No. 27, Sector Ecotech-VI) and Unisol India Private Limited (Plot No. 26-A, Sector Ecotech-III).

2001 to February 2019. As per FIR lodged (August 2019), two user IDs of the Systems Division, which were deactivated since 2009, were activated and these entries were made in the payment intimations without challans and through fake challans. The matter was under investigation (March 2022).

Thus, failure of GNIDA to ensure basic internal control for reconciliation of the deposits and its subsequent unauthorised corrections led to entry of suspected fraudulent deposits in GNIDA's (IT) system.

In its reply, GNIDA stated (October 2020) that up to the year 2012-13, all the challans were not verified by the Finance Department on the basis of bank statements and it was only verified when allottee approached GNIDA for any facility. However, since the year 2013-14, the amount deposited by the allottees were entered in the IT system after the reconciliation of the challans with the bank statement. As regards the fraudulent challans, GNIDA stated that on detection of such cases, the required action is being taken and the amount is being recovered from the allottees. GNIDA further stated that it is implementing ERP system in which the amount deposited will be verified automatically and immediately.

The reply is not acceptable, as despite implementation of new procedure since 2013-14, fraudulent entries were made in payment intimation without corresponding deposits by allottees. As such, the connivance amongst the allottees, Property Division and Finance Division of GNIDA in such fraudulent cases cannot be ruled out. This issue being high risk prone, it is essential that a robust system of verification and reconciliation of deposits is put in place by GNIDA without any delay.

Irregularities in allotment of properties

6.5 The allotment of properties lacked transparency which led to discretion in allotments of plots. The brochure conditions for ensuring eligibility of the applicants in various categories were also not complied with as discussed below:

Arbitrary allotments through interview

6.5.1 In the Industrial, Institutional and IT categories, allotments were made on the basis of presentation and interview of the applicants. Audit observed that no criteria, such as minimum net worth, turnover and liquidity, were prescribed for evaluation of applications and adjudging the most suitable applicant as discussed in **Paragraphs 5.1.4.2 and 5.5.4.2** of Chapter-V Allotment of properties. This absence of criteria enabled the Screening/Allotment Committee to exercise total discretion in allotments. This led to allotment of industrial/institutional category plots to allottees who were not serious and encouraged them to profiteer in transfer of land subsequently through change in constitution of the allottees. Thus, the method of allotments through the process of interviews by the Screening/Allotment Committee was totally flawed and lacked transparency.

In its reply, GNIDA stated (September 2020) that allotments were made on the basis of recommendation of the Screening/Allotment Committee which evaluated the allotment applications on the basis of criteria mentioned in the respective brochures. GNIDA further stated that the screening committee did not exceed its power by going beyond the rules.

The reply is not relevant as it does not address the issue raised in audit observation that the criteria was not clearly defined to adjudge the suitable applicant due to which Screening/Allotment Committee applied discretion for allotment of plots and points at weakened internal control.

Undue favour in screening of application and allotment

6.5.2 Scheme brochures for allotment of plots provides for submission essential documents by the applicant. Audit noticed that out of 170 sampled allotments of Industrial, Builders/Group Housing, Institutional and IT categories, GNIDA allotted 51 plots (30 *per cent*) despite one or more prescribed documents not submitted by the applicants. These documents were registration certificate of applicant institutions, financial statements, statement of turnover, statement of net worth, liquidity certificate, completion certificates for past experience, annual reports, *etc.* Thus, lack of internal control in screening of application led to undue favour in allotment of 51 plots to ineligible applicants as discussed in ***Paragraphs 5.1.5.1, 5.2.6.2 and 5.5.5.1.***

In its reply in case of Industrial plots, GNIDA stated (November 2020) that the audit point shall be considered in future allotments and in case of builders plots, the State Government and GNIDA accepted the audit observation. In case of Institutional and IT plots, GNIDA stated that allotment was made as per recommendation of allotment committee on the basis of documents submitted at the time of application with the approval of CEO.

The reply of GNIDA indicates lack of internal control due to which allotment of plots were made to applicants despite their failure in submission of essential documents as required under scheme brochures' conditions.

Monitoring system, sharing of information and communication with stakeholders

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

Lack of co-ordination between different divisions

6.6.1 The various divisions of GNIDA, *viz.*, Planning, Project, Property, Finance and System Divisions need to work according to the specific roles assigned to them towards achieving common goal of the organisation, *i.e.*, planned industrial development and urbanisation.

Audit noticed that there was lack of co-ordination between different divisions of GNIDA as indicated below:

- Completion Certificates for completion of the building of commercial, institutional and industrial plot are issued by the Planning Division and Functional Certificates are issued by the respective Property Divisions (*viz.*, Commercial, Institutional and Industry Divisions). Neither the Planning Division sent the information of completion to the respective Property

Divisions nor did the respective Property Divisions made efforts to obtain information from the Planning Division regarding Completion Certificates so as to reconcile the status and issue notification to the allottees to obtain Functional Certificates from GNIDA as essential under the terms and conditions of the respective scheme brochures for allotments. As a result, the process of levy of penalty on account of delay in completion and functionality of the projects was not effective.

- The System Division maintains the comprehensive data related to allotments of plots under various categories. The Planning Division issues the completion certificates on completion of the projects and maintains the records relating to it. However, there was no system of intimating the same to the concerned Property Division/System Division immediately and the concerned Divisions had their own set of data.
- Lease plans of the plots are prepared by the Project Divisions. On receipt of lease plan, the checklist is issued by the concerned Property Division to the allottee for completing all the formalities and executing the lease deed. Audit noticed delays in issue of checklist to allottees due to failure of Project Division to provide the lease plan. Inability to control delays in issue of checklists also indicate weak internal control.

In its reply, GNIDA stated (September 2020) that in future, copy of the completion certificate would also be sent to the Property Division. GNIDA further stated that there were delays in issuing checklist sometimes due to delays in removing encroachment, failure in developing the sector, legal hurdles, *etc.*, and now, it has been decided that allotments would be made only of those plots which are fully developed and undisputed.

Deficient Management Information System (MIS)

6.6.2 Management Information System (MIS) is a structured system of collecting, storing and dissemination of information in the form needed to carry out the functions of management. System Division of GNIDA is responsible for maintenance of various data/MIS. The output reports generated from the data maintained by the System Division should be able to provide the current status as well as history of transactions/events/exception cases.

Audit noticed that there was no prescribed system of returns for preparation and submission of information on various activities, such as, allotments, vacant land parcel, overdue against allottee, *etc.* Due to lack of effective MIS, activities of various Divisions could not be effectively monitored by higher management. The data available with System Division could have been used for real-time MIS, but it had discrepancies. Audit noticed that in case of data of Industrial plots, industrial units at 370 industrial plots were shown as functional, however, date of completion of construction on these plots was left blank. Thus, these industrial units were either incorrectly shown as functional or dates of their completion were not captured in the data maintained by System Division.

Further, the IT system was also deficient to the extent that it did not generate the reports of sanctioned number of sub-lease in Group Housing/Builder plots for ultimate home dwellers. The outstanding dues of premium and lease rent at any past date was not retrievable from the data, instead it provided only the

GNIDA did not prescribe submission of periodic returns on various activities for monitoring by higher management. Further IT system was also deficient and discrepant in many respects and provided only current outstanding dues and not past ones.

current outstanding dues. Due to this the data relevant for past date cannot be accessed.

In its reply, GNIDA stated (September 2020) that MIS is generated by their property management system whenever required. GNIDA further assured (September 2020) that provision would be made for accessing outstanding dues at any past date.

The reply is not acceptable as it does not address the fact that the reports generated from the data of System Division were discrepant and that there was no prescribed system of periodical returns. Further, GNIDA was yet (March 2022) to make provision in its system for accessing outstanding dues at any past date.

6.7 Conclusion

The Internal Control system in GNIDA was found to be significantly deficient. The GoUP and Board of GNIDA failed to perform their oversight roles as per UPIAD Act, 1976 and NCRPB Act, 1985. Annual Report of GNIDA were not prepared and laid before the State Legislature inhibiting legislative oversight over the activities of GNIDA. The weakness in the internal control system in GNIDA resulted in misuse of authority and incurring expenditure for other departments which was beyond the ambit of GNIDA. There was absence of manual and guidelines for pricing and allotment of properties. The absence of Internal Audit translated in unchecked and frequent violation of rules and procedures by the officials of GNIDA. Numerous instances of commencement of schemes or changes in Brochure without appropriate approvals were in evidence. Lack of co-ordination between the different Divisions and weak MIS system in GNIDA were also seen. Deposits of money by allottees was not verified or reconciled with banks which was a high risk area and could lead to fraud.

On the principal counts of governance, viz., adherence to public interest, maintaining integrity and accountability, transparency in decision making by GNIDA was found lacking.

All of these, translated in failure to achieve the objectives of GNIDA, distress for end use stakeholders like home buyers who invested their life saving in schemes of GNIDA and losses to GNIDA and Government.

6.8 Recommendations

Recommendation Number	Recommendation
34.	The Government should ensure preparation of Annual Reports by GNIDA and their laying before the State Legislature. The State Government has accepted the recommendation.
35.	Instances of public expenditure beyond GNIDA's mandate should be regularised and checked.
36.	GNIDA may prepare guidelines and manual for pricing of properties and allotment of properties under group housing/ builder, sport city and farm houses plots to ensure transparency and standardise procedures.
37.	The Government/GNIDA should establish a strong internal audit system to ensure compliance with rules and regulations

Recommendation Number	Recommendation
	within GNIDA. The State Government has accepted the recommendation.
38.	The Government/GNIDA should fix the responsibility of erring officials of the Authority for launching of schemes without prior approval of terms and conditions of scheme brochures by the Board.
39.	GNIDA should install an effective Management Information System and periodical returns to enable the management to make informed decisions to improve working and oversight within GNIDA. The State Government has accepted the recommendation.
40.	Since the existing system of allotments in case of Institutional and Industrial categories through interviews, post scrutiny by Screening/Allotment Committee has been found to be compromised and vitiated, the Government/GNIDA should devise transparent system of allotment, with minimal scope for discretion in the hands of the officials. The State Government has accepted the recommendation.
41.	GNIDA should introduce a robust IT system to ensure that reconciliation of the deposits made by the allottees are complete within the prescribed time and automatic checks are generated. The State Government has accepted the recommendation.
42.	The post allotment compliances should be ensured by GNIDA to avoid financial losses and responsibility should be fixed for extending undue favour to allottees/loss to GNIDA.

Lucknow
The

8 AUGUST 2023



(TANYA SINGH)
Accountant General (Audit-II),
Uttar Pradesh

Countersigned

New Delhi
The

8 AUG 2023



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India