

## CHAPTER-IV: LAND REVENUE

### 4.1 Tax administration

The levy of land revenue is administered by the Revenue Department at Government level. The State is divided into four revenue zones viz., Bangalore, Mysore, Belgaum and Gulbarga, each headed by a Regional Commissioner (RC). At the field level, the levy and collection of land revenue is administered by the Deputy Commissioner (DC)/Special Deputy Commissioner at district level, Assistant Commissioner (AC) at sub-division level, Tahsildar including Special Tahsildar at Taluk level, Revenue Inspector/Village Accountant at the village level. The provisions of the Karnataka Land Revenue (KLR) Act, 1964 and Rules framed thereunder govern the levy and collection of land revenue.

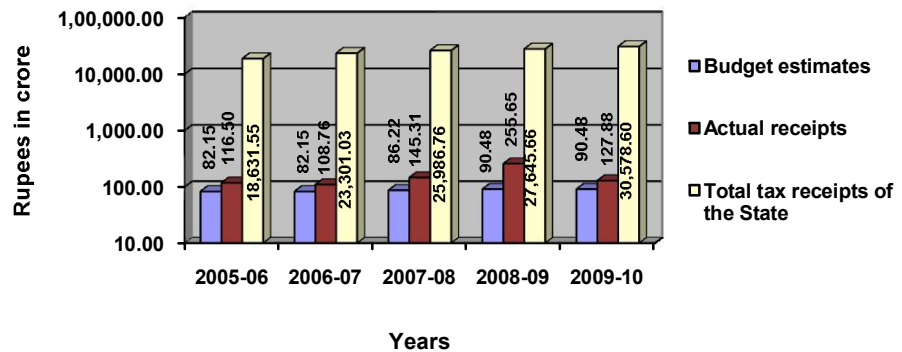
### 4.2 Trend of receipts

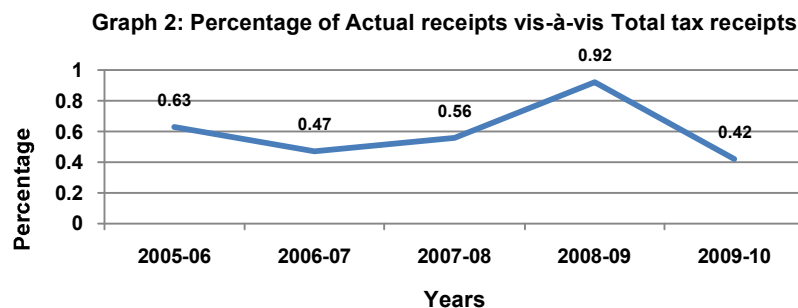
#### 4.2.1 Receipts from Land Revenue

Budget Estimates (BEs) and actual receipts from land revenue during the years 2005-06 to 2009-10 along with the total tax receipts during the same period is exhibited in the following table and graphs:

(Rupees in crore)						
Year	Budget estimates	Actual receipts	Variation excess(+)/shortfall(-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	82.15	116.50	(+) 34.35	(+) 41.81	18,631.55	0.63
2006-07	82.15	108.76	(+) 26.61	(+) 32.39	23,301.03	0.47
2007-08	86.22	145.31	(+) 59.09	(+) 68.53	25,986.76	0.56
2008-09	90.48	255.65	(+) 165.17	(+) 182.55	27,645.66	0.92
2009-10	90.48	127.88	(+) 37.40	(+) 41.34	30,578.60	0.42

Graph 1 : Budget estimates, Actual receipts and Total tax receipts





It is seen from the graphs that the variation between the BEs and actuals ranged between (+) 32.39 per cent and (+) 182.55 per cent. Further, revenue increased by 76 per cent in 2008-09 as compared to 2007-08 and decreased by 50 per cent in 2009-10 as compared to 2008-09 under all minor heads under the Major Head of Account '0029-Land Revenue'. The Department did not furnish reasons for these huge variations although it was called for (July 2010). The percentage of actual receipts in total tax receipts ranged between 0.42 per cent and 0.92 per cent during the five year period from 2005-06 to 2009-10.

#### 4.2.2 Receipts from sale of land

The receipts from sale of Government land including auctions were credited to the Head of Account '4000- Capital receipts' from the year 2007-08 onwards. BEs and actual receipts from sale of land for the years 2007-08 and 2008-09 are as given below:

(Rupees in crore)

Year	Budget estimates	Actual receipts	Variation excess(+)/shortfall(-)	Percentage of variation
2007-08	700.00	207.22	(-) 492.78	(-) 70
2008-09	3,000.00	181.14	(-) 2,818.86	(-) 94

From the above, it is observed that there were huge variations between the BEs and actuals during both the years. The Department did not furnish the reasons for these variations, though it was called for (October 2010).

These huge variations between the BEs and actuals, both under land revenue and receipts from sale of land, indicated that the BEs were not being prepared on a realistic basis.

#### 4.3 Analysis of arrears of revenue

We called for the details of arrears of revenue for the period 2004-05 to 2008-09 from the Government and the RCs. However, neither the Government nor the RCs have furnished the same. Three out of the four RCs stated (October 2010) that the information would be collected from the concerned DCs and furnished to audit. This indicates that there was no proper monitoring of arrears of revenue in the Department.

**We recommend that the Government institute an effective mechanism for periodical reporting of the arrears of revenue by the field offices so as to enable its monitoring and realisation.**

#### 4.4 Impact of Audit Reports

During the last five years, through our audit reports, we had pointed out non/short levy of tax with revenue implication of ₹ 225.97 crore in 10 paragraphs. Of these, the Government/Department had accepted audit observations involving ₹ 113.18 crore in seven paragraphs and had since recovered ₹ 11 lakh. The details are shown in the following table:

(Rupees in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount <sup>1</sup>	Number	Amount <sup>1</sup>
2005-06	02	2.87	02	2.87	-	-
2006-07	01	1.08	-	-	-	-
2007-08	02	209.09	01	106.02	-	-
2008-09	02	1.38	02	0.20	-	-
2009-10	03	11.55	02	4.09	01	0.11
<b>Total</b>	<b>10</b>	<b>225.97</b>	<b>07</b>	<b>113.18</b>	<b>01</b>	<b>0.11</b>

As can be seen from the above, the recovery made by the Department is only 0.10 per cent of the amount involved in the total accepted cases.

**We recommend that the Government may issue directions to the Department to atleast intensify its measures for expeditious recovery of the amount involved in the accepted cases.**

#### 4.5 Results of audit

We conducted a test check of the records of eight offices of the DCs and 36 offices of the Tahsildars during the year 2009-10. Further, we also test checked records of 12 offices of the DCs and 30 offices of the Tahsildars<sup>2</sup> for the review. This revealed underassessments of revenue amounting to ₹ 24.21 crore in 76 cases. The observations broadly fall under the following categories.

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Grant of Government lands and regularisation of unauthorised occupation of Government lands (A review)	01	9.91
2.	Non/short levy of conversion fine/compounding fine	17	1.96
3.	Short levy of Pre-mutation sketch and phodi fee	28	0.43
4.	Other irregularities	30	11.91
	<b>Total</b>	<b>76</b>	<b>24.21</b>

During the course of the year 2009-10, the Department accepted underassessments of ₹ 94.06 lakh involved in 51 cases pointed out during the year and of that recovered ₹ 10,880 in one case. The Department also recovered ₹ 15.82 lakh in 25 cases pointed out in earlier years.

A review on ‘Grant of Government lands and regularisation of unauthorised occupation of Government lands’ with financial impact of ₹ 9.91 crore and a few illustrative audit observations involving ₹ 1.65 crore are mentioned in the succeeding paragraphs.

<sup>1</sup> Indicates the amount of acceptance and recovery in respect of individual cases included in the respective paragraphs.

<sup>2</sup> Includes 4 DC offices and 15 Tahsildar offices audited as per audit plan.

## **4.6 Grant of Government lands and regularisation of unauthorised occupation of Government lands**

### **Highlights**

Consolidated database regarding extent of land available for grant/lease/auction was not compiled and available with the Government.

**(Paragraph 4.6.6)**

Norms for determination of market value in respect of lands granted to statutory bodies were not prescribed. Arbitrary determination of market value without adopting all the norms as stipulated for valuation by the Central Valuation Committee resulted in lower determination of market value and loss of revenue of ₹ 66.49 crore in three cases.

**(Paragraph 4.6.7.2)**

Policy stipulating the terms and conditions for grant of land at concessional rate was not in place and criteria for evaluating eligibility of institutions for such concession were not fixed. Grant of land at concessional rate in two cases resulted in loss of revenue of ₹ 4.77 crore.

**(Paragraph 4.6.7.3)**

Grant of land at concessional/ incorrect rate resulted in loss of revenue of ₹ 5.59 crore. The beneficiaries included two institutions for educational purposes.

**(Paragraph 4.6.7.4)**

The absence of time limit under the Rules for payment of the land value and non-cancellation of the land grant by the Government resulted in non/belated realisation of Government dues in three cases.

**(Paragraph 4.6.7.5)**

Application of incorrect guideline value in three cases resulted in short realisation of ₹ 2.28 crore.

**(Paragraph 4.6.7.6)**

Conversion fine of ₹ 2.45 crore was either not levied or levied short in 31 cases in seven offices.

**(Paragraph 4.6.7.7)**

Rules for conducting auctions were not framed by the Government. Guidelines were not prescribed for evaluating the appropriateness of bids received resulting in allotment of Government land at lower value.

**(Paragraphs 4.6.8.1 and 4.6.8.2)**

Re-auction of land in Bangalore despite getting bids above 150 per cent of guideline value was imprudent, resulting in loss of revenue of ₹ 2.03 crore.

**(Paragraph 4.6.8.5)**

Guidelines for fixing the lease rent were not issued by the Government. The format prescribed for lease rent did not provide for periodic revision of lease

rent. Loss of revenue by computing lease rent at one *per cent* of the guideline value in 61 cases worked out to ₹ 9.54 crore.

**(Paragraph 4.6.9.1)**

There was no system for preparation/ updation of list of villages falling within the prescribed distances from Corporation/municipal limits. Regularisation of land under unauthorised occupation within these limits resulted in foregoing revenue of ₹ 72.51 crore.

**(Paragraph 4.6.10.2)**

Regularisation of land under unauthorised occupation in favour of ineligible persons and regularisation of land in excess of what the applicants had applied for, resulted in loss of revenue of ₹ 50.69 crore.

**(Paragraphs 4.6.10.3)**

#### **4.6.1 Introduction**

Government land is the land vested in the State Government. Alienation of Government land occurs in the following instances:

- grant/lease of land, based on application made by the beneficiary for agricultural/non-agricultural purposes;
- auction of land for non-agricultural purposes; and
- regularisation of unauthorised occupation of Government land for agricultural/dwelling purposes.

#### **4.6.2 Audit criteria**

We conducted the review based on the following audit criteria:

1. The Karnataka Land Revenue (KLR) Act, 1964.
2. The Karnataka Land Revenue Rules, 1966.
3. The Karnataka Land Grant (KLG) Rules, 1969.
4. Notifications issued by Government for auction of Government land.

#### **4.6.3 Audit objectives**

We conducted the review to examine whether:

- systems/rules/procedures were prescribed for disposal of Government land by grant/auction and the market value of the land was properly assessed;
- norms/guidelines existed for fixation/periodical revision of lease rents;
- regularisation of unauthorised occupation of Government lands for agricultural/dwelling purposes was done as per eligibility conditions; and
- internal controls existed and provided for effective monitoring of grant/lease/regularisation cases.

#### **4.6.4 Scope and methodology of audit**

We conducted audit during the period from September 2009 to April 2010 and examined cases of grants, leases and auctions of Government lands and regularisation of unauthorised occupation of Government lands made during

the years 2004-05 to 2008-09. We selected the districts for review using stratified random sampling. The districts were sub-divided into two strata viz., those governed by municipal corporations and those not governed by municipal corporations from which we selected specified percentages. Accordingly, we selected 12<sup>3</sup> out of 29 districts using random statistical sampling. Further, out of the 74 Taluks in the selected districts, we selected 30<sup>4</sup> taluks also using random statistical sampling.

#### **4.6.5 Acknowledgement**

We acknowledge the co-operation of the Revenue Department in providing necessary information and records for audit. We held an entry conference with the Principal Secretary to Government, Revenue Department, in November 2009 wherein the scope of audit, methodology and audit objectives including sampling were explained. We forwarded the draft review to the Government in June 2010 and discussed the same with the Principal Secretary to Government, Revenue Department in the exit conference held in August 2010. We have incorporated the replies of the Government received during the exit conference and at other points of time in the respective paragraphs.

#### **Audit findings**

#### **4.6.6 Absence of database in respect of Government land**

Rule 3 of KLG Rules stipulates that the Tahsildar shall prepare, revise and update each year a list of lands which have been/have to be assigned for special purposes for determining the lands available for disposal. Such list shall be notified not later than the 1<sup>st</sup> day of July of each year.

Availability of a database of Government lands is a very important means of internal control for the effective management of Government lands. We noticed that a consolidated database regarding extent of land available for grant/lease/auction was not compiled and available with the Government.

The list of lands required to be prepared was prepared and notified only in four<sup>5</sup> out of the 30 test checked Tahsildar offices. In the absence of such a database, the Department could not ensure availability or otherwise of the Government land for auction before initiating auction proceedings of the Government land. After we brought this to notice, Government reported (August 2010) that a circular had been issued in this regard.

Auction of land was being done on the basis of a checklist compiled by the Tahsildar with recommendations of the DC thereon. The checklist comprised details of location of land, encroachment, details of sketch prepared by

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<sup>3</sup> Bangalore (Rural), Bangalore (Urban), Belgaum, Dharwad, Hassan, Kolar, Mangalore, Mysore, Ramanagara, Shimoga, Tumkur, Udupi.

<sup>4</sup> Anekal, Bangalore (North), Bangalore (South), Bangarapet, Bantwal, Belgaum, Belthangady, Bhadravathy, Channarayapatna, Chikkodi, Devanahally, Dharwad, Doddaballapura, Hassan, H.D.Kote, Hosakote, Hubli, K.R.Puram, K.R.Nagar, Kolar, Kundapur, Kunigal, Mangalore, Mysore, Nelamangala, Ramanagara, Shimoga, Tumkur, Udupi, Yelahanka.

<sup>5</sup> Dharwad, Hubli, K.R.Nagar, Shimoga.

surveyor, pending applications for regularisation, zonal regulation as per Comprehensive Development Plan (CDP), details of land acquisition proposals by Bangalore Development Authority (BDA), Karnataka Industrial Area Development Board (KIADB), etc.

➤ We noticed in the office of the DC, Bangalore (Urban) that in four cases, land measuring 13 acres 26 guntas<sup>6</sup> was auctioned between April 2007 and September 2008. The Government confirmed the auction between June 2007 and December 2008. However, these lands were already either granted earlier to others (two cases) or applications were pending for regularisation for encroachment under sections 94 A/B of KLR Act (two cases). This resulted in litigation and consequently 25 *per cent* of the bid amount deposited by the successful bidders had to be refunded to the respective bidders by cancelling the auction proceedings. We observed that the Department had issued (June 2009) show cause notice to the Tahsildar, Anekal for negligence in reporting facts in two cases which rendered the auction process unproductive.

➤ Government issued (October 2007) orders approving grant of 3,313 acres 28 guntas of Government land to eight statutory bodies/Government Companies<sup>7</sup>, based on the proposal (July 2007) of DC, Bangalore (Urban). We noticed that four agencies did not pay ₹ 299.90 crore towards the value of 1,030 acres 16 guntas of land even as of November 2009, as a result of which the lands were not handed over to them. The details are as below:

(Rupees in crore)

Name of the statutory body/Government company	Extent of land granted (acres-guntas)	Extent of land for which value not paid (acres-guntas)	Reasons for non-payment
	Value of land	Amount due	
Karnataka Housing Board (KHB)	429-19	373-06	KHB paid ₹ 11.48 crore for 56 acres 13 guntas and stated that the remaining land was not useful to it since it was uneven.
	156.82	145.34	
Mysore Sales International Limited (MSIL)	37-20	37-20	MSIL stated that 21 acres 29 guntas of land was under dispute in the courts and requested for grant of alternate land.
	16.90	16.90	
Karnataka Slum Clearance Board (KSCB)	284-39	284-39	KSCB stated that it required only 92 acres and that the balance land was under 'Green Belt' area.
	99.33	99.33	

<sup>6</sup> Unit of measurement of land – 1 acre = 40 guntas

<sup>7</sup> Bruhat Bangalore Mahanagara Palike, Bangalore Metropolitan Transport Corporation, Karnataka Housing Board, Karnataka Power Transmission Corporation Limited, Karnataka Slum Clearance Board, Karnataka State Small Industries Development Corporation, Karnataka State Warehousing Corporation and Mysore Sales International Limited.



(Rupees in crore)

Name of the statutory body/Government company	Extent of land granted (acres-guntas)	Extent of land for which value not paid (acres-guntas)	Reasons for non-payment
	Value of land	Amount due	
Karnataka Small Scale Industries Development Corporation (KSSIDC)	428-16	334-31	KSSIDC paid ₹ 18.67 crore for 93 acres 25 guntas and stated that 145 acres 11 guntas was not suitable for it.
	108.51	99.85	
<b>Total</b>	<b>1,180-14</b>	<b>1,030-16</b>	
	<b>330.05</b>	<b>299.90</b>	

The above cases indicated that due diligence to determine the status of land before its disposal either through auctions or grant was not carried out by the Government/Department. This also resulted in huge tracts of urban land remaining undeveloped/blocked since on paper they had been shown as allotted to different agencies.

**We recommend that the Government ensure compilation of database by the field offices regarding the status and availability of lands for disposal through auction/grant/lease. They may also institute a mechanism for consolidation and periodic updation of the same.**

#### 4.6.7 Grant of Government land

##### 4.6.7.1 Absence of a system for fixation of the market value of land

The KLG Rules, 1969 provide for grant of land at market value to be determined by the DC.

We observed that no norms/guidelines were prescribed by the Government for fixation of the market value by the DC. We also noticed that the guideline market values published by the Government under the Karnataka Stamp (Constitution of Central Valuation Committee for estimation, publication and revision of the market value guidelines of properties) Rules, 2003 were taken as the basis for the market value in the absence of specific guidelines/norms under the KLG Rules.

After we brought this to notice, the Government stated (August 2010) that the guideline market values notified by them were adopted by the DC to fix value of the lands granted. Further, they stated that it was proposed to undertake an exercise by appointing an expert agency to fix appropriate market value of land based on registration based statistics, productivity of the land and nearness of the Government land to the city or town.



#### 4.6.7.2 Determination of market value for grant of land to statutory bodies

Rule 20 (1) (c) of KLG Rules, 1969 provides for grant of land to statutory bodies on collection of fifty *per cent* of the market value to be determined by the DC.

We noticed that 110 *per cent* of the guideline market value as notified by the Government under the Karnataka Stamp (KS) Act, 1957 was adopted as market value in cases of grant of land to statutory bodies. DC, Bangalore (Urban) stated that the 10 *per cent* increase over guideline market value was adopted as a safety clause to avoid increase/decrease of market value and

that no norms/rules/instructions of the Government existed for the same in arriving at the market value.

We noticed from the records of office of the DC, Bangalore (Urban) that 953 acres 8 guntas of land were granted to three statutory bodies during 2004-05 to 2008-09. Out of this, 892 acres 14 guntas of land were granted to Bangalore Metropolitan Transport Corporation (BMTC) and BDA at fifty percent of the market value and 60 acres 34 guntas was granted to Karnataka Power Transmission Corporation Limited (KPTCL) at full market value.

According to the norms specified by the Central Valuation Committee (CVC) in the published guideline market values, when any undeveloped land converted<sup>8</sup> for non-agricultural purposes is to be used for residential, industrial or commercial purposes, it was to be valued by enhancing the rate of the agricultural land by 50, 25 and 60 *per cent* respectively. By adopting the above norms, we computed the loss of revenue of ₹ 66.49 crore in respect of these cases. Details are given below:

(Rupees in crore)				
Organisation	Extent of land granted (acres-guntas) (Purpose of grant)	Market value realisable (determined in accordance with CVC norms <sup>9</sup> )	Market value collected	Loss of revenue
BMTC	651-22 (Commercial)	133.93	99.88	34.05
BDA	240-32 (Residential)	77.03	52.66	24.37
Though BDA is a statutory body, the market value determined was equal to only the guideline market value without enhancing it even by the ten <i>per cent</i> as was done for other statutory bodies.				
KPTCL	60-34 (Commercial)	28.17	20.10	8.07
<b>Total</b>	<b>953-08</b>	<b>239.13</b>	<b>172.64</b>	<b>66.49</b>

After we brought this to notice, Government stated (August 2010) that value was fixed as per the market rate fixed by CVC and contended that the lands

<sup>8</sup> Converted land is agricultural land converted for non-agricultural purposes after obtaining permission from the DC and on payment of a conversion fine at prescribed rates.

<sup>9</sup> Computed at 150 and 160 *per cent* of the rate prescribed for agricultural land converted for residential and commercial purposes and deducting the conversion charges paid.

were granted to statutory bodies for a specific public purpose and not with an intention to earn revenue. The reply is not tenable as the Department having adopted the market rate fixed by CVC, should also have adopted the other norms as stipulated by CVC. Non-adoption of the other CVC norms, thus, resulted in determination of lower market value and loss of revenue to the Government.

**We recommend that the Government prescribe norms for determination of market value of land.**

#### 4.6.7.3 Absence of criteria for grant of land at concessional rates

Provisions under Rule 27 of KLR Rules provide for relaxation of any Rules by the Government by recording reasons for such relaxation.

We noticed that there was no policy in place, stipulating the terms and conditions for grant of land at concessional rate. Further, criteria were not fixed for evaluating eligibility of institutions for granting concession in the cost of land allotted. On a reference in November 2008 for grant of land to Loka Shikshana Trust, Finance

Department had opined that 'it does not favour grant of land to private institutions in view of scarcity of land for public purposes'. Further, it is suggested that only in exceptional cases of national/state importance, Government land in Bangalore should be granted'. It further stated that if land was to be granted in the case referred to it, it should be on payment of full market value. We noticed in the office of the DC, Bangalore (Urban) that Government had issued orders under Rule 27 granting land to two institutions at concessional rates much below the guideline values as approved by the Cabinet. We observed that in respect of these cases, the Government (Revenue Department) had recommended for grant of land at market value. The loss of revenue in these cases was ₹ 4.77 crore as detailed below:

(Rupees in crore)					
Grantee	Extent in acres-guntas	Guideline value per acre/value recommended by DC	Cost of land due to be collected	Cost of land collected	Loss of revenue
Loka Shikshana Trust	4-00	0.40	1.60	0.40	1.20
Srinivasaiah Education Trust	4-30	1.50	7.13	3.56	3.57
<b>Total</b>	<b>8-30</b>		<b>8.73</b>	<b>3.96</b>	<b>4.77</b>

After we brought this to notice, the Government replied (August 2010) that they have granted land to these institutions at concessional rates in exercise of powers conferred under Rule 27 of the KLG Rules. The reply is not acceptable as allotment of scarce land in Bangalore city on concessional rate was not prudent exercise of the powers conferred to Government.

**We recommend that the Government may stipulate terms and conditions and put in place a system for evaluating eligibility of institutions for granting land at concessional rates.**

#### 4.6.7.4 Loss of revenue due to grant of land at concessional/incorrect rate

As per Rule 21 of the KLG Rules, no concession in the price of land shall be given to any institution. However, on an application made by the institutions which run purely for religious and charitable purposes such as temples, leprosy treatment centre, old age homes, orphanage and homes for physically and mentally challenged persons, etc., without collecting any fee or service charges, land could be granted at fifty *per cent* of the market value or guideline value whichever is higher.

➤ We noticed from the records of the DC, Bangalore (Urban) that 30 acres of land were granted to two educational institutions under Rule 21 of the KLG Rules at concessional rates in contravention of the provisions. This resulted in loss of revenue of ₹ 4.45 crore as detailed below:

(Rupees in crore)					
Grantee	Extent in acres	Guideline value per acre	Cost of land due to be collected	Cost of land collected	Loss of revenue
Mother Theresa Educational Trust	05	0.20	1.00	0.05	0.95
Though Rule 21 of KLG Rules does not provide for grant of land at concessional rate for educational purposes, the Government granted land at concessional rate of ₹ 1 lakh for educational purposes. Though this was brought to notice, Government has not furnished any reply (January 2011).					
Adijambava Trust	25	0.15	3.75	0.25	3.50
Though Rule 21 of KLG Rules does not provide for grant of land at concessional rate for educational purposes, the Government granted land at concessional rate of ₹ 1 lakh for educational purposes. After we brought this to notice, the Government stated (August 2010) that concession was granted considering that the trust belonged to Scheduled Caste. The reply is not tenable since the concession granted was not permissible under the provisions of Rule 21 of KLG Rules.					
<b>Total</b>	<b>30</b>		<b>4.75</b>	<b>0.30</b>	<b>4.45</b>

➤ We noticed from the records of the DC, Udupi that 65 acres 14.8 guntas of land were granted in October 2006 by the Government to KIADB at full market value for the purpose of establishing Nagarjuna Thermal Power Plant. However, the DC, Udupi demanded and collected only 50 *per cent* of the market value. This resulted in loss of revenue of ₹ 1.14 crore. After we brought this to notice, the Government stated (August 2010) that action is being taken to collect ₹ 1.14 crore.

#### 4.6.7.5 Absence of a time period for payment of value of land and non-cancellation of grant by the Government

The KLG Rules empower the Government to grant land for non-agricultural purposes on payment of the market value that is levied. After the approval of the grant by Government, Revenue Department issues grant orders on payment of the market value of the land along with conversion fine and other prescribed fees. We noticed that the KLG Rules do not prescribe any time limit for payment of value of land after approval of the grant of land.

However, the DC, while communicating approval of grant specified a time limit of 15 days for payment of the value of land.

- Government issued (October 2007) orders approving grant of 16 acres of Government land to Karnataka State Warehousing Corporation (KSWC). The Government instructed KSWC in October 2008 to pay ₹ 4.86 crore for the land in two instalments and directed to pay the first instalment immediately. We noticed that KSWC had not paid the amount even as of November 2009, as a result of which the lands were not handed over to it. However, no action was taken by the Government to cancel the grant approved.

After we brought this to notice, the Government reported (August 2010) that notices have been issued to the Departments which have not remitted the value fixed by the Government with the condition that the land grant would be cancelled if the amount was not remitted immediately. However, the fact remains that due to non-enforcement of the time limit stipulated in the demand notice for payment, not only was Government deprived of its revenue but valuable land remained blocked, which could otherwise have been allotted to other institutions.

- We noticed from the records of DC, Ramanagara that the Government approved (1996) grant of 2 acres 35 guntas of land to Karnataka Janapada Trust. Accordingly, demand notice for payment of land cost (₹ 0.49 lakh at ₹ 0.17 lakh per acre) and conversion charges (₹ 3.76 lakh) was issued (January 1997) to the grantee. The amount was, however, not paid by the grantee as of November 2009. In the meanwhile, the cost of the land increased to ₹ 86.25 lakh (at ₹ 30 lakh per acre as per current guideline market value). However, no action was initiated by the Department to cancel the grant order for non-payment of cost of the land granted. After we brought this to notice, the Government reported (August 2010) that a direction has been issued to DC, Ramanagara to take necessary action as per rules to cancel the grant if the trust has not paid for the land.
- We noticed in the office of the Tahsildar, Bangalore (South) that the Government approved (February 2004) grant of 1 acre 11 guntas of land to Karnataka Vokkaligara Directory Trust, a charitable institution, for ₹ 3.82 lakh at a market value of ₹ 3 lakh per acre. However, the actual guideline market value fixed by the CVC was ₹ 15 lakh per acre and hence the market value leviable was ₹ 19.12 lakh. This resulted in short levy of ₹ 15.30 lakh. Further, the grantee initially paid (July 2004) fifty *per cent* of the cost of land and requested for allowing extra period for payment of the balance amount. Accordingly, DC, Bangalore (Urban) issued (August 2004) grant orders with a condition to pay the balance amount within one year. The grantee, however, paid the balance amount in July 2007 after a lapse of almost two years since the date stipulated for payment. In the meanwhile (April 2007), the guideline value of the granted land had increased to ₹ 1.10 crore per acre.

**We recommend that the Government prescribe a time limit for payment of value of land after approval of the grant and enforce cancellation of land grant for non-payment within the prescribed time limit.**

#### 4.6.7.6 Application of incorrect guideline market value

Under the KLG Rules 1969, lands may be granted to statutory bodies on collection of 50 per cent of the market value determined by the DC.

We noticed in the office of the DC, Bangalore (Urban) that in three cases of land granted to BMTC in 2007-08, market value was determined by adopting the incorrect guideline value resulting in short levy of market value of ₹ 2.28 crore as detailed below:

(Rupees in crore)

Location of land	Extent of land (acres-guntas)	Rate per acre as per published guideline values	Rate per acre adopted by Department	Market value <sup>10</sup>		
				Leviable	Levied	Short levy
Survey No.1, Pillaganahalli village, Uttarahalli Hobli, Bangalore (South)	7-18	0.60	0.40	2.46	1.64	0.82
Survey No.96, Bommanhally village, Bidarahally Hobli, Bangalore (East)	2-02	0.55	0.20	0.62	0.23	0.39
Survey No. 271, Bagalur village, Jala Hobli, Bangalore (North-Additional)	13-00	0.60	0.45	4.29	3.22	1.07
<b>Total</b>	<b>22-20</b>			<b>7.37</b>	<b>5.09</b>	<b>2.28</b>

After we brought this to notice, the Department issued (October 2009/October 2010) demand notices to BMTC for payment of the differential amount.

#### 4.6.7.7 Non/short-levy of conversion fine

Under the KLR Act 1964 and the Rules framed thereunder, when any land assessed or held for the purpose of agriculture is permitted to be diverted for purposes other than agriculture, conversion fine is leviable. The rate of fine leviable depends on the place where the land is situated and the purpose for which the land is put to use.

We noticed that in 31 cases in seven DC offices<sup>11</sup>, conversion fine of ₹ 4 lakh was levied on 249 acres 33 guntas of land granted between 2004-05 and 2008-09 for non-agricultural purposes. The conversion fine leviable as per Rules in these cases amounted to ₹ 2.49 crore. This resulted in short levy of conversion fine of ₹ 2.45 crore.

<sup>10</sup> At fifty per cent of the CVC rate

<sup>11</sup> Bangalore (Urban), Belgaum, Hassan, Mysore, Ramanagara, Shimoga, Tumkur.

#### **4.6.8 Auction of Government land**

##### **4.6.8.1 Absence of Rules for conducting auction of Government land**

Section 69 A of KLR Act and provisions under Rule 12(2) of KLG Rules empower the State Government to dispose of valuable land or other property belonging to the State Government by public auction. Section 197(1) of KLR Act empowers the State Government to make rules for regulating the disposal of land and other property vesting in the State Government.

During 2004-05 to 2008-09, 516 acres of land were auctioned in 249 cases in Bangalore (Urban) and Bangalore (Rural) districts. As per the procedure adopted, auction notifications were issued in the above cases, stipulating that the auction of land was on 'as is where is' basis and the successful bidders had to utilise the land according to zonal regulations as specified in the concerned CDP. As per conditions further specified in the auction notifications, every person interested to participate in the bid shall pay initial deposit for participation in the auction. Every successful bidder shall deposit 25 *per cent* of the final bid amount within 24 hours after completion of auction and balance 75 *per cent* within 15 days from the date of receipt of intimation of confirmation order. Failure to pay the balance 75 *per cent* of the final bid amount within the stipulated period attracted forfeiture of 25 *per cent* of the bid amount deposited and conduct of re-auction of the property at the risk and cost of the defaulting bidder.

We noticed that rules incorporating the above procedure and prescribing guidelines for auction of the Government lands were not framed.

After we brought this to notice, the Government stated (August 2010) that a direction has been issued to the Secretary to Government, Revenue Department and ex-officio Managing Director, Karnataka Public Land Corporation to furnish the details regarding the rules of procedure followed in auctioning the Government lands so far and also to suggest the procedures and guidelines to be followed in future.

**We recommend that the Government frame rules incorporating suitable procedure for conduct of auction of Government lands.**

##### **4.6.8.2 Allotment of land by the Government at lower market value due to absence of guidelines to determine the appropriateness of bids received in auctions**

In October 2007, Government formed a Committee<sup>12</sup>, to examine cases where the revenue fetched during auctions was found inadequate. The Committee felt that since the auctions were confirmed only if the rate offered was at least one and half times the guidance values, there was no other ground on which the appropriateness of the same could be judged. It was deliberated that a tender-cum-auction concept could be adopted wherein the higher of 150 *per*

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<sup>12</sup> Headed by the Additional Chief Secretary to Government with Principal Secretaries of Urban Development Department, Revenue Department and Secretaries of Finance and Law Departments as members.



cent of the guideline value or the actual highest bid received in sealed tender may be considered as the minimum market price. The Committee also recommended that it may be worthwhile for the Revenue Department to stop the auctions till a final decision is taken by the Cabinet on how to streamline the entire process in keeping with the suggestions made by the Committee. However, no final decision on the recommendations of the Committee was taken by Government even as of April 2010. The Government has not furnished details of any further developments in this regard despite being requested (October 2010).

We test-checked 171 cases of auctions conducted during 2004-05 to 2008-09 in the office of DC, Bangalore (Urban) and noticed the following.

- Out of 117 auction cases conducted during 2008-09, the DC had recommended confirmation of 36 cases fetching more than 150 percent of the guideline value and rejection of 81 cases on the ground that the bid amounts quoted were on the lower side and that no competitive bids were received. We, however, noticed that the Government confirmed 70 cases (69 cases to private parties and one to KHB) and rejected 47 cases. Out of the 70 cases confirmed, the highest bids received ranged between 100 and 145 percent of the guideline value in 30 cases involving 65.11 acres of land for a total bid amount of ₹ 28.80 crore. The value of the land at 150 per cent of the guideline value in these cases was ₹ 39.04 crore. The difference between 150 per cent of the guideline value and the bid amount obtained in these auctions was ₹ 10.24 crore.
- We also noticed that, out of the 70 cases confirmed, 11 cases (in favour of private parties) were initially rejected (November 2008) by the Government as per the recommendations of DC. However, in its subsequent order, Government confirmed (December 2008) these 11 cases involving an extent of 10 acres 13 guntas for a bid amount of ₹ 9.21 crore. Government did not produce files relating to reversal of its earlier decision nor did they give specific reasons for the same during the Exit conference.

**We recommend that the Government prescribe guidelines for determining the appropriateness of bid prices obtained in auctions.**

#### **4.6.8.3 Non-forfeiture of 25 percent bid amount**

As per conditions specified in the auction sale notification, failure to pay the balance 75 per cent of the final bid amount within the stipulated period attracts forfeiture of 25 per cent of the bid amount deposited. Further, auction was conducted on 'as is where is' basis and the successful bidders had to utilise the land according to zonal regulations as specified in concerned CDP.

As per the information furnished by the Department, in 92 auctions, the successful bidders had not paid the 75 per cent of the bid amount due as of November 2009. Of these, it was observed that non-payment was due to pending requests for fencing of the land in 28 cases, requests for change of land use in 17 cases and the bidders not interested in buying the land in two cases. We noticed that in these cases, no action was initiated to forfeit the



25 per cent of bid amount deposited and also to cancel the auction at the risk and cost of the bidders who had defaulted.

After we brought this to notice, Government stated (August 2010) that it had directed in August 2008 to collect 75 per cent bid amount after getting approval for change of land use and getting the fencing done. Thus, the directions of Government in contravention of the conditions of auction resulted in non-forfeiture of ₹ 64.43 crore. The Department further stated that as of April 2010, in 42 cases, 75 per cent of the bid amount was not paid by the successful bidders for want of conversion of land/fencing of land and ₹ 7.13 lakh had since been forfeited in three cases.

#### 4.6.8.4 Non-collection of initial deposit and bid amount

In an auction for land measuring 1 acre 29 guntas in Bangalore (Urban) conducted in August 2008, highest bid offered by the bidder viz KHB was for ₹ 51 lakh. The auction was confirmed (December 2008) by Government in favour of KHB. We noticed that the bidder had not deposited the initial amount of ₹ 17.25 lakh before participating in the auction. Action of the DC/Government in allowing the bidder to participate in the auction proceedings without payment of the initial deposit was contrary to conditions of the auction. The entire bid amount of ₹ 51 lakh was not paid by KHB even as of November 2009. However, no action was taken by the Government for cancellation of auction proceedings.

After we brought this to notice, Government reported (August 2010) that KHB had requested to allot Government land free of cost and it was under the consideration of Government to cancel the auction proceedings. Action of the DC in allowing KHB to participate in the auction without depositing initial deposit was in contravention of the conditions of auction and resulted in non-realisation of revenue and unproductive auction proceedings.

#### 4.6.8.5 Loss of revenue due to re-auction

We noticed in the office of the DC, Bangalore (Urban), that in respect of three cases, the highest bids ranging from 150 per cent to 704 per cent of guideline market value that were offered by private bidders were rejected (November 2007) by the Government with a direction to go for re-auction. During re-auction, the highest bids offered by the private bidders in these cases were lower than those offered during the first auction. The Government, however, confirmed (December 2008/June 2009) the bid amounts offered during re-auction.

Thus, decision of the Government to go for re-auction resulted in loss of revenue of ₹ 2.03 crore as detailed below:

(Rupees in crore)

Taluk/Hobli/ Village/Sy.No.	Extent in acres- guntas	Highest bid offered during 1st auction but rejected		Highest bid confirmed after re-auction		Loss of revenue
		Date of auction	Bid amount	Date of auction	Bid amount	
Bangalore (North-Addnl), Hesaraghatta, Shivakote, 95	19-13	27.9.07	4.40	4.2.09	2.93	1.47

(Rupees in crore)

Taluk/Hobli/ Village/Sy.No.	Extent in acres- guntas	Highest bid offered during 1st auction but rejected		Highest bid confirmed after re-auction		Loss of revenue
		Date of auction	Bid amount	Date of auction	Bid amount	
Bangalore (North-Addnl), Hesaraghatta, Kondashettihalli, 29	10-13	6.10.07	2.01	29.8.08	1.57	0.44
Anekal, Jigani, Harapanahalli, 58	0-08	6.10.07	0.22	12.8.08	0.10	0.12
<b>Total</b>	<b>29-35</b>		<b>6.63</b>		<b>4.60</b>	<b>2.03</b>

After we brought this to notice, Government reported (August 2010) that probably expecting higher revenue in the re-auction, these cases were rejected but due to subsequent developments in the global economic scenario, the land costs during the re-auction period had come down drastically. A decision to re-auction is always fraught with a risk of receiving lesser rates especially in an uncertain real estate market. The Government's decision to re-auction even after it has received bids much higher than the guidelines value (150 to 704 per cent) was imprudent resulting in a loss of ₹ 2.03 crore.

#### 4.6.8.6 Unfruitful auction proceedings

We noticed that 36 acres 35 guntas of land were auctioned in six auctions conducted between November 2006 and June 2007 without ascertaining the usage of land earmarked in the master plans of local planning authorities as given below:

➤ In Bangalore (North), 27 acres 35 guntas of land were auctioned during 2007-08 for a bid amount of ₹ 16.84 crore. In the auction notification, the land use was not mentioned as the Interim Master Plan of BDA was under approval. The bidders, on confirmation of the sale, requested for refund of the initial bid amount on the ground that the land auctioned was reserved for 'public utility' as per the CDP. The Government refunded the same.

➤ The Master Plan of BMICAPA<sup>13</sup> was approved in February 2004. In Bangalore (South), 9 acres were auctioned in November 2006 and the certificate of sale for purchase money of ₹ 15 crore was issued in April 2007. However, the bidder requested for refund of the purchase money in December 2008 on the ground that the land was reserved for 'Regional Park' as per the Master Plan of BMICAPA. The Government refunded the same.

Thus, failure to ascertain the usage of land as per the master plans of the concerned planning authorities before issue of notice for auction rendered the process of auction unproductive in the above cases.

<sup>13</sup> Bangalore Mysore Infrastructure Corridor Area Planning Authority.

#### **4.6.8.7 Confirmation of auctions with participation of single bidders**

Provisions under Rule 124 (2) of KLR Rules stipulate that where there were either no bidders or the bids offered were not adequate, the DC shall postpone the sale.

We noticed that eight auctions in Bangalore (Urban) involving auction of 4 acres 1 gunta of land, fetched single bids totalling ₹ 1.06 crore and were confirmed by Government. In view of the auctions fetching single bids, Department could not get competitive rates and as such confirmation of such auctions is injudicious.

After we brought this to notice, the Government stated (August 2010) that the DC, Bangalore (Urban) had reported that there was more than one bidder participating in each of these eight auctions. The reply is not tenable as the auction proceedings sheet had recorded participation of single bidders only in all the eight auctions.

#### **4.6.8.8 Refund of bid amount contrary to conditions of auction**

Provisions under Sections 179 and 180 of the KLR Act stipulate that the Certificate of Sale<sup>14</sup> issued for purchase of any property is deemed to be a valid transfer of such property and further obstructions/resistance, if any, on acquiring such property shall be referred to the Court by the purchaser. The Court shall investigate the matter as if the property were purchased by the applicant at a sale held in execution of a decree of such Court.

We noticed in DC, Bangalore (Urban) that refunds made were irregular in the following cases:

- Certificate of sale for purchase money of ₹ 12.35 crore was issued in August 2005 and registered in September 2005 in respect of 4 acres 10 guntas of land<sup>15</sup> auctioned in May 2005. Thereafter, the bidder sold the land to another person for ₹ 14 crore vide registered sale deed No.7831 of 2005-06 on 15 September 2005 wherein it was mentioned that he was in peaceful possession and enjoyment of the property without any encumbrances of whatsoever in nature. However, based on the representation of the bidder in July 2007 regarding encroachment of land, eviction proceedings were undertaken by the Department and possession of the land was handed over to the bidder. The bidder again represented (August 2008) that the actual extent of land handed over to him was 3 acres 30 guntas only and requested for refund of cost of 20 guntas of land. Accordingly, based on the report of the Tahsildar and DC, the Government issued (October 2008) orders for refund of ₹ 1.45 crore towards cost of 20 guntas of land. Action of the Department to refund ₹ 1.45 crore by taking cognizance of the representation of the bidder, who ceased to be the absolute owner of the auctioned property

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<sup>14</sup> When a sale held is confirmed, a certificate to the effect that the purchaser has purchased the property specified therein is issued and such certificate shall be deemed to be a valid transfer of such property.

<sup>15</sup> Bangalore (East), Varthur hobli: Konena agrahara village: Sy.No.81.

subsequent to its sale, was not warranted and contrary to provisions of KLR Act.

After we brought this to notice, the Government stated (August 2010) that the matter would be enquired in detail and reported to audit. We have not received any further reply (January 2011).

- In another case<sup>16</sup>, 26 acres 34 guntas of land was auctioned (March 2007) for ₹ 32.45 crore. The successful bidder did not deposit 25 per cent of the bid amount within the stipulated period but requested for cancellation of the auction and refund of the amount of ₹ 1.88 crore already deposited for participating in the auction on the ground that there was no approach road to the auctioned land. The Government initially rejected the request of the bidder and instructed the DC (September 2007) to forfeit ₹ 1.88 crore as per provisions of KLR Act. Subsequently, the Government (Revenue Department), *suo motu*, directed (October 2008) the DC to refund the entire amount of ₹ 1.88 crore. Accordingly, entire amount was refunded (November 2009) to the bidder. After we brought this to notice, Government reported (August 2010) that the land was not free from encroachment and did not have an approach road and hence it was decided to refund the initial deposit. Thus, the sale of land through auction without ascertaining the status of the land was incorrect and had resulted in refund of ₹ 1.88 crore.

#### 4.6.9 Lease of Government land

##### 4.6.9.1 Absence of system for fixation/revision of lease rent

As per Rule 19 of KLG Rules, the DC may lease land for non-agricultural purposes for a period upto 30 years. He should fix lease rent taking into account the locality, purpose of lease, etc. He may also impose such conditions as deems necessary having regard to the circumstances of each case.

We noticed that guidelines for fixing the lease rent were not issued by the Government. The format prescribed for lease agreement did not provide for periodic revision of lease rent. We noticed the following in respect of the 117 test checked lease cases.

- A uniform system was not followed in fixing lease rent. In three Tahsildar offices<sup>17</sup>, in four cases, lease rent was fixed at one per cent of the

guideline market value of the lands leased between 2006 and 2009. In one of these cases, though the order for grant of lease specified payment of lease rent based on guideline values in force, no action was taken to revise the lease rent on revision of guideline values in April 2007.

After we brought this to notice, the Department intimated that lease rent of ₹ 11.30 lakh levied short due to non-revision was demanded and recovered (December 2009).

<sup>16</sup> Jala hobli: Hosalli village: S.No.21:10.07 acres and Yelahanka hobli: Nagadasanahalli village: S.No.10, 11:16.2 acres both bid by Sri.Ramaiah Reddy.

<sup>17</sup> Tahsildars Bangalore (North), Bangalore (South), K.R. Puram.

In five Tahsildar offices<sup>18</sup>, in 61 cases, lease rent fixed by the DC ranged from ₹ 100 to ₹ 11,000 per acre per annum. The guideline value of the land in these cases ranged from ₹ 1.5 lakh to ₹ 20 lakh per acre. We computed the loss of lease rent of ₹ 9.54 crore at one *per cent* of guideline value in these 61 cases for the period from 2004-05 to 2008-09.

➤ Clause 3 of Form IV of lease deed prescribes for collection of security deposit from the lessees for fulfillment of conditions of lease. However, in three Tahsildar offices<sup>19</sup>, security deposit amounting to ₹ 20.05 lakh, though levied, was not collected in 17 cases.

➤ Periodical demands of lease rent were not raised in 41 leases resulting in accumulation of arrears to the tune of ₹ 58.38 lakh towards lease rent as detailed below:

(Rupees in lakh)		
Office	Number of cases	Arrears of lease rent
Bangalore (North)	17	17.04
Bangalore (South)	19	36.25
Shimoga	02	4.37
Kolar	02	0.62
Anekal	01	0.10
<b>Total</b>	<b>41</b>	<b>58.38</b>

In addition, interest at 12 *per cent* per annum for belated payment of lease rent, though stipulated in the agreement, was also not levied and collected from these lessees. The Government reported (August 2010) that DC, Bangalore (Urban) had since issued notices to the concerned to pay the lease rent.

**We recommend that the Government prescribe norms for fixation and ensure periodical revision of lease rent and its collection.**

#### 4.6.9.2 Non-compliance with lease conditions

As per the conditions stipulated for grant/lease of land, the grantee/lessee should utilise the land for the specified purpose within two years from the date of lease. Further, contravention of any of the conditions of grant/lease entails cancellation of grant/lease by resuming back the land to Government.

We noticed from the records in three offices<sup>20</sup> that in respect of 106 acres 2 guntas of land granted on lease to 12 lessees between 2001 and 2006, the lessees had not commenced any works on the land even as of March 2009, that is, even after a period of three to eight years after lease of land. No action was initiated by the Department to cancel these leases and resume the land which was valued at ₹ 47.07 crore as per guideline value.

After we brought this to notice, Government stated (August 2010) that follow up action would be initiated.

<sup>18</sup> Anekal, Bangalore (North), Bangalore (South), K.R.Puram, Yelahanka.

<sup>19</sup> Bangalore (North), Bangalore (South), Bhadravathi.

<sup>20</sup> Bangalore (North), Bangalore (South), Mysore.

#### 4.6.10 Regularisation of unauthorised occupation of Government land

##### 4.6.10.1 Non-finalisation of cases even beyond extended due dates

Sections 94A and 94B of the KLR Act provide for regularisation of unauthorised occupation of land for agricultural purposes while section 94C provides for regularisation of unauthorised occupation of land for dwelling purposes.

Section 94A deals with applications received on or before 19 September 1991 while Section 94B deals with applications received on or before 30 April 1999 and the applications were to be finalised within 18 months. The due date was, however, extended up to 26 April 2011, after revising it five times. Further, in respect of

regularisation of unauthorised occupation for dwelling purposes also, the due date for finalisation of cases was extended several times and the latest extended due date expired on 31 July 2009. The applications for regularisation are considered by a Committee constituted for each Taluk under the KLR Act.

The status of applications pending for regularisation as of February 2010 is as given below:

Section	Number of applications received (In lakh)	Number of applications finalised (In lakh)	Extent of land regularised (acres-guntas)	Number of applications pending (In lakh)	Extent of land involved in pending applications (acres-guntas)
94A	10.90	10.64	6,33,685-31	0.26	1,31,818-01
94B	10.95	6.92	2,51,653-10	4.02	10,42,010-13
94C	3.19	3.12	NF	0.07	NF

NF – Not furnished

It is seen from the above that about 37 *per cent* of the overall applications received are still pending finalisation even after a lapse of about 10 years from the date of their receipt in the Department. Consequently, 11,73,828 acres 14 guntas of land continue to be under unauthorised occupation for the past 18 years. After we brought this to notice, Government stated (August 2010) that Committees for regularisation are not constituted from time to time and hence the applications are pending.

**We recommend that Government ensure timely constitution of committees for early disposal of pending applications.**

##### 4.6.10.2 Absence of a system for preparation/update of list of villages falling within the prescribed distances from corporation/municipal limits

As per the KLR Act, no land shall be granted in the areas lying within 18 kms from the Corporation limits of Bangalore City, 10 kms from other City Corporations and 5 kms from all other municipalities' limits.

We noticed that there was no system of compiling and periodically updating the list of villages which fall within 18 kms/10 kms from the corporation limits and 5 kms from the municipal limits. The absence of such list resulted in the



Department regularising the cases without ensuring proper checks.

We noticed in four Tahsildar offices<sup>21</sup> that 264 acres 13 guntas of land held under unauthorised occupation by 139 applicants, though falling within 18 kms from the Bangalore City Corporation limits, were regularised for agricultural purposes between 2004-05 and 2007-08 and saguvali<sup>22</sup> chits were also issued in these cases. Regularisation of these lands in contravention of the provisions of the KLR Act resulted in Government foregoing revenue of ₹ 72.51 crore that could have been fetched at the minimum guideline value as notified by the CVC.

After we brought this to notice, Government stated (August 2010) that a direction has been issued to all the DCs for preparation and updating of list of villages which fall within 18 kms/10 kms from the corporation and 5 kms from the municipal limits. It was also stated that in Bangalore district, the villages within the said limit have since been identified and notified. It was further stated that all the cases of regularisation of unauthorised occupation of land within 18 kms in Bangalore (Urban) district would be reviewed.

**We recommend that the Government institute a system for preparing and periodically updating the list of villages falling within the prescribed distances from the corporation/municipal limits.**

#### **4.6.10.3 Irregularities/omissions in regularisation**

We test checked 2,044 cases of regularisation of land under Sections 94A/94B during the period from 2004-05 to 2008-09 and noticed the following omissions.

- As per KLR Rules, the applicant should be in unauthorised occupation of land for at least a continuous period of not less than 3 years prior to 14 April 1990 (1 year in respect of SC/ST). In six Tahsildar offices<sup>23</sup>, 193 cases involving 230 acres 19 guntas of land were regularised despite the fact that these lands were not held under unauthorised occupation prior to 1990.
- In three Tahsildar offices<sup>24</sup>, the periodicity of unauthorised occupation mentioned by the applicants was found not genuine in 11 cases involving 11 acres 12 guntas of land since the commencement of period of unauthorised occupation refers to the period even earlier to the birth of the applicants.
- In seven Tahsildar offices<sup>25</sup>, the extent of land sought for regularisation as per the applications in 103 cases was 141 acres 29 guntas. However, while regularising, 202 acres 25 guntas of land was granted. This resulted in regularisation of excess land to the extent of 60 acres 36 guntas.

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<sup>21</sup> Anekal, Bangalore (South), K.R.Puram, Yelahanka.

<sup>22</sup> Certificate of grant of land for agricultural purposes.

<sup>23</sup> Bangalore (South), Devanahally, Doddaballapura, Hosakote, Nelamangala, Yelahanka.

<sup>24</sup> Bangalore (South), Nelamangala, Yelahanka.

<sup>25</sup> Anekal, Bangalore (South), Devanahally, Doddaballapura, Hosakote, Nelamangala, Yelahanka.



- As per the KLR Act, the applications for regularisation under section 94B should be submitted by the unauthorised occupants on or before 30 April 1999. In the office of the Tahsildar, Devanahally, 37 applications for regularisation of 29 acres 15 guntas of land received in June 1999, that is, after due date (April 1999) were regularised.

Action of the Department in regularising unauthorised occupation of land contrary to provisions of KLR Act/Rules as mentioned above resulted in loss of revenue of ₹ 50.69 crore (as per current guideline market value) due to irregular grant of 318 acres 2 guntas of land in the above 344 cases. Though we brought this to notice, the Government did not furnish specific replies in respect of these irregularities. However, the Government stated (August 2010) that a direction has been issued to the concerned DCs to cancel such illegal grants as per Rule 108K of the KLR Rules, 1966.

#### 4.6.11 Internal Audit

No internal audit wing was functioning in the Department making it vulnerable to risk of control failure. After we brought this to notice, Government reported (August 2010) that action will be taken as per the guidelines issued by the Finance Department regarding internal audit.

**We recommend that the Government set up an internal audit wing for timely detection of errors for initiating suitable remedial measures.**

#### 4.6.12 Conclusion

We conducted the review to examine whether the system and procedures for disposal of Government land through grant, auction or lease were in existence and were adequate and that the internal controls for monitoring and management of land were effective. We found several procedural lapses. A list of lands that is required for ascertaining the availability of Government lands was not prepared by the Tahsildars. Consequently, in the absence of such a database, Government was not in a position to know the exact extent and status of land available for grant/auction/lease. Guidelines were not prescribed to determine the market value of land granted to statutory bodies. Criteria were not prescribed for determination of eligibility of institutions for relaxation of norms to grant land at concessional rates and land had been allotted at concessional/incorrect rates to these bodies. Rules prescribing procedures for auction of land were not framed. Guidelines were not issued for fixation/periodical revision of lease rent. There was huge pendency in the disposal of applications received for regularisation of unauthorised occupation of land for agricultural purposes. Several irregularities were observed in the cases that were regularised by the Committees formed for the purpose.

#### 4.6.13 Summary of recommendations

We recommend that the Government to:

- ensure compilation of a database by the field offices regarding the status and availability of lands for disposal through auction/grant/lease. They may also institute a mechanism for consolidation and periodic updation of the same;
- prescribe norms for determination of market value of land;

- stipulate terms and conditions and put in place a system for evaluating eligibility of institutions for granting land at concessional rates;
- prescribe a time limit for payment of value of land after approval of the grant and enforce cancellation of land grant for non-payment within the prescribed time limit;
- frame rules incorporating suitable procedure for conduct of auction of Government lands;
- prescribe guidelines for determining the appropriateness of bid prices obtained in auctions;
- prescribe norms for fixation and ensure periodical revision of lease rent and its collection;
- ensure timely constitution of committees for early disposal of pending applications;
- institute a system for preparing and periodically updating the list of villages falling within the prescribed distances from the corporation/municipal limits; and
- set up an internal audit wing for timely detection of errors for initiating suitable remedial measures.

## 4.7 Other audit observations

Scrutiny of records in the offices of the Land Revenue Department indicated several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to consider directing the department to improve the internal control system including strengthening internal audit so that such omissions can be avoided, detected and corrected.

### • Non-observance of provisions of the Act/Rules

The KLR Act 1964, the KLR Rules, 1966 and the KLG Rules, 1969 provide as under:

- Section 96 of the KLR Act for compounding of the diversion of the agricultural land for non-agricultural purposes without permission of DC by levy of the compounding amount.
- Section 128 of the KLR Act for preparation of a pre-mutation sketch prepared by a licensed surveyor while reporting mutation of land.

We noticed during test check of the records of two offices of the DCs and 10 offices of the Tahsildars that the above provisions were not followed by the concerned offices. This resulted in a number of discrepancies with non/short realisation of the Government revenue amounting to ₹ 1.65 crore. Of these, the Department furnished replies and accepted audit observations in 2 cases involving ₹ 5.69 lakh.

### 4.7.1 Non/short levy of compounding amount

DCs Bangalore (Urban), Chitradurga and Tahsildar, Koppal

The DC may compound diversion of agricultural land for other non-agricultural purposes without permission on payment of the compounding amount at prescribed rate.

We noticed between June 2009 and November 2009 that in eight orders issued between March 2007 and June 2009 for conversion of 34 acres 36.08 guntas of agricultural land for non-agricultural purposes, ₹ 12.73 lakh was levied as compounding fine as against ₹ 1.65 crore leviable. This resulted in non/short levy of

compounding amount of ₹ 1.52 crore as mentioned in the following table:

(Rupees in lakh)

Office (Number of cases)	Nature of diversion (Extent of land in square feet)	Compounding fine		
		Leviable	Levied	Short levy
DC, Bangalore (Urban) (02)	Non-residential (2,20,738)	126.92	11.80	115.12
The rate of compounding fine prescribed in the Act for non-residential diversion was ₹ 57.50 per square feet. However, the rate levied was ₹ 57.50 per square meter.				
DC, Bangalore (Urban) (01)	Non-residential (5,237)	3.01	0.60	2.41

(Rupees in lakh)

Office (Number of cases)	Nature of diversion (Extent of land in square feet)	Compounding fine		
		Leviable	Levied	Short levy
The compounding amount for 5,237 square feet of church and prayer hall was levied at rates applicable to diversion for residential purpose instead of non-residential purpose.				
DC, Bangalore (Urban) (02)	Non-residential (1,43,657)	10.08	0.23	9.85
DC, Chitradurga (01)	Residential (12,106)			
Tahsildar, Koppal (01)				
The compounding fine was omitted to be levied in three cases and levied at lesser rates in one case while passing orders regularising unauthorised diversion.				
DC, Bangalore (Urban) (01)	Non-residential (45,710)	25.05	0.10	24.95
The compounding amount had been levied only for bus shelter (450 sq.ft), at rates applicable for residential purpose instead of non-residential purpose.				
<b>Total (08)</b>	<b>Residential (12,106) Non-residential (4,15,342)</b>	<b>165.06</b>	<b>12.73</b>	<b>152.33</b>

We reported the cases to the Department/Government in April 2010; we have not received their reply (January 2011).

#### 4.7.2 Short levy of fees for pre-mutation sketch

Nine Tahsildar offices<sup>26</sup>

The fee for each pre-mutation sketch upto 11 August 2008 was ₹ 403 of which ₹ 300 was payable to the licensed surveyor. Government, vide order dated 12 August 2008 enhanced the fee for pre-mutation sketch to ₹ 600 with no enhancement in payment to the licensed surveyor.

We noticed from the records between June 2009 and February 2010 that in respect of 6,351 applications received between 13 August 2008 and 27 December 2008, fee for pre-mutation sketches<sup>27</sup>, was levied at pre-revised rates. This resulted in short levy of fee of ₹ 12.51 lakh.

After we pointed out the short levy, four Tahsildars<sup>28</sup> stated that the order revising the fee was received in November/December 2008 and hence fee had been levied at pre-revised rates during the above period. Delay on the part of the DCs to communicate the revised rates to Tahsildars resulted in short levy of fee of ₹ 12.51 lakh. DCs, Hassan and Kolar reported (June/July 2010) that demand for ₹ 2.11 lakh in 990 cases had since been raised as arrears of land revenue in Arasikere and Srinivasapura taluks.

We reported the cases to the Government in April 2010; we have not received their reply (January 2011).

<sup>26</sup> Anekal, Arasikere, Bangalore (East), Bantwal, Hosakote, Karkala, Puttur, Srinivasapura, Tumkur.

<sup>27</sup> Sketch prepared by licensed surveyor for the purpose of sub-division of parcels of land.

<sup>28</sup> Bangalore (East), Hoskote, Puttur, Tumkur.