

CHAPTER III LAND REVENUE

EXECUTIVE SUMMARY

Decrease in tax collection	As indicated at para 1.1.2 of Chapter-I, in 2010-11 the collection of land revenue decreased by 22.94 <i>per cent</i> over the previous year, which was attributed by the Department to decrease in land revenue/tax.
Very low recovery by the Department in respect of observations pointed out by us in earlier years	During the period 2005-06 to 2009-10, we had pointed out non/short levy, incorrect grant of remission, loss of revenue with revenue implication of ₹ 893.78 crore in 366 cases. Of these, the Department/ Government had accepted audit observations in 80 cases involving ₹ 77.97 crore but recovered ₹ 0.07 crore in 13 cases. The recovery position as compared to the acceptance of objections was very low at 0.09 <i>per cent</i> during the five year period.
Results of audits conducted by us in 2010-11	<p>In 2010-11 we test checked the records of 272 offices relating to land revenue receipts and found underassessment of tax and other irregularities involving ₹ 314.01 crore in 82 cases.</p> <p>The Department had accepted underassessments and other deficiencies of ₹ 182.83 crore in 42 cases of which, five cases involving ₹ 177.38 crore were pointed out during the year 2010-11 and the rest in the earlier years. An amount of ₹ 44.55 lakh was recovered in 37 cases during the year 2010-11.</p>
What we have highlighted in this Chapter?	<p>In this Chapter, we present illustrative cases of ₹ 16.06 lakh and a performance audit on “Alienation of Government land and conversion of agricultural land for non-agricultural purposes”, involving ₹ 182.31 crore selected from observations noticed during our test check of records relating to assessment and collection of land revenue in the office of Chief Commissioner of Land Administration and Tahsildars, where we found that the provisions of the Acts/Rules were not observed.</p> <p>It is a matter of concern that similar omissions were pointed out by us repeatedly in the Audit Reports for the past several years, but the Department had not taken corrective action. We are also concerned that though these omissions were apparent from the records which were made available to us, the Tahsildars failed to detect them.</p>

With regard to performance audit on ‘Alienation of Government land and conversion of agricultural land for non-agricultural purposes’, we observed that in the absence of a time frame for finalisation of alienation proposals and non monitoring of these proposals of advance possession of land cases, proposals were pending with the Government/Department for one year to 34 years. Absence of a system for cross verification and coordination between Departments/Local Bodies resulted in approval of housing plans on agricultural land without conversion of the land from agricultural to non agricultural purposes. Ineffective levy and collection system resulted in accumulation of huge arrears on account of conversion fee and fine. There were short/non levy of conversion charges/fines due to administrative lapses/mistakes.

Our conclusion

The Department needs to improve the internal control system so that weaknesses in the system are addressed and omissions of the nature detected by us are avoided in future.

It also needs to initiate immediate action to recover the non/short levy of conversion fee/fine/road cess pointed out by us, more so in those cases where it had accepted our contention.

3.1 Tax administration

At the apex level, Chief Commissioner of Land Administration (CCLA) is responsible for administration of the Revenue Board Standing Orders (BSO), Andhra Pradesh (AP) Water Tax Act, 1988, AP Agricultural land (Conversion for non-agricultural purpose) Act, 2006, AP Irrigation, Utilisation and Command Area Development Act, 1984 and Rules and orders issued thereunder. The State is divided into 23 districts, each of which is headed by a District Collector who is responsible for the administration of the respective district. Each district is divided into revenue divisions and further into mandals¹, which are kept under administrative charge of Revenue Divisional Officers (RDOs) and Tahsildars respectively. Each village in every mandal is administered by Village Revenue Officers (VROs) under the supervision of Tahsildars. The VROs prepare the tax demands under all the Acts mentioned above for each mandal from the village accounts and get it approved by the concerned *Jamabandi* Officers². VROs/Revenue Inspectors are entrusted with the work of collection of revenue/taxes such as water tax, conversion fee for agricultural lands etc. At the Government level, Principal Secretary (Revenue) is incharge of overall administration of the Revenue Department.

3.2 Trend of receipts

Actual receipts from land revenue during the years 2006-07 to 2010-11 alongwith the total tax receipts during the same period is exhibited in the following table and graphs.

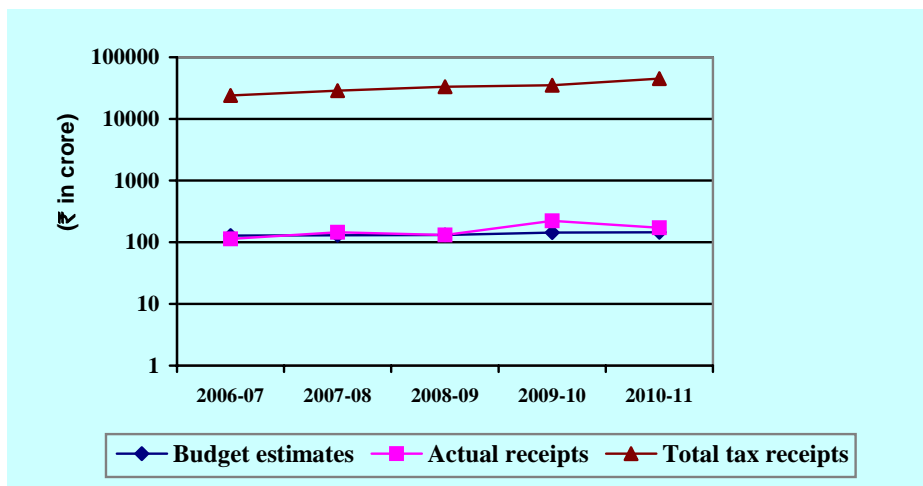
(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts
2006-07	128.48	113.50	(-) 14.98	(-) 11.66	23,926.20	0.47
2007-08	129.48	144.39	(+) 14.91	(+) 11.52	28,794.05	0.50
2008-09	130.48	130.35	(-) 0.13	(-) 0.10	33,358.29	0.39
2009-10	144.00	221.56	(+) 77.56	(+) 53.86	35,176.68	0.63
2010-11	145.00	170.74	(+) 25.74	(+) 17.75	45,139.55	0.38

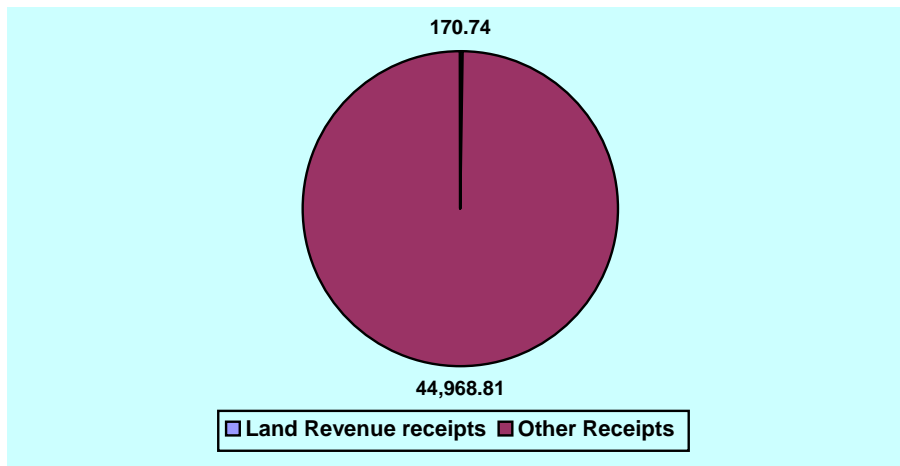
¹ Mandals are the jurisdictional area of each Tahsildar.

² *Jamabandi officer* is District Collector or any other officer nominated by him not below the rank of Revenue Divisional Officer.

Graph 1: Budget estimates, actual receipts and total tax receipts



Graph 2: Actual receipts vis-à-vis Other tax receipts (₹ in crore)



The percentage of land revenue receipts vis-a-vis total tax receipts of the State had registered a decline from 0.47 per cent to 0.38 per cent during 2006-07 to 2010-11 except during 2007-08 and 2009-10. The percentage of actual receipts vis-à-vis total tax receipts recorded during 2010-11 is the lowest in the last five years.

3.3 Cost of collection

The figures of gross collection in respect of land revenue, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09, 2009-10 and 2010-11 are mentioned below:

(₹ in crore)					
Head of revenue	Year	Gross collection	Expenditure on collection of revenue	Percentage of cost of collection to gross collection	All India average percentage for the previous year
Land Revenue	2008-09	130.35	12.90	9.90	NA
	2009-10	221.56	20.61	9.30	NA
	2010-11	170.74	18.96	11.10	NA

The percentage of cost of collection to gross collection in land revenue registered an increase of 1.8 *per cent* during the year 2010-11 as compared to previous year.

3.4 Results of Local Audit

During the last five years, audit had pointed out non/short levy, incorrect grant of remission, loss of revenue with revenue implication of ₹ 893.78 crore in 366 cases. Of these, the Government/Department had accepted audit observations in 80 cases involving ₹ 77.97 crore and had since recovered ₹ 0.07 crore. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	64	68	27.82	2	0.02	1	0.01
2006-07	187	110	13.29	2	0.06	3	0.01
2007-08	276	92	730.95	40	76.77	6	0.03
2008-09	180	53	110.50	22	0.66	2	0.01
2009-10	214	43	11.22	14	0.46	1	0.01
Total	921	366	893.78	80	77.97	13	0.07

The insignificant recovery of ₹ 0.07 crore (0.09 *per cent*) as against the money value of ₹ 77.97 crore relating to accepted cases during the period 2005-06 to 2009-10 highlights the failure of the Government/Department machinery to act promptly to recover the Government dues even in respect of the cases accepted by them.

3.5 Results of audit

Test check of the records of 272 offices relating to land revenue receipts revealed underassessment of tax and other irregularities involving ₹ 314.01 crore in 82 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Alienation of Government land and conversion of agricultural land for non-agricultural purposes – (A Performance Audit)	1	182.31
2.	Alienation of Government land	4	2.43
3.	Non/short levy of conversion fee	28	124.08
4.	Non/short levy of road cess	37	1.04
5.	Other irregularities	12	4.15
	Total	82	314.01

During the course of the year 2010-11, the Department accepted underassessments and other deficiencies of ₹ 182.83 crore in 42 cases of which, five cases involving ₹ 177.38 crore were pointed out during the year 2010-11 and the rest in the earlier years. An amount of ₹ 42.95 lakh was recovered in 36 cases.

After the issue of a draft paragraph, the Department reported (September 2011) recovery of ₹ 1.60 lakh in respect of one case.

Few illustrative cases involving ₹ 16.06 lakh and a performance audit on “**Alienation of Government land and conversion of agricultural land for non-agricultural purposes**” involving ₹ 182.31 crore are mentioned in the succeeding paragraphs.

3.6 Performance Audit of “Alienation of Government land and conversion of agricultural land for non-agricultural purposes”

Highlights

- The Department did not finalise alienation proposals on advance possession of land for years together resulting in non-recovery of revenue of ₹ 160.86 crore.

(Paragraph 3.6.8.2)

- Absence of a system for cross verification and co-ordination between Departments and local bodies resulted in non/short levy of revenue of ₹ 50.56 lakh.

(Paragraph 3.6.9)

- We noticed from information collected from five divisions and 10 Tahsildars that conversion fee and fine amounting to ₹ 1,438.11 crore was pending for recovery for want of effective pursuance by the Department.

(Paragraph 3.6.10)

- Non-levy of fine on lands converted for non-agricultural purpose without obtaining prior permission - ₹ 70.49 lakh.

(Paragraph 3.6.12)

- Short levy of Conversion fee and fine due to incorrect arithmetic calculations - ₹ 11.13 crore.

(Paragraph 3.6.13)

- Non levy of interest on collected arrears - ₹ 6.04 crore.

(Paragraph 3.6.16)

- Unauthorised occupation of Government Land for 39 years due to non-demarcation.

(Paragraph 3.6.18)

3.6.1 Introduction

3.6.1.1 The total geographical area of Andhra Pradesh is 6.80 crore acres³. Due to rapid industrialisation and increase in usage of land for housing and commercial purposes, there has been a considerable growth in the area converted for non-agricultural purposes. Between 2005-06 and 2009-10, 1.98 lakh acres of land was converted for non-agricultural purposes.

Agricultural land could be set apart or put to use for non-agricultural purposes after paying the requisite conversion fee.

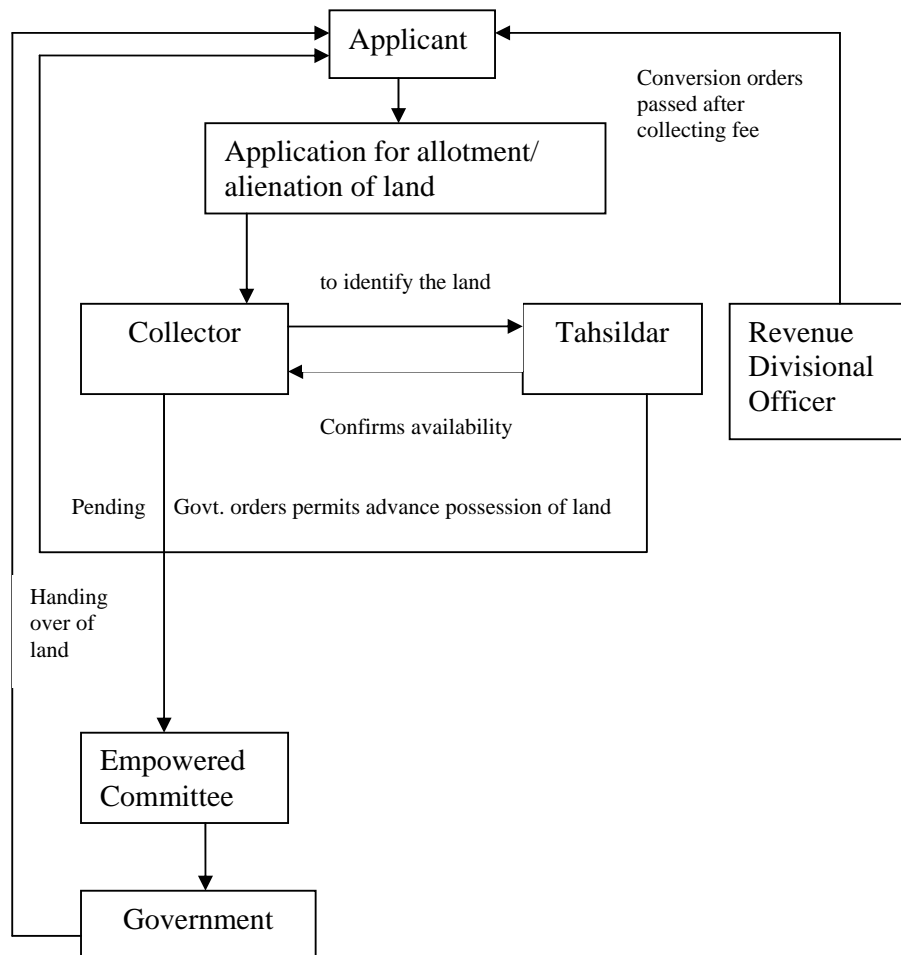
3.6.1.2 Alienation of Government land

No Government land can be alienated without the approval of the Government. Alienation is a process through which Government land is allotted by the Government through issue of an alienation order in favour of the applicant after the same is processed and approved by the local revenue authorities and the Empowered Committee (EC) headed by the Chief Commissioner of Land Administration (CCLA) at the State Headquarters level. The Government in certain cases resumes assigned lands and re-allots the same to the applicants. In these cases, ex-gratia will be paid directly by the beneficiaries to the assignees. The entire process of alienation is governed through the provisions of the BSO No.24⁴ issued in 1955 by the erstwhile Board of Revenue. The BSO permits handing over of the possession of the land in emergency cases pending formal approval of the alienation proposal by the Government.

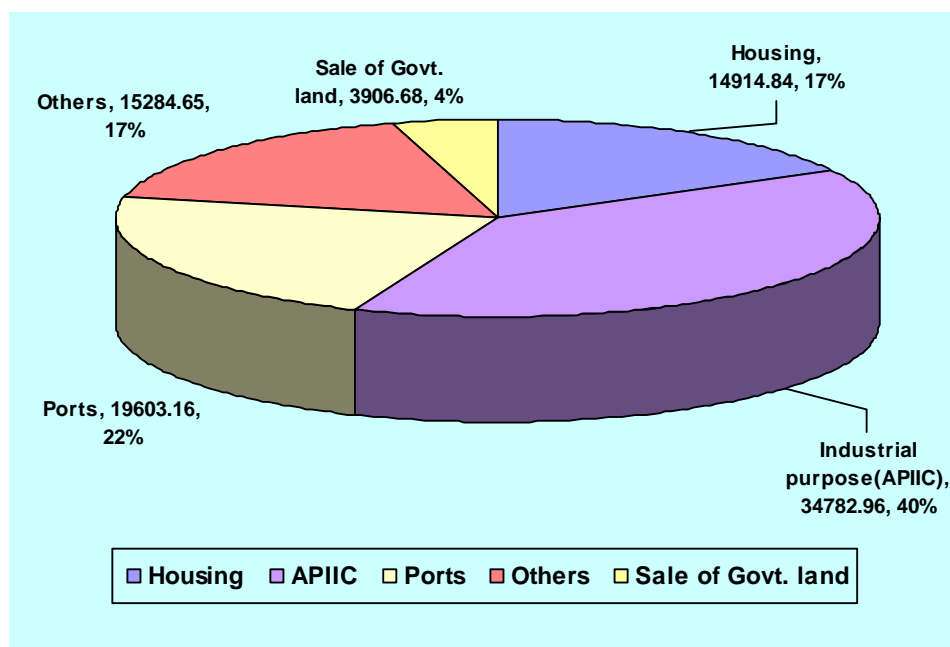
The following flow chart describes the process for alienation of Government land.

³ Source – Bureau of Economics and Statistics of Andhra Pradesh.

⁴ Issued vide G.O.Ms.No.546, Revenue dated 8 May 1955.



During the five year period 2005-06 to 2009-10, the State Empowered Committee had recommended 1,027 alienation proposals involving 88,492.29 acres of land. Various purposes of alienation and the extent of land used under each category are given below.

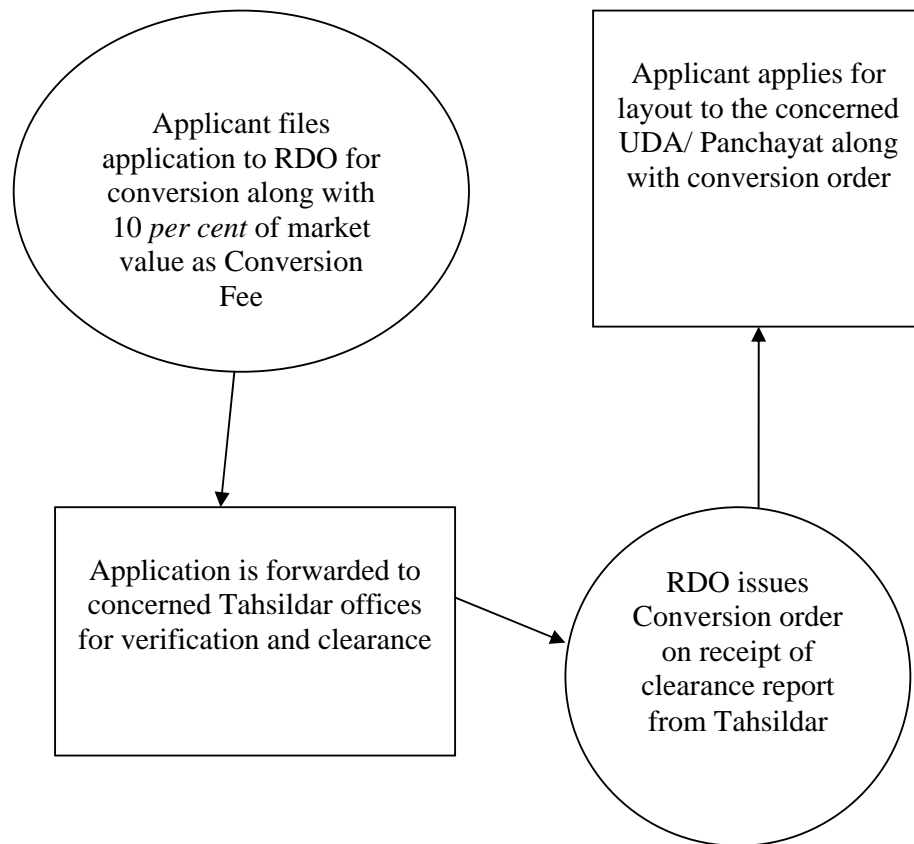


It can be seen from the above that 40 per cent of land was alienated to Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for promoting industrialisation, 22 per cent for Ports, 17 per cent to Andhra Pradesh Housing Board (APHB) etc., for housing, 17 per cent for others and 4 per cent for Sale of Government land i.e., generating revenue to Government mostly through auction of Government land by autonomous bodies such as Hyderabad Metropolitan Development Authority (HMDA), Visakhapatnam Urban Development Authority (VUDA) etc.

3.6.1.3 Conversion of agricultural land for non agricultural purposes

The Andhra Pradesh Agricultural land (Conversion for non-agricultural purposes) Act, 2006, which came into force with effect from 2 January 2006, prescribes a One time Conversion Fee (OTF) to be levied on all agricultural lands converted for non-agricultural purposes on or after the commencement of the Act. The Conversion fee is leviable at 10 per cent⁵ of the basic value⁵ of the land. However in terms of Section 7 of the Act, the Act does not apply to certain land i.e., (a) lands owned by the State Government; (b) lands owned by a local authority and used for any communal purposes so long as the land is not used for commercial purposes; (c) lands used for religious or charitable purposes; (d) lands used by owner for household industries involving traditional occupation, not exceeding one acre; and (e) lands used for such other purposes as may be notified by the Government from time to time. The RDO is the assessing authority. The following flow chart describes the process for conversion of agricultural land for non- agricultural purposes.

⁵ Basic value is defined as the value fixed by the competent authority (Market value committee report which is maintained at Sub-Registrar's office).



3.6.2 Organisational set up

At the apex level, the CCLA is responsible for administration of the BSO, AP Agricultural Land (Conversion for non-agricultural purposes) Act, Rules and orders issued thereon. The State is divided into 23 districts, each headed by a District Collector. Each district is divided into revenue divisions headed by the RDO and further into mandals⁶, which are kept under administrative charge of Tahsildars. Each village in a mandal is administered by VROs under the supervision of the Tahsildars. VROs/Mandal Revenue Inspectors are entrusted with the work of maintaining the land records, collection and realisation of amounts due to Government and field inspection duties etc. The RDO is the assessing authority in respect of land conversion and the District Collector is the Appellate authority. At the Government level, Principal Secretary (Revenue) is incharge of overall administration of the Revenue Department.

⁶ Mandals are the jurisdictional area of each Tahsildar.

3.6.3 Audit criteria

The audit objectives were benchmarked against the following audit criteria.

- The AP Agricultural land (Conversion for Non-Agricultural purposes) Act, 2006.
- The AP Non-Agricultural Land Assessment Act (NALA), 1963.
- Board Standing Orders, and
- Notifications and Orders issued by Government of Andhra Pradesh from time to time.

3.6.4 Audit objectives

We conducted the review to examine

- the efficiency and effectiveness of the system of finalisation of alienation proposals;
- whether adequate monitoring mechanism existed for finalisation of alienation proposals and realisation of market value fixed;
- whether adequate internal control mechanism existed for assessment and realisation of OTF under the Act; and
- whether the arrears collectable under the erstwhile Andhra Pradesh Non-Agricultural Land Assessment (NALA) Act, 1963 have been collected.

3.6.5 Scope and methodology of audit

We conducted the review of records for the period 2005-06 to 2009-10 (i.e., *fasli* years 1415 to 1419) of 84 Tahsildars and 31 Revenue Divisional Offices covering 17 (73.9 *per cent*) out of 23 districts between June 2010 and February 2011 selected through stratified random sampling. We reviewed alienations and conversions in 425 cases involving 51,636.54 acres (58.35 *per cent*) out of 1,027 cases involving 88,492.29 acres. In addition we also reviewed cases involving conversion fees amounting to ₹ 51.39 crore to check the correctness of levy of the fees.

3.6.6 Acknowledgement

We acknowledge the co-operation of the Land Revenue Department in providing the necessary information and records to audit. We held an entry conference in September 2010 with the Special Chief Secretary and CCLA, Andhra Pradesh, in which the objectives of the review and audit methodology was explained. We also held an Exit Conference in July 2011, where the report was discussed with the Government. The replies of the Department/

Government received during Exit Conference and other points of time have been appropriately incorporated in the Report.

3.6.7 Trend of revenue

The Andhra Pradesh Budget Manual stipulates that the estimates should take into account only such receipts including arrears expected to be actually realised during the budget year. The conversion fee collections increased from ₹ 3.29 crore to ₹ 62.49 crore from 2005-06 to 2009-10 while the amount realised from alienation of Government land increased from ₹ 3.42 crore to ₹ 79.59 crore during the same period. The budget estimates, actual receipts, variation for the years 2005-06 to 2009-10 in respect of receipts towards conversion fee and alienation of Government land is mentioned in the following tables:

3.6.7.1 Conversion fee

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+) shortfall (-)	Percentage of variation
2005-06	15.00	3.29	(-) 11.71	(-) 78.07
2006-07	15.00	25.52	(+) 10.52	(+) 70.13
2007-08	15.00	90.26	(+) 75.25	(+) 501.67
2008-09	55.00	80.05	(+) 25.05	(+) 45.55
2009-10	88.00	62.49	(-) 25.51	(-) 28.99

3.6.7.2 Alienations

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+) shortfall (-)	Percentage of variation
2005-06	5.00	3.42	(-) 1.58	(-) 31.60
2006-07	5.00	4.01	(-) 0.99	(-) 19.80
2007-08	5.00	35.67	(+) 30.67	(+) 613.40
2008-09	5.03	44.74	(+) 39.71	(+) 789.46
2009-10	20.49	79.59	(+) 59.10	(+) 288.43

It is seen from the above that the variation between the budget estimates and actuals ranged between (-) 78.07 per cent and (+) 501.67 per cent in respect of collection of conversion fee while the variation between the budget estimates and actual collections from alienation of lands ranged between (-) 31.60 per cent and (+) 789.46 per cent. This high degree of difference between budget estimates and the actual receipts during the years indicates lack of realistic budgeting process reflective of absence of underlying process for planning for alienation of land proposals and collection of the fees/charges. The receipts have increased since 2006-07 after the enactment of the Andhra Pradesh Agricultural land (Conversion for non-agricultural purposes) Act, 2006, which came into force with effect from 2 January 2006 except during the years 2008-09 and 2009-10.

The Department accepted that in respect of conversion fee, no analysis was conducted for variation between the budget estimates and actual receipts while reply in respect of alienations is awaited.

Audit Findings

System deficiencies

3.6.8 System of processing alienation proposals

3.6.8.1 Absence of database of Government land

As land is a valuable asset of the Government having rapidly increasing market value, it is important for the Department to have a complete and updated database of the actual Government land available, the extent thereof alienated and pendency of alienation cases at different levels of the revenue administration.

We noticed that no such database was available either at the Government level or at the CCLA level. This indicates that the Department did not maintain the basic information and tools required to efficiently

manage Government land in the matter of alienation.

3.6.8.2 Non-finalisation of alienation proposals on advance possession

According to BSO, alienation of Government land to a company, private individual or institution for any public purpose will normally be on collection of its market value/occupancy price and subject to the terms and conditions prescribed in the BSO. The BSO provisions permit possession of the land by the applicant in the event of any emergent circumstances pending formal approval of the alienation proposal.

We observed that no time limit has been prescribed for finalisation of the alienation proposals and there was no return either for watching the

finalisation of the alienation proposals. Consequently, the Government is not in a position to monitor the finalisation of alienation proposals in a timely manner.

We observed during our test check of the records of the offices of CCLA, two divisions⁷ and 13 offices of Tahsildars⁸ that advance possession of Government land admeasuring 3,361.76 acres valued at ₹ 160.86 crore as per the market value fixed by the Empowered Committee, was handed over to various allottees between January 1977 and March 2009. However, the alienation proposals were not finalised even after one to 34 years after handing over the possession of these lands. Non-finalisation of alienation proposals for advance possession of Government land in a time bound manner proved to be against the interest of the Government revenue and has resulted in favouring the allottees who continued to enjoy the benefit of the land without payment of the Government dues. The table below gives the details of cases which were

⁷ Kavali and Nellore.

⁸ Hayathnagar, Kanagal, Kodad, Kota, Mangalagiri, Narasaraopet, Saroornagar, Serilingampally, Shamshabad, Srikalahasti, Tenali, Uppal and Visakhapatnam Rural.

pending either at Government or Collector level resulting in non-recovery of revenue of ₹ 160.86 crore as detailed below.

(₹ in crore)

Sl. No.	Name of allottee	Purpose	Area of land (Acres)	Date of handing over advance possession/ revenue due since	Revenue due	Reply of the Government
1	AP Rajiv Swagruha Corpn Ltd. (APRSCL) (5 cases)	Housing	237.88	12/07 to 01/10	86.52	Out of five proposals, one proposal each was pending with Government and CCLA and three proposals were pending with the Collectors.
2	AP Tourism Development Corporation (3 cases).	Tourism	30.39	12/01 to 03/08	10.24	Two proposals were pending with the CCLA and one proposal was pending with the Collector.
3	AP State Warehousing Corporation Limited	Warehouse	15.24	01/77 to 06/01	3.29	The proposal was pending with the Collector. A follow up with the Collector revealed that the Collector had on several occasions reminded the RDO and Tahsildar concerned, the latest being on 15.07.2011, to expedite the forwarding of alienation proposals.
4	Market Yard Committee	Agri-cultural marketing	2.90	08/08	0.03	The proposal was pending with the Collector.
5	APIIC (3 cases)	Industry	3,070.35	11/02 to 09/08	58.49	Two proposals were pending with Government and one proposal was pending with the Collector.
6	AP Central Power Distribution Company Limited	Electrical Sub-station	1.00	03/09	0.04	The proposal was pending with the Collector.
7	Visakhapatnam Society for animals	Animal care	2.00	01/2000	2.20	The proposal was pending with the Collector.
8	Nalgonda and Rangareddy Milk Co-operative Producers Union	Milk Co-operative	2.00	02/99	0.05	The proposal was pending with the Collector.
	Total		3,361.76		160.86	

A further scrutiny of the pendency of the alienation proposals at the Rangareddy Collectorate revealed that the proposals were pending due to non-receipt of regular alienation proposals in final shape from the concerned Tahsildars.

As evident the proposals were pending with the Collectors for periods ranging between one and 34 years which is reflective of inaction by the Government to get the proposals forwarded at each level in a timely manner after handing over advance possession of land. This resulted in allottees enjoying the benefit of Government land without payment of the Government dues.

3.6.9 Absence of a system for cross verification and coordination between Departments resulted in non/short levy of revenue

Section 4(1) of the Act, provides that every owner or occupier of agricultural land shall pay a conversion fee at the rate of 10 *per cent* of the basic value of the land converted for non-agricultural purposes. If the conversion fee so paid is found to be less than the fee prescribed, a notice shall be issued by the competent authority to the applicant within 30 days of the receipt of application intimating the deficit amount to him. In case no intimation is received by the applicant from the Department within 30 days about the deficit payment of the conversion fees, it shall be deemed that the amount paid is sufficient for the purpose. As per Section 6 of the Act, in cases where lands have already been converted without obtaining the permission, the land shall be deemed to have been converted into non-agricultural purpose and upon such deemed conversion, fine at 50 *per cent* over and above the conversion fee has to be levied.

Further, the local bodies such as Municipalities in urban areas and Gram Panchayats in rural areas issue permission to develop land for purposes such as layouts for housing plots, setting up of industries, amusement parks etc. The Registration and Stamps Department levies duties on the market value of the document as per the Market value register, the consideration value or 18 times the average annual rental value whichever is higher. In the market value register, the market values are given per acre if it is an agricultural land and per square yard if it is a non-agricultural land. There is a minimum square yard rate for the entire village which should be adopted in respect of lands already converted for non-agricultural purpose.

We noted that there is no system for cross verification of information or co-ordination between various bodies/user Departments i.e., RDO, Local bodies, Sub-Registrars for cross verification of the basic value of the land applied for conversion/unauthorisedly converted. The local bodies did not insist on *land conversion permission* and No Objection Certificate from the

RDOs before approving a layout plan meant for use of land for non-agricultural purposes and RDOs who are responsible for allowing conversion of the land did not communicate list of lands converted for non-agricultural purposes to the Sub-Registrars, resulting in non/short-levy of revenue by way of conversion fee as detailed below.

3.6.9.1 We noticed in the test check of the records of three offices of Tahsildars that five individuals applied for conversion of land for non-agricultural purposes and paid the conversion fee. However, cross verification with local bodies by audit revealed that the applicants had already converted the land into house sites by obtaining approval of layout from the local bodies. Further we also noticed that basic value of the land was adopted at lower rates in two cases for payment of conversion charges. These omissions resulted in non/short levy of conversion charges and fines detailed below.

(₹ in lakh)

Sl. No.	Tahsildar office	No. of cases	Area of land (Acres)	Basic value of the property	Revenue Due		Paid		Balance due	
					Fee	Fine	Fee	Fine	Fee	Fine
1	Chityal	3	78.32	50.83	5.08	2.54	5.08	NIL	NIL	2.54
2	Tottembedu	1	9.77	70.93	7.09	3.55	1.22	NIL	5.87	3.55
3	Nalgonda	1	1.95	41.53	4.15	2.08	0.52	NIL	3.63	2.08
	Total	5	90.04		16.32	8.17	6.82	NIL	9.50	8.17

The possibility of realising the revenue due on account of conversion fee is remote as the Act prescribes that if no notice was issued by the competent authority to the applicant within 30 days of the receipt of application intimating the deficit amount, it shall be deemed that the amount paid was sufficient for the purpose.

3.6.9.2 We noticed in the test check of the records of two offices of Tahsildars that two individuals applied for conversion of land for non-agricultural purposes and paid the conversion fee. However, cross verification with Sub-registrars by audit revealed that the value of the lands adopted by the Department was lesser than the valuation certificate issued by the Sub-Registrars, resulting in short levy of revenue as detailed below.

(₹ in lakh)

Sl. No.	Tahsildar office	No. of cases	Area of land (Acres)	Basic value of the property	Revenue Due	Paid	Balance due
1	Lepakshi	1	103.00	348.96	34.90	2.14	32.76
2	Markapur	1	0.25	1.82	0.18	0.05	0.13
	Total	2	103.25		35.08	2.19	32.89

The Government replied (July 2011) that they had convened a meeting with various functionaries to address the issue and assured to forward the minutes of these meetings. They are awaited (October 2011).

3.6.10 Ineffective system of realisation of Conversion fee and fine

As per Article 8 of Andhra Pradesh Financial Code (APFC), every Departmental controlling officer should watch closely the progress of realisation of revenue under his control. Article 9 of APFC also stipulates that every Departmental controlling officer should obtain regular returns from his subordinates for the amount received by them.

We noticed that though periodical returns were being reviewed by the CCLA, the system of monitoring the revenue due, collected and balance thereof on account of conversion fee and fine was ineffective. We observed that in respect of Conversion fee, there was

no correlation between the demand notices issued and the targets fixed. Consequently, the office of the CCLA was not aware of the total revenue arrears of the State on account of conversion fee and alienation charges as detailed below.

We noted from the information collected from five divisions⁹ and 10 tahsildars¹⁰ that conversion fee and fine amounting to ₹ 1,438.11 crore was due from 2007 onwards from several individuals/institutions and Corporate houses as detailed below.

(₹ in crore)

Sl. No.	Revenue due from	No. of cases	Amount
1	Individuals	4,871	948.90
2	APIIC	4	453.86
3	Industries	8	10.01
4	Hyderabad Metropolitan Development Authority (HMDA)	1	25.34
Total		4,884	1,438.11

As seen from the above, maximum amount was due from various individuals. Division wise/Tahsildar wise details are detailed below.

(₹ in crore)

Sl. No.	Division/Tahsildar	No. of cases	Extent of land (Acres)	Revenue due	Penalty	Total
1.	RDO, RR East	2,920	20,539.27	256.39	128.19	384.58
2.	RDO, Chevella	105	315.88	196.21	98.11	294.32
3.	RDO, Visakhapatnam	1,569	NA	168.39	84.19	252.58
4.	Tahsildar, Tenali	166	208.38	3.44	1.72	5.16
5.	Tahsildar, Vijayawada Rural	20	128.93	3.33	1.67	5.00
6.	Tahsildar, Hayathnagar	42	245.21	2.12	1.06	3.18
7.	Tahsildar, Mangalagiri	11	168.24	1.39	0.69	2.08

⁹ Chevella, Karimnagar, Nellore, Ranga Reddy East and Visakhapatnam.

¹⁰ Chityal, Gajuwaka, Hayathnagar, Kothur, Maheswaram, Mangalagiri, Satyavedu, Srirangarajapuram, Tenali and Vijayawada Rural.

(₹ in crore)

Sl. No.	Division/Tahsildar	No. of cases	Extent of land (Acres)	Revenue due	Penalty	Total
8.	Tahsildar, Maheshwaram	8	59.53	1.22	0.61	1.83
9.	Tahsildar, Chityal	10	113.04	0.06	0.03	0.09
10.	RDO, Karimnagar	20	54.90	0.05	0.03	0.08
		4,871	21,833.38	632.60	316.30	948.90

Though such huge amounts were pending from these individuals, no follow up action was taken other than issuing notices between June 2008 and March 2010.

A further analysis of these cases also revealed that there was no follow up action on the part of the Department in pursuing the realisation of dues as is evident from the fact that out of huge number of cases i.e., 4,871 cases, provisions of RR Act were invoked only in respect of 35 cases and writ petitions were filed in respect of 12 cases. No further correspondence was forthcoming from the files other than the copies of notices issued. This lack of follow up action is encouraging the individuals in evading the Government dues.

The Government replied (July 2011) that there existed a system of monthly monitoring based on the targets fixed. However, as analysed above, the follow up action was inadequate resulting in accumulation of huge arrears. Thus, there is a need to accelerate the process of realisation considering that arrears were pending for over four years.

3.6.11 Manpower shortages and impact thereof

The Revenue Department's administration runs at four levels i.e., Mandal, Division, District and the State level and performs a range of manpower intensive functions such as maintenance of land records, levy and collection of water tax, NALA, road cess, attending to relief work during natural calamities, preparation/modification to electoral rolls, civil supplies duties etc. The basic and grass root level posts i.e., Jr.Assistants (JA) and Sr.Assistants (SA) cadres are very important to run the day to day administration. The SA cadre is a feeder cadre and there is no direct recruitment to SA posts. The Department issued orders downgrading 850 posts of SAs to that of JAs in June 2011 to enable direct recruitment in JA cadre.

We noticed in the test check of the records of the office of CCLA that the Department was reeling under shortages in various key cadres as detailed below.

Name of the post	Sanctioned strength	Men in position	Vacancies	Percentage of vacancies
Dy. Tahsildar	2,337	2,319*	18*	0.80*
Sr. Asst.	5,283	3,584	1,699	32.16
S.A. in CCLA	133	109	24	18.00
Jr. Asst.	2,252	2,090*	162*	7.19*
J.A. in CCLA	41	25*	16*	39.00*
Typist	1,387	654	733	52.84
Typist in CCLA	36	7	29	80.55
VROs	16,935	8,788	8,147	48.11

* after including the posts notified in the cadres of Dy. Tahsildar, Sr. Asst., and Jr. Asst in CCLA in Men in position.

The VROs play a key role in the revenue administration performing multifarious functions, such as maintenance of village accounts, collection of water tax, azmoish of crops, inspection of survey stones, issue of nativity, caste certificates, assistance in identification of beneficiaries for pensions, natural calamities, fire accidents etc. The Sr. Assistants/Jr. Assistants in the mandal office are responsible for maintenance of records relating to office procedure and financial activities, preparation of alienation proposals, civil supplies, establishment, natural calamities, issue of certificates of income, caste, nativity etc.

In the light of the above, the huge vacancy position, particularly in the cadres of VROs, Sr. Assistants and Jr. Assistants, could adversely impact the functioning of the Department in the form of shortfall in public service and also the process of finalisation of *Jamabandi*¹¹ which was in arrears since 2003 throughout the State.

The Government replied (July 2011) that efforts were being made to fill the vacancies. It was also stated that the Department's working was also affected by inadequacy of budgetary support. Audit sought these particulars for examination and the same were awaited.

Compliance deficiencies

3.6.12 Non-levy of fine on lands converted for non-agricultural purpose without obtaining prior permission

Under Section 6(2) of the Act, if any agricultural land has been put to non-agricultural purpose without obtaining the permission, the competent authority shall impose a fine of 50 per cent over and above the conversion fee.

We noticed in the test check of the records of the offices of RDO, Chevella and Tahsildar, Hindupur and that in two cases, lands were converted for non-agricultural purposes without permission. The RDOs, on detection of these conversions,

issued notices between January and September 2010 for payment of

¹¹ *Jamabandi* means finalisation of village accounts and demand.

conversion fee. However, fine of ₹ 70.49 lakh was not demanded by the RDOs. This resulted in non-realisation of an amount of ₹ 70.49 lakh as detailed below.

(₹ in lakh)

Sl. No.	Office	Name of the converter	Extent (Acres)	Basic value of the property	Fine leviable
1	RDO, Chevella	Manjeera Majestics Mansion Commercial complex	2.48	1,200.00	60.00
2	Tahsildar, Hindupur	APIIC	1,075.87	209.79	10.49
Total			1,078.35	1,409.79	70.49

3.6.13 Short levy of Conversion fee and fine

We noticed in the test check of the records of the offices of two divisions¹² and three Tahsildars¹³ that the RDOs issued notices between October 2008 and September 2010 to individuals to pay conversion fee and fine for unauthorised conversion of agricultural lands for non-agricultural purposes. However, the RDOs short levied conversion fee and fine amounting to ₹ 11.13 crore due to incorrect arithmetic calculations as detailed below.

(₹ in lakh)

Sl. No.	Office	Basic value of land	Revenue due		Levied	Short levy of fee and fine
			Conversion fee	Fine		
1	RDO, Chevella	6,769.54	676.95	338.48	161.24	854.20
2	Tahsildar, Chityal	2.40	0.24	0.12	0.04	0.32
3	Tahsildar, Domakonda	15.10	1.51	0.76	0.07	2.20
4	RDO, RR East	3,670.93	367.09	183.55	316.59	234.05
5	Tahsildar, Kakinada (Rural)	251.60	25.16	12.58	15.67	22.07
Total			1,070.95	535.49	493.61	1,112.84

The Government replied (July 2011) that audit calculated the fee on market value which was incorrect as Conversion fee has to be calculated on the basic value as per the Act. However, during the Exit Conference (July 2011), on perusing the concerned documents, the CCLA stated that there might have been a mistake in arithmetic calculations and agreed to review the matter.

3.6.14 Non-realisation of revenue despite issue of Alienation order

We noticed in the test check of records of Kavali division that possession of land admeasuring an extent of nine acres was given to the Sports Authority of Andhra Pradesh, Kavali in July 2002 and alienation order was issued by the Government in February 2009 for a value of ₹ 9.00 lakh. However, the revenue authorities did not levy/collect the value of land till date (October 2011).

¹² Chevella and Ranga Reddy East.

¹³ Chityal, Domakonda and Kakinada Rural.

The Government replied during the Exit Conference (July 2011) that the amount needs to be collected by the Collector.

3.6.15 Non-levy of Non-Agricultural Land Assessment (NALA)

Under the Andhra Pradesh NALA Act, all non-agricultural lands in local areas (Local area means the area within the jurisdiction of the Municipal Corporation of Hyderabad, a municipality or any other area which is recognised as a village in the revenue accounts of the Government). Shall be subject to assessment of land at the rates specified in the schedule to the Act. The rates of NALA vary depending upon the population of the local area as per the latest census and the purpose for which the land was put to use i.e., industrial, commercial or any other non-agriculture purposes. The Government issued orders exempting levy and collection of NALA on Industrial units from 2000 to 2005 which was further extended up to 2010.

We noticed in the test check of the records of the offices of three Tahsildars¹⁴ that NALA amounting to ₹ 8.00 lakh was not levied on other than Industrial units for the *fasli* years 1411 to 1415.

The Government replied (July 2011) that case wise reports from the concerned collectors were awaited.

3.6.16 Non-levy of interest on arrears

As per Section 15(2)(b) of Andhra Pradesh Agricultural Land (Conversion for non-agricultural purposes) Act, all the outstanding arrears from individuals/ institutions under the AP NALA Act as on the date of commencement of this Act (2 January 2006) shall be recovered under the provisions of Andhra Pradesh Revenue Recovery (APRR) Act, 1864. As per section 7 of APRR Act, arrears of revenue shall bear interest at six *per cent* per annum.

We noticed in the test check of the records of the office of CCLA that the interest on collected arrears of NALA under AP NALA Act, amounting to ₹ 6.04 crore was not levied for the period 2006-07 to 2010-11.

The Government replied (July 2011) that

the report from the CCLA who was following up with the Collectors was awaited.

¹⁴ Nidadavole, Serilingampally and Shamshabad.

3.6.17 Elimination of arrear demand of NALA

As per Section 15(2)(b) of AP Agricultural Land (Conversion for non-agricultural purposes) Act, all the outstanding arrears from individuals/institutions under the AP NALA Act, 1963 as on the date of commencement of this Act shall be recovered under the provisions of APRR Act. Further, Article 8 of AP Financial Code Vol. I, stipulates that every Departmental controlling officer should watch closely the progress of realisation of the revenues under his control and check the recoveries made against the demand.

The Department maintains a Demand, Collection and Balance register (DCB) to monitor the demand, collection and balance figures. The closing balance in the previous years DCB would be the opening balance of current year's DCB. However, we noticed in the test check of the records of four offices of Tahsildars¹⁵ that

demand/arrear demand of NALA amounting to ₹ 1.43 crore was either short carried forward or shown as NIL/omitted. This was neither detected by the Tahsildars nor by the *jamabandi* officer. This resulted in elimination of demand amounting to ₹ 1.43 crore. The internal audit in the Department also did not detect the elimination of arrears demand of NALA under Andhra Pradesh NALA Act from DCB at Tahsildar level.

The CCLA replied (July 2011) that the matter would be pursued through the Collectors and action taken report would be sent shortly.

3.6.18 Unauthorised occupation of Government land for 39 years

Government may grant/alienate lands to various institutions either on collection of market value or for free of cost. There has been a steady increase in the volume of lands being alienated for various purposes. In these circumstances, prudence should be exercised not only in allotting the lands but also in monitoring through periodical survey in order to ensure that the area of the land occupied is commensurate with the allotment orders issued.

The Government allotted 700 acres of land to Central Research Institute for Dry Land Agriculture (CRIDA) in 1970. However, during the inspection conducted in March 2008 by APRSCL, it was noticed that the CRIDA was in

possession of 730.20 acres against the allotted land of 700 acres. Out of this, 21 acres were allotted to APRSCL. Thus, delay of 39 years in demarcation of land resulted in unauthorised retention of 9.20 acres of land valued at ₹ 1.47 crore by the CRIDA. The Collector, Ranga Reddy District issued instructions to the Deputy Collector and Tahsildar, Hayathnagar to take over possession of land from CRIDA and hand over the same to APRSCL. Even after a lapse of two years the land has not been handed over/taken over.

¹⁵ Adilabad, Pedagantyada, Pendurthy and Vijayawada urban.

The Government replied (July 2011) that the matter would be pursued through the Collector and further action would be taken.

3.6.19 Conclusion

We reviewed the process leading to the alienation of Government land with reference to the applicable law and instructions of the Government and the efficiency and effectiveness with which the Government dues were realised especially after the enactment of the AP Agricultural land (Conversion for non-agricultural purposes) Act. We saw that in absence of a time frame for finalisation of alienation proposals and non-monitoring of these proposals of advance possession of land cases, proposals were pending for periods ranging from one year to 34 years before the Government and the Collectors. The benefit of advance possession of land were enjoyed by the allottees without payment of due revenue to the Government. Absence of a system for cross verification and co-ordination between Departments/ Local Bodies resulted in approval of housing plans etc., on agricultural land without conversion of the land from agriculture to non-agricultural purposes. Ineffective levy and collection system resulted in accumulation of huge arrears on account of conversion fee and fine. There were non/short levy of conversion charges/fines due to administrative mistakes/lapses which needs to be corrected. The huge vacancy position in the Department may adversely impact the timely rendering of public services and finalisation of proposals involving land which is precious asset.

3.6.20 Summary of recommendations

The Government should

- *prescribe a time limit for finalisation of alienation proposals in advance possession cases and introduce a periodical return to monitor the same;*
- *ensure co-ordination between Government Departments and sharing of information between them to avoid approval of layout plans on agricultural lands; and*
- *accelerate the pace of collection of revenue arrears through a review of the existing monitoring system in place.*

3.7 Other audit observations

During scrutiny of the records in the various offices of land revenue relating to revenue received from land revenue such as conversion fee, road cess etc., we observed few cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of road cess as mentioned in the succeeding paragraph in this Chapter. These cases are illustrative and are based on a test check carried out by us. We pointed out such omissions in audit each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is a need for the Government to improve the internal control system so that such omissions can be avoided.

3.8 Non/short levy of road cess

Under the AP Irrigation, Utilisation and Command Area Development Act, 1984, read with the notifications issued thereunder, road cess at the rate of ₹ 12.35 per hectare per annum is leviable for laying of roads and their upkeep in the command areas of Nagarjunasagar, Sriramsagar and Tungabhadra projects. The Commissioner of Land Revenue, clarified in No.Z2/486/88 dated 28 August 1989 that road cess is leviable on all *ayacutdars* irrespective of the formation of roads and supply of water in their command areas relating to the above projects.

We noticed (between March and September 2010) during the test check of the *jamabandi* records of seven offices of the Tahsildars¹⁶ that road cess of ₹ 7.23 lakh was not levied on *ayacutdars*¹⁷ in the command areas of the above projects in four offices, while it was levied short by ₹ 8.83 lakh in three offices during the period

1 July 2000 to 30 June 2009 (*fasli* years 1410 to 1418). This resulted in non/short levy of road cess of ₹ 16.06 lakh.

After we pointed out the above cases, Department/Tahsildars accepted (between March 2010 and September 2011) the audit observation in respect of five tahsildars¹⁸ and recovered road cess of ₹ 0.67 lakh in June 2011. The other two Tahsildars stated that the matter would be examined.

We referred the matter to the Government in May 2011; their reply has not been received (October 2011).

¹⁶ Kakumanu, Karempudi, Kowthalam, Krishnagiri, Mundlamuru, Parvathagiri and Yemmiganur.

¹⁷ Land owners in command areas of irrigation projects.

¹⁸ Kakumanu, Karempudi, Krishnagiri, Mundlamuru and Parvathagiri.