

EXECUTIVE SUMMARY

Why did we take up this study?

The Land and Development Office (L&DO), which is an attached office of the Ministry of Urban Development (Ministry), is responsible for the administration of the properties of the Government of India (GoI) in Delhi. The L&DO reportedly administers 60,526 residential, commercial, industrial, and institutional leases, covering a total area of 19,995 acres, which constitutes 5.5 per cent of the total area of Delhi covering prime localities in Nazul areas like Chanakya Puri, Jor Bagh, Golf Links, Sunder Nagar, Defence Colony and Connaught Place within the Lutyens Bungalow Zone (LBZ) and elsewhere, as well as rehabilitation colonies like Lajpat Nagar, Rajender Nagar and Patel Nagar. Out of these leases, 28,824 leases have been converted into freehold since 1992.

The functioning of the L&DO was previously reviewed and reported in the C&AG's Audit Report No. 2 of 2000 – Union Government (Civil) Transaction Audit Observations. However, despite the Ministry's specific assurances in the Action Taken Notes submitted to the Public Accounts Committee of Parliament, most of the deficiencies pointed out in the Audit Report, in particular those relating to poor documentation of properties, irregular revision and non-revision of ground rent, and non-recovery of outstanding dues from lessees, continued to persist. Consequently, another performance audit of the L&DO, covering the period 2003-08, was conducted between August and December 2008.

What was found?

The performance audit revealed the following major findings:

- Despite thousands of acres of land in prime locations with potential value ranging from Rs. 1,18,000 crore to Rs. 3,44,000 crore, ground rent receipts from these leased out properties were relatively insignificant. Based on the ground rent receipts of Rs. 92.77 crore during 2008-09, L&DO was receiving an average annual ground rent of only Rs. 40.43 *per square metre*; this was primarily due to continuation of an ad hoc formula for enhancement of ground rent for Nazul leases evolved in 1984, which had no relationship with the current letting/market values of these properties. The potential for revised ground rent in respect of even 1/30th[§] of the non-residential leases, if calculated on letting value, would amount to Rs. 356 crore. Thus, leases falling due for revision during last three years alone could have fetched Rs. 1068 crore annually. In our opinion, the scope for extracting the true value of land under L&DO's control in terms of ground rent has not been fully exploited.

[§] The figure of 1/30th has been adopted, since revision of ground rent falls due after every 30 years.

- Revision of ground rent for Nazul leases, even under the ad hoc formula of 1984, was in arrears, and L&DO was not aware of how many leases fell due for revision of ground rent. It was also not aware of the total amount of outstanding ground rent and other dues.
- The Ministry/L&DO had not revised the premium rates for allotment of land since 1998.
- Age-wise analysis of disposal of lease applications revealed lack of effective and efficient administration. 11 *per cent* of applications were getting processed with great speed and finalized within 15 days against the available time frame of 90 days, while 51 *per cent* of cases were settled after considerable delays ranging from 6 to 24 months or more. This reflects the lack of effective oversight, and the possibility of undue favour being shown to certain applicants.
- Documentation of leases and properties, and maintenance of necessary records and registers was poor, impairing effective functioning. Although L&DO reportedly administered 60,526 leases covering a total area of 19,995 acres, of which 28,824 leases had been converted into freehold, the detailed breakup of current leases administered by the L&DO was not available, and the authenticity of these reported figures could not be verified.
- Key components of the computerization plan, including establishment of a mapping system for all land parcels to be linked to a database, digitization of layout plans for all properties, and scanning of documents relating to markets transferred to NDMC/MCD, had not been effectively implemented, and the utilization by the L&DO of the computerized maps/data generated by these initiatives was not ascertainable.
- In the absence of details of total outstanding dues, audit scrutiny of specific categories of lessees - hotels, presses, and petrol pumps - revealed total outstanding dues of Rs. 968.47 crore; even this figure is incomplete, as only partial details in respect of only a few lessees were furnished by the L&DO.
- Audit scrutiny highlighted significant shortfalls in treatment of patients of Economically Weaker Sections (EWS) in hospitals, despite the order of Hon'ble Delhi High Court prescribing 25 *per cent* of the OPD beds, and 10 *per cent* of the IPD beds. This shortfall was attributable partly to lack of referrals from Government hospitals. In the absence of treatment of the requisite number of EWS patients, the implicit subsidy provided by the Government through allotment of land at highly concessional rates appeared unjustified.
- Audit scrutiny of records in respect of three hospitals, eight schools and eight petrol pumps coupled with Joint field visits by audit team to some of units revealed significant breaches of lease conditions, in terms of unauthorized construction, encroachment, and misuse, on which effective action had not been taken by the L&DO. The conduct of regular inspections

of leased properties by the L&DO to detect such breaches was also very poor. The L&DO was not effectively monitoring the recovery of charges for breaches of lease conditions (including encroachment, unauthorized construction and misuse for non-specified purposes).

What is recommended?

In view of the above findings, Audit recommends the following:

- The existing notified rates of land used for allotment and determination of ground rent of leased properties are way below the current market rates and need to be revised upwards in line with real estate price movements as already done by GNCTD for land transactions in MCD areas.
- The ad hoc formula for revision of ground rent in respect of Nazul leases, notified in 1984 must be reviewed and replaced by a formula which is closely aligned with the current letting value of land to generate reasonable revenue from L&DO's vast land holdings in prime locations. Further, the schedule of area-wise letting values should also be revised at periodical intervals, in line with fluctuations in the land market.
- The Ministry must put in place an effective oversight system to ensure that all outstanding dues on account of ground rent are properly assessed and recovered within a definite time frame.
- As all the cases due for revision of ground rent have not been processed by the RGR Cell and L&DO is also not aware of how many cases have fallen due for revision, Ministry must prescribe a specific time frame within which all cases due for revision are identified and then revised by L&DO without delay.
- Cases of undue speed as well as inordinate delays/pendency in processing of applications for various lease activities should be monitored constantly, and reasons for such speed/delay should be ascertained, and if necessary, scrutinized in detail in specific cases. In order to improve transparency, details of the status as well as time taken along with reasons for individual cases must be made accessible to the public through the Internet website.
- The L&DO needs to obtain complete and detailed data about the leases currently administered by it, after excluding leases converted to freehold. Further, data relating to all leases and properties should be captured in a computerized system within a very strict timeframe, while ensuring the accuracy and reliability of such data. Maintenance of associated registers and records should be computerized and fully integrated with the lease and property data.
- The number of pending cases with the court of the Estate Officer is high. This is an internal court of the L&DO, which is entirely responsible for the delay. The Ministry/L&DO should

appoint adequate number of Estate Officers to ensure speedy settlement of cases. L&DO should also strengthen the human resources in its Vigilance, Legal and Public Grievance Cells, to ensure effective and speedy responses in judicial cases, and quick settlement of vigilance and public grievance cases.