

CHAPTER–VII
**Corporate Governance and Internal
Control**

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Corporate Governance and Internal Control

Corporate governance plays a vital role in ensuring transparency, accountability and efficient management within an organisation. Further, an effective internal control system is a pre-requisite for any successful organisation. YEIDA did not prepare and submit Annual Reports to the Government and the form of Annual Statement of Accounts has not been prescribed by the State Government. Further, YEIDA failed to ensure compliance of statutory provisions for deposit of Workers' Welfare Cess and Goods and Services Tax.

YEIDA did not formulate manuals for pricing of properties and allotments under various categories and there was lack of uniformity in the pricing procedure and scheme brochure conditions.

The IT System of YEIDA was deficient as it did not provide the current status as well as history of transactions/events. Besides, YEIDA does not have an effective MIS system. Hence, the activities of various sections/ departments could not be effectively monitored by the top management of YEIDA.

Introduction

7.1 Corporate governance is a system of rules, practices and processes by which an organisation is directed and controlled. The primary aim of corporate governance is to ensure that organisations operate in an ethical, transparent and accountable manner, while also safeguarding the interests of all stakeholders.

Further, internal controls, in simple terms, are activities and safeguards that are put in place by the management of an organisation to ensure that its activities are proceeding as planned. An effective internal control system is a pre-requisite for any successful organisation.

Audit findings

7.2 The provisions of the Uttar Pradesh Industrial Area Development (UPIAD) Act, 1976 establish a framework for decision making and accountability of Industrial Development Authorities in Uttar Pradesh. By adhering to these principles, YEIDA can foster a conducive environment for industrial growth, attract investments and contribute to the sustainable development of its industrial development area.

Audit analysed corporate governance and the system of internal controls in YEIDA with reference to the functions of YEIDA 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.

The audit findings have been classified as follows:

- Governance and policy framework at Government and Board level (*Paragraphs 7.3 to 7.3.4*)
- Compliance with applicable statutory provisions (*Paragraphs 7.4 to 7.4.4*);
- Lack of transparency and accountability (*Paragraphs 7.5 to 7.5.3*); and
- Monitoring mechanism and internal control system (*Paragraphs 7.6 to 7.6.4*).

Governance and policy framework at Government and Board level

7.3 The overarching framework of Industrial Development Authorities is regulated by UPIAD Act, 1976. Section 18 of UPIAD Act, 1976 provides that the State Government may by notification make rules for carrying out the purposes of this Act. Further, the Board of YEIDA is required to formulate policies and frame procedures which are consistent with the framework of the applicable Acts.

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

Annual Report not being prepared and placed in the legislature

7.3.1 The annual report of an organisation contains its audited annual accounts and information about important activities carried out by it during the year. Section 23 of UPIAD Act, 1976 provides that YEIDA shall prepare 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.

YEIDA did not prepare and submit Annual Report to GoUP for laying before the State Legislature, as statutorily mandated.

Audit noticed that neither GoUP has prescribed the form and dates for submission of such reports by YEIDA, nor YEIDA prepared and submitted Annual Reports to GoUP for laying before the State Legislature, as statutorily mandated. This indicated that the Government as well as YEIDA failed to comply with the roles assigned in the UPIAD Act, 1976 and consequently inhibited legislative oversight over the activities of YEIDA.

In its reply, YEIDA stated (November 2022) that it has finalised annual accounts for the period 2005-06 to 2020-21 on accrual basis and the Balance Sheet and Income and Expenditure Statement have been made available to GoUP.

The reply confirms that no annual report has been submitted to GoUP which clearly reflects that the provisions of the UPIAD Act, 1976 were not being complied with. Moreover, the GoUP has not yet prescribed the form of the annual report.

Form of accounts not approved by the State Government

7.3.2 Section 22 (1) of UPIAD Act, 1976 provides that the Industrial Development Authority 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 has not prescribed the form of accounts for Industrial Development Authorities (IDAs) resulting in lack of uniformity in preparation of accounts by IDAs.

Audit noticed that the IIDD, GoUP which is the administrative head of the Authorities, has not prescribed the form of Annual Statement of Accounts for the Industrial Development Authorities (IDAs). 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 Annual Statements of Accounts by the IDAs was not standardised and there was lack of uniformity in preparation of accounts among these IDAs.

The Annual Statement of Accounts of YEIDA were initially prepared on cash basis of accounting up to the year 2019-20 which have now been revised on accrual basis from the year 2005-06 onwards.

The Annual Accounts up to 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 YEIDA to CAG from the year 2005-06 onwards. YEIDA has submitted (November 2022) its Annual Accounts from the year 2005-06 to 2020-21 in the Office of the Accountant General (Audit-II), Uttar Pradesh, Lucknow.

In its reply, YEIDA stated (November 2022) that it had maintained its accounts on cash basis up to the financial year 2019-20. It further stated that on the suggestion of the Accountant General (Audit-II), Uttar Pradesh and directions of GoUP, it has decided to maintain its accounts on accrual basis since 2005-06 by preparing an accounting policy. The accounting policy was approved by the Board in its 66th meeting held on 21 December 2019 and sent to GoUP for approval. The Balance Sheet and Income and Expenditure statement for the years 2005-06 to 2020-21 have been approved by the Board.

The fact remains that format for the Annual Statement of Accounts has not been prescribed by GoUP as required under the provisions of the UPIAD Act, 1976 till date (November 2022).

Recommendation No. 26

GoUP should initiate action for ensuring compliance of provisions of the UPIAD Act, 1976 notably relating to preparation of Annual Statement of Accounts and Annual Reports and their laying in the State Legislature.

Absence of standard working manuals/guidelines

7.3.3 A manual is a set of written guidelines/instructions approved by the competent authority which standardises the procedures to be followed by an organisation in its day-to-day working.

YEIDA did not formulate manuals for pricing and allotment of properties under various categories.

Audit noticed that YEIDA did not formulate manuals for pricing and allotment of properties under various categories. In the absence of manuals, various irregularities/discrepancies relating to pricing and allotments were noticed, as discussed in Chapters-V and VI. Further, there was lack of uniformity in the terms and conditions of allotment of various categories of plots and across the years within same categories. Besides, there was no uniformity in the pricing procedure over the years.

In its reply, YEIDA stated (November 2022) that allotment rates are fixed by it considering the market demand and marketability of properties including factors such as land cost, internal development, external development, etc. It further stated that it is a self-financed autonomous body and policy decisions like pricing of properties, etc., are taken by the Board. As regards allotment of properties it stated that it allots plots through Allotment Committee after recommendations of the Screening Committee, furnishing of financial certificate by Finance Department and submission of documents and project presentation by the applicants. Further, the Board in its 73rd Board meeting (26 April 2022) decided to allot all type of properties, except residential properties, through e-auction.

The fact remains that YEIDA has not formulated any standard working manual/guidelines for pricing and allotment of properties resulting in lack of uniformity and various deficiencies in pricing and allotments.

Recommendation No. 27

YEIDA should formulate manuals/guidelines for pricing and allotment of properties in order to standardise the procedures to be followed for pricing and allotment of properties.

Invoking urgency clause for acquisition of land without acceptable justification

7.3.4 YEIDA in 25 out of 26 cases¹ of land acquisition for development of YEIDA township/development by Concessionaire, examined in Audit, forwarded its proposals to the Additional District Magistrate (Land Acquisition) with a standard justification for invoking urgency clause under Section 17 of Land Acquisition Act (LAA), 1894. The standard justification given by YEIDA in its land acquisition proposals did not provide an acceptable justification for invoking urgency clause because planned development of the acquired land takes a long time as discussed in **Paragraph 3.5.1** of Chapter-III.

Audit noticed that YEIDA 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 its reply, YEIDA stated (November 2022) that provisions of Section 17 were invoked in view of urgency of projects on same grounds as done by NOIDA and GNIDA.

The reply is not acceptable as no specific justification was given for invocation of urgency clause for individual cases of acquisition due to which land owners’ right to hearing were dispensed. In this context, it is pertinent to point out that Hon’ble Supreme Court, in its judgement² (May 2015) has also held that invocation of Sections 17(1) and 17(4) was wrong. In this respect GoUP has also issued orders (January 2012) for stopping the invocation of urgency clause for acquisition of land.

Compliance with applicable statutory provisions

7.4 Corporate governance ensures compliance with applicable laws and regulations. By adhering to applicable statutory provisions YEIDA can minimise legal risks and avoid penalties.

Audit noticed the following instances where YEIDA had failed to comply with applicable statutory provisions governing its operations:

Preparation of Master Plan without corresponding Regional Plan/Sub-Regional Plan

7.4.1 GoI enacted (February 1985) National Capital Region Planning Board (NCRPB) Act, 1985, which provided for constitution of a Planning Board for preparation of a plan (Regional Plan) for 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 (Phase-I) of YEIDA, covering area of Gautam Buddha Nagar and Bulandshahr districts, falls within the ambit of NCR, therefore, YEIDA and GoUP, as the participating State, are required 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 NCRPB, finalise the Sub-Regional

¹ In addition to these 26 cases, in seven cases for acquisition of land for construction of Yamuna Expressway, urgency clause was invoked which has been considered justified by Audit in view of importance of the project in public interest.

² Savitri Devi vs. State of U.P and Others in Civil Appeal No. 4506 of 2015.

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 a lower-level plan *i.e.*, Master Plan (Phase-I), 2031 of YEIDA in October 2013 without preparation of higher-level plans *i.e.*, Regional Plan and Sub-Regional Plan for horizon year 2031 so far (November 2022). Further, as discussed in **Paragraph 2.5.2** of Chapter-II YEIDA implemented Master Plan (Phase-I) 2031 without approval of NCRPB. Thus, GoUP and YEIDA failed to observe the overarching framework of the NCRPB Act, 1985.

In its reply, YEIDA stated (November 2022) that the process of preparation and approval of Master Plan by YEIDA and Regional Plan by NCRPB is different and it is not necessary that Regional Plan/Sub-Regional Plan is approved before approval of Master Plan of any region. The Master Plan is required to be in conformity with the Regional Plan/Sub-Regional Plan. It further stated that the proposed urbanisable area and population for the year 2021 as contained in the Master Plan has been included in Sub-Regional Plan 2021 and development works are being executed accordingly.

The reply is not acceptable as preparation of Master Plan by YEIDA without preparation of corresponding Regional Plan/Sub-Regional Plan by NCRPB/GoUP has effectively overturned the hierarchy of planning structure wherein Master Plans were to be based on Sub-Regional Plan and not *vice-versa*.

Expenditure beyond mandate of UPIAD Act, 1976

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

Audit observed that YEIDA incurred expenditure of ₹ 36 lakh during the period 2016-17 to 2019-20 on providing grants/sponsorships to Uttar Pradesh Bharat Scout and Guide, Greycell Marcom Pvt. Ltd. and Indian Floorball Federation which was beyond the functions of YEIDA as specified under the UPIAD Act, 1976. Thus, YEIDA incurred expenditure of ₹ 36 lakh beyond the mandate of UPIAD Act, 1976.

In its reply, YEIDA stated (November 2022) that the expenditures were made to increase awareness amongst the investors about its schemes and to encourage them for investment in its development area. It further stated that the expenditure was met from its budget resources after approval of CEO.

The reply is not acceptable as these expenditures were beyond the functions of YEIDA as mandated under UPIAD Act, 1976.

Not ensuring deposit of Workers' Welfare Cess

7.4.3 GoI enacted the Building and Other Construction Workers' Welfare Cess Act, 1996 and framed Building and Other Construction Workers' Welfare Cess Rules (Cess Rules), 1998 which provided for levy and collection of a cess³ on the cost of construction incurred by employers. The aforesaid Act and

³ At such rate not exceeding two *per cent*, but not less than one *per cent*.

Rules were made applicable in the State of Uttar Pradesh with the notification (February 2009⁴) of the ‘Uttar Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2009⁵ by GoUP. GoUP also constituted (November 2009⁶) the ‘Uttar Pradesh Building and Other Construction Workers’ Welfare Board (Welfare Board) under Section 18 of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

Rule 4(4) of the Cess Rules, 1998 provides that where the approval of a construction work by a local authority is required, every application for such approval shall be accompanied by a crossed demand draft in favour of the Welfare Board for an amount of Workers’ Welfare Cess payable at the notified rates on the estimated cost of construction.

Audit noticed that YEIDA, in the following seven cases test checked in Audit, had approved building plans of the allottees but had neither obtained crossed demand draft for the requisite amount of Workers’ Welfare Cess nor any proof regarding deposit of Workers’ Welfare Cess by such allottees. The details are given in **Table 7.1** below:

Table 7.1: Details of cases where deposit of Workers’ Welfare Cess not ensured at the time of approval of building plans

Sl. No.	Name of the allottee/ lessee/ sub-lessee	Plot No. and Sector	Date of submission of map	Date of approval of map	Area of plot (in sqm)	Built-up area (in sqm)	Amount of Workers’ Welfare cess (in ₹)
1.	Three C Homes Pvt. Ltd.	GH-01, TS-01, Sector-22A	09-06-2014	01-08-2014	1,08,180.35	5,39,252.95	6,76,76,245
2.	Cosmic Structures Ltd.	GH-02, TS-04 Sector-22D	26-06-2014	21-01-2015	10,262.00	49,335.67	61,91,627
3.	Greenbay Infrastructure Pvt. Ltd.	GH-02, TS-06 Sector-22D	21-03-2014	25-03-2014	17,095.31	70,896.49	84,79,220
4.	Emerald Promoters Pvt. Ltd.	GH-01, TS-06, Sector-22D	04-08-2015	04-09-2015	37,812.34	1,01,416.26	1,44,01,109
5.	Oasis Realtech Pvt. Ltd.	GH-01, TS-01B, Sector-22D	22-07-2014	24-12-2014	37,500.00	1,98,646.49	2,49,30,135
6.	ATS Realty Pvt. Ltd.	P6, TS-02A, Sector-22D	23-01-2017	23-03-2017	18,130.00	91,177.10	1,29,47,148
7.	ATS Realty Pvt. Ltd.	P8, TS-02A, Sector-22D	22-06-2016	23-03-2017	32,201.90	1,62,606.88	2,30,90,177
Total							15,77,15,661

Source: Concerned approval files and information furnished by YEIDA

Thus, the monitoring mechanism for ensuring compliance of statutory provisions relating to deposit of Workers’ Welfare Cess was deficient. As a result, deposit of requisite Workers’ Welfare Cess with the Welfare Board could not be vouchsafed in Audit.

In its reply, YEIDA stated (November 2022) that it has been collecting proof of registration and deposit of Workers’ Welfare Cess at the time of approval of building plans as per its office order dated 14 June 2016. It further stated that Labour Department vide letter dated 05 May 2016 had directed YEIDA to ensure deposit of Workers’ Welfare Cess before issuing completion certificates of construction works. In all the cases pointed out by Audit, the

⁴ Notification No. 143/36-2-2009-251(SM)/95 dated 04 February 2009.

⁵ Framed in exercise of powers conferred by Section 40 read with Section 62 of the Act.

⁶ Notification No. 1411/36-2-2009-251(SM)/95 dated 20 November 2009.

building plans were approved before 2016 and as per instructions of Labour Department, Workers' Welfare Cess will be deposited before issue of completion certificate.

The fact remains that due to weak monitoring mechanism YEIDA failed to comply with the statutory provisions for deposit of Workers' Welfare Cess.

Recommendation No. 28

YEIDA should strengthen its monitoring mechanism and ensure deposit of Workers' Welfare Cess before sanctioning building plan of allottees.

Avoidable payment of penal interest

7.4.4 Notification no. 13/2017 dated 28 June 2017 issued by the Central Board of Indirect Taxes and Customs (CBITC) provides that services supplied by a Local Authority to a business entity are taxable⁷ under GST on reverse charge basis by the recipient of such services. Further Notification no. 3/2018 dated 25 January 2018 issued by CBITC provides that services supplied by the Local Authority by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017 are also taxable in the hand of the recipient under Reverse Charge Mechanism (RCM).

Audit noticed that even in cases where the recipients of the services were required to deposit GST under reverse charge mechanism, YEIDA recovered GST amounting to ₹ 12.26 crore during the period July 2017 to September 2021 from such recipients. Further, instead of depositing the aforesaid amount with the tax authorities, YEIDA claimed input tax credit amounting to ₹ 10.95 crore in respect of the aforesaid amount and deposited only ₹ 1.31 crore. Consequently, an enquiry was initiated (August 2021) by the Directorate General of Goods and Services Tax Intelligence, Meerut Zonal Unit on the aforesaid matter and issued summons to YEIDA. Thereafter, YEIDA, with a view to avoid penalty, deposited (September 2021) the aforesaid amount of ₹ 10.95 crore along with interest at the rate of 18 per cent amounting to ₹ 4.87 crore on advice of its Chartered Accountant.

Thus, due to not adhering to the provisions of the aforesaid notifications regarding payment of GST, YEIDA had to bear avoidable interest burden of ₹ 4.87 crore.

In its reply, YEIDA stated (November 2022) that due to ambiguity regarding disclosure of RCM liabilities the same were shown as normal liability of YEIDA and such liabilities got adjusted automatically through input tax credit whereas these should have been paid through cash ledger only. It further stated that YEIDA has not evaded any GST during the last four years and it was due to ambiguity in the GST Act that RCM liabilities got adjusted through input tax credit.

The fact remains that due to irregularly availing input tax credit in respect of GST to be deposited in cash, YEIDA had to pay avoidable interest of ₹ 4.87 crore.

Due to not adhering to the provisions of GST notifications, YEIDA had to bear avoidable interest burden of ₹ 4.87 crore.

⁷ Excluding the following services:

- (i) renting of immovable property;
- (ii) services by the department of posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union Territory or local authority;
- (iii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; and
- (iv) transport of goods or passengers.

Lack of transparency and accountability

7.5 Transparency and accountability are the fundamental pillars of corporate governance. Audit noticed the following instances depicting lack of transparency and accountability in YEIDA’s operations:

Relaxing of brochure conditions to the detriment of YEIDA

7.5.1 The terms and conditions laid down in the scheme brochure are YEIDA’s primary enabler for achievement of the envisioned development and for regulating the allottees.

Audit observed that these covenants were relaxed in successive brochures to the benefit of the allottees and to the detriment of YEIDA’s interest as discussed in **Paragraph 6.1.5.3** of Chapter-VI (1) and **Paragraph 6.2.5.6** of Chapter-VI (2) without any justification on record. As a result, projects were lying incomplete causing distress to home buyers who had invested their life savings in such projects.

In its reply, YEIDA stated (November 2022) that brochures for allotment of properties are prepared by a Committee after due deliberations and the same are approved by the Board.

The reply is not acceptable as the brochure conditions were relaxed to the detriment of YEIDA and ultimate home buyers.

Discretionary allotments through interview

7.5.2 In case of institutional plots, industrial plots, mixed land use plots and plots under 25 to 250 acre plots scheme, YEIDA made allotments on the basis of project presentation and interview of the applicants.

Audit noticed that YEIDA allotted 135 institutional, industrial and mixed land use plots and 14 plots under 25 to 250 acre plots scheme during the period November 2009 to February 2021 admeasuring 47,10,602.68 sqm and valuing ₹ 1,432.36 crore on interview basis. Audit observed that no pre-determined eligibility criteria were prescribed by YEIDA for adjudging the most suitable applicant as discussed in **Paragraph 6.2.5.2** of Chapter-VI (2).

In its reply, YEIDA stated (November 2022) that allotments are made by the Allotment Committee on the basis of documents submitted and project presentation by the applicants after recommendation of the Screening Committee. Further, allotment of industrial (above 4,000 sqm) and mixed land use plots is done on the basis of objective criteria and of industrial plots up to 4,000 sqm through draw of lots. It further stated that the Board in its 73rd meeting (26 April 2022) has decided to allot all type of properties (except residential) through e-auction.

The reply is not acceptable as in the cases pointed out by Audit allotment of plots was done on the basis of interview without any pre-determined parameters. Moreover, it conferred discretionary powers upon the Allotment Committee. It is also clarified that audit has not commented upon schemes wherein allotment of industrial and mixed land use plots was made on the basis of pre-determined criteria, and on allotment of plots through e-auction introduced by YEIDA in April 2022.

Allotment of plots without ensuring their intactness

7.5.3 For integrated development of the allotted area, YEIDA was to ensure that plots allotted to the allottees are free from all encumbrances/encroachment and disputes.

Audit noticed that YEIDA failed to ensure availability of encumbrance free land and completion of development works before allotment of plots as discussed in **Paragraph 6.2.6.1** of Chapter-VI (2). Allotment of plots without ensuring intactness gave rise to disputes with allottees, resulting in non-payment of dues, reschedulement and allowance of zero period and also delays in completion of projects which ultimately impacted the end buyers adversely.

In its reply, YEIDA stated (November 2022) that after allotment of plots, hindrances were faced in executing development works and handing over possession to allottees due to various legal disputes as farmers filed court cases demanding extra compensation. After judgment (19 May 2022) of the Hon'ble Supreme Court, extra compensation is to be paid to farmers. It further stated that allottees will be given possession after completing development works.

The fact remains that YEIDA should have ensured availability of encumbrance free land before allotment.

Monitoring mechanism and internal control system

7.6 Monitoring covers the day-to-day oversight of activities as well as periodic assessment of activities. This entails establishing a system for assimilating financial, operational and compliance information and sharing of such information with the top management as well as with other sections/departments and stakeholders in order to make informed decisions. Further, internal controls refer to the processes, policies and procedures implemented within an organisation to ensure efficient and effective operation of its activities. Internal controls aim to mitigate risks and prevent errors, fraud and mismanagement.

Audit noticed the following deficiencies in the monitoring mechanism and internal control system of YEIDA:

Deficiencies in the data maintained by IT System

7.6.1 The output reports generated from the data maintained by the Information Systems Wing should be able to provide the current status as well as history of transactions/events. The IT system was deficient to the extent that it did not maintain data regarding the following:

- *Khasra*-wise details of land to be acquired, *Khasra*-wise details of land actually acquired through various modes and current status of land acquired, *viz.*, whether allotted, encroached, affected by stay orders/litigation, *etc.*, to make the acquisition and property management transparent and accurate and to avoid repurchase of acquired land.
- Details regarding contracts entered into by YEIDA for execution of development and construction works including running bill-wise payments, statutory and other deductions made, performance guarantee submitted, physical and financial progress, present status, *etc.* for timely completion of works and their effective monitoring.

- Details regarding plots⁸ allotted/sub-leased to builders for effective monitoring of completion of projects and construction of buildings.
- Details regarding developed plots/flats sub-leased by builders to end-users for effective monitoring of interest of end users and YEIDA.
- Details regarding approval of maps, issue of completion/occupancy certificates, issue of functional certificate, *etc.*, for effective monitoring of constructions according to approved maps.
- Details of outstanding dues on any past date for effecting monitoring and collection of dues.

In its reply, YEIDA stated (November 2022) that the Land Department maintains khasra-wise details of land and Legal Department maintains details regarding stay orders, litigation, *etc.* It further stated that it is in the process to integrate and simplify the above information by adopting Upyog Platform Module developed by GoI. In respect of work contracts, E-MB/E-Bill system has been made applicable. Further, regarding details of residential township and group housing plots, in-house software has been developed and data feeding work is in progress. Regarding building plans/completion certificate/functional certificate, in-house software has been developed through which applications are being received and certificates are being issued online and Upyog Platform Module will be adopted to make the process contact less. In respect of details of outstanding dues of past date, the system is being updated. The reply confirms that presently YEIDA has no integrated IT system covering all its activities for effective monitoring and control.

Absence of effective Management Information System (MIS)

7.6.2 Management Information System (MIS) is a structured system for collecting, storing and dissemination of information in the form needed to carry out the functions of Management.

Audit noticed that there was no prescribed system for preparation and submission of periodic returns/ reports on various activities of YEIDA to the higher management. Thus, due to lack of effective MIS, activities of various sections/departments could not be effectively monitored by the higher management.

In its reply, YEIDA stated (November 2022) that action is being taken for implementing ERP system which will include software modules for all departments of YEIDA for effective management of data and MIS.

The reply confirms that presently YEIDA does not have an effective MIS covering all its activities.

Recommendation No. 29

YEIDA should install an effective Management Information System to enable its Board to make informed decisions and for collection and dissemination of information to improve working within YEIDA.

Cost of minor minerals not recovered as per terms of brochure

7.6.3 As per the terms and conditions of the scheme brochures (residential township and group housing plots) YEIDA has the right over all minerals in or under the plot. Accordingly, YEIDA has right over any disposable earth and sand excavated by allottees from their plots.

⁸ Residential Township and Group Housing.

Audit observed that YEIDA had no system to monitor extraction of minor minerals (earth and sand) by the allottees from the allotted plots. When Audit cross-verified with the records of District Mining Officer, Gautam Buddha Nagar it was observed that eight allottees/ sub-lessees had obtained permission to excavate minor minerals (earth and sand) costing ₹ 6.69 crore as discussed **Paragraph 6.1.6.10** of Chapter-VI (1). In absence of any mechanism to monitor disposal of minor minerals by the allottees, YEIDA failed to recover the sale proceeds of such minor minerals.

In its reply, YEIDA stated (November 2022) that the power to frame rules and perform enforcement activities in relation to mining under Mines and Minerals (Development and Regulation) Act, 1957 is vested with the District Magistrate and Mining Department of GoUP. Clear provisions relating to mines and minerals have been inserted in the scheme brochure, which is approved by the Board.

The reply is not acceptable because as per the provisions of the scheme brochures, YEIDA has right over any disposable earth and sand excavated from the allotted plots. It, however, failed to devise any mechanism to monitor excavation of these minor minerals to enable it recover the cost of such minor minerals from the allottees.

Weak internal control system

7.6.4 As discussed in **Paragraph 7.6**, an effective internal control system is a pre-requisite for any successful organisation as it aims to mitigate risks and prevent errors, fraud and mismanagement.

Audit observed significant failures in YEIDA's internal control system, as evidenced by the following audit findings discussed in detail in the previous Chapters:

- As discussed in **Paragraph 5.3.6** of Chapter-V, YEIDA launched a scheme in July 2009 for allotment of plots ranging from 25 acres to 250 acres for various key activities, including industrial, IT/ITES, bio-tech, institutional, sports, recreational and service industry. The terms and conditions outlined in the brochure specified the permissible land uses allocating specific percentages to each category.

Audit noticed that YEIDA fixed the sale price at ₹ 1,629 per sqm (premium of ₹ 1,055 per sqm and external development charges of ₹ 574 per sqm) for the plots under the scheme without considering the different land uses permitted. Based on the proportion of permissible land uses, the sale price worked out to ₹ 3,842 per sqm. The aforesaid discrepancy in fixation of sale price resulted in loss of ₹ 469.02 crore to YEIDA on allotment of 13 plots under the scheme. This indicates that the internal control mechanisms were inadequate in ensuring the accurate fixation of sale price for plots based on their permissible land uses.

In its reply, YEIDA stated (November 2022) that the rate for the scheme in question was determined at ₹ 2,670 per sqm which was ₹ 1,041 higher than the published rate of ₹ 1,629 per sqm and action is being taken for recovery of the difference amount. The reply is not acceptable as the correct sale price based on the proportion of permissible land uses was ₹ 3,842 per sqm.

- As discussed in **Paragraph 6.2.5.8** of Chapter-VI, YEIDA launched two schemes for allotment of institutional plots in November 2010 and June 2019. The schemes specified rates for allotment of land for educational institutes and senior secondary schools based on the area of the plot.

Audit noticed that YEIDA allotted two plots at rates lower than the applicable rates resulting in loss of ₹ 2.71 crore. The aforesaid loss occurred due to failure of internal control in ensuring that the appropriate allotment rates were charged.

YEIDA acknowledged (November 2022) the audit observation and stated that it has issued revised payment plans to the allottees.

- As discussed in **Paragraph 6.2.5.10** of Chapter-VI, YEIDA launched a scheme in June 2019 for allotment of institutional plots which included provision for levy of location charges at the rate of five *per cent* of the total premium in case the allotted plot is located on 45 metre or more wide road. YEIDA allotted (November 2020) an institutional plot measuring 13,492 sqm to Kent Foundation for establishment of a senior secondary school at a premium of ₹ 9.47 crore.

Audit observed that YEIDA did not demand location charges from the allottee despite the lease plan indicating that the plot was located on 45 metre wide road resulting in loss of ₹ 47.35 lakh. The aforesaid loss occurred due to failure of internal control in ensuring that location charges are recovered from the allottee wherever applicable.

YEIDA accepted (November 2022) the audit observation and stated that it has issued a revised checklist including the location charges to the allottee in May 2022.

- As discussed in **Paragraph 6.1.6.7** of Chapter-VI, the Government of Uttar Pradesh (GoUP) introduced the Project Settlement Policy (PSP) on 15 December 2016 to facilitate completion and development of housing projects in NOIDA, GNIDA and YEIDA. The policy provided an option for allottees to surrender a portion of their allotted plots allowing them to complete their projects on the remaining area. According to the policy, if an allottee chose to surrender a part of the plot, 15 *per cent* of the premium amount already deposited would be forfeited and the allottee could retain land valued at 85 *per cent* of the deposited premium. The remaining portion of the allotted land was to be surrendered to YEIDA.

YEIDA had allotted a group housing plot (GH-03, Sector-22A) to IITL-Nimbus The Palm Village on 9 June 2011. Lease deed for an area of 1,02,995.70 sqm was executed on 5 July 2012. Due to the unavailability of the entire project site for development because of ongoing farmers' agitation, the allottee requested YEIDA on 26 May 2017 to approve the partial surrender of the allotted land under the PSP. Subsequently, YEIDA allowed the allottee to retain 55,152 sqm of land valued at ₹ 29.79 crore being equal to 85 per cent of amount of ₹ 35.04 crore considered as premium deposited. Audit, however, observed that the actual premium deposited by the allottee was ₹ 30.36 crore. Thus, the allottee was allowed to retain land valued at ₹ 29.79 crore (55,152 sqm) instead of land valued at ₹ 25.81 crore (47,777 sqm) resulting in undue benefit of ₹ 3.98 crore to the allottee. This indicates that the internal control mechanism in YEIDA was inadequate to ensure correct account of the premium amount deposited by the allottee. In reply, YEIDA accepted the error and stated (November 2022) that lease rent for excess area of 7,375 sqm retained by the allottee has been recovered and action is being taken for surrender of the excess land.

From the above, it is evident that YEIDA failed to establish and enforce proper controls over pricing and collection of premiums and other charges

resulting in financial losses. These failures also suggest a lack of oversight and monitoring.

Conclusion

The corporate governance and internal control system in YEIDA was found to be ineffective. The GoUP and Board of YEIDA failed to perform their oversight roles as per UPIAD Act, 1976 and NCRPB Act, 1985. Annual Reports of YEIDA were not prepared and laid before the State Legislature inhibiting legislative oversight over the activities of YEIDA. There were instances of expenditure incurred on activities beyond the ambit of YEIDA. Besides, instances of failure in compliance with the statutory provisions were also noticed. The absence of manuals and guidelines for pricing and allotment of properties had resulted in irregularities/discrepancies relating to pricing and allotments. There was lack of MIS system as YEIDA had not prescribed formats for periodic returns/reports to be prepared by its various sections/ departments resulting in ineffective monitoring of various activities/ departments by the top management.

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



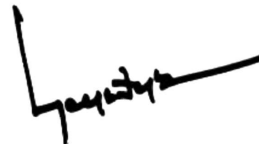
Lucknow

The **15 November 2024**

(TANYA SINGH)

Accountant General (Audit-II),
Uttar Pradesh

Countersigned



New Delhi

The **18 NOV 2024**

(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India