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**PUBLIC ACCOUNTS COMMITTEE  
(2012-2013)**

**ANDHRA PRADESH LEGISLATURE**

**REPORT (FIFTH)**

13<sup>th</sup> LA

**ON**

XIII

**THE REPORTS OF THE COMPTROLLER AND AUDITOR  
GENERAL OF INDIA (CIVIL) FOR THE YEARS  
2004-2005, 2007-2008, 2008-09 AND 2009-2010  
PERTAINING TO REVENUE DEPARTMENT**

*[Presented to the Legislature on 22-09-2012]*

**ANDHRA PRADESH LEGISLATURE (P.A.C.) SECRETARIAT  
PUBLIC GARDENS, HYDERABAD - 500 004.**

**PUBLIC ACCOUNTS COMMITTEE  
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**J.488-1**

**[i]**

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9. Sri A. Mohan
10. Sri Devendra Uma Maheswara Rao
11. Sri B. Durga Prasad Rao
12. Sri G. Jaipal Yadav
13. Sri B.K. Parthi Sarathi
14. Sri K. Kanna Debu
15. Sri Etala Rajendar

**MEMBERS (From Council)**

16. Sri Y. Reddy Varada Prasa Rao
17. Sri V. Bhupal Reddy
18. Sri R. Padma Raju
19. Sri Yammakayala Chinn Rajappa
20. Sri Chaitra Ramiah
21. Sri T. Bhanu Prasad Rao

**LEGISLATURE SECRETARIAT:**

1. Dr. S. Raja Sadarain, Secretary
2. Sri P. Balakrishnamoorthy, Jt. Deputy Secretary
3. Sri H.A. Shah, Assistant Secretary
4. Sri K.V.V. Satyanarayana, Section Officer

\* w.s.f. 25-01-2012.  
 \*\* up to 04-02-2012  
 \*\*\* w.s.f. 30-06-2012

**ANDHRA PRADESH LEGISLATURE**  
**Committee on Public Accounts (2012-2013)**  
*[Constituted on 20th January, 2012]*

**CHAIRMAN :**

1. Sri R. Prakash Reddy

**MEMBERS : (From Assembly)**

2. Sri K. Rambhupal Reddy
- \*\*3. Dr. Daggubati Venkateshwara Rao
4. Sri Anam Vivekananda Reddy
5. Sri C.K. Jayachandra Reddy
- \*\*6. Sri Perni Venkataramaiah
- \*\*7. Sri T. Jaya Prakash Reddy
- \*\*8. Sri Dronamraju Srinivasa Rao
- \*\*9. Sri A. Mohan
10. Sri Devineni Uma Maheswara Rao
11. Sri B. Durga Prasad Rao
12. Sri G. Jaipal Yadav
13. Sri B.K. Partha Sarathi
14. Sri K. Kanna Babu
15. Sri Etala Rajender

**MEMBERS : (From Council)**

- \*16. Sri Vasireddy Varada Rama Rao
- \*\*17. Sri V. Bhoopal Reddy
- \*\*18. Sri R. Padma Raju
- \*19. Sri Nimmakayala China Rajappa
- \*20. Sri Chukka Ramaiah
- \*\*\*21. Sri T. Bhanu Prasad Rao

**LEGISLATURE SECRETARIAT :**

1. Dr. S. Raja Sadaram, Secretary
2. Sri P. Balakrishnamacharyulu, Deputy Secretary
3. Sri H.A. Shafi, Assistant Secretary
4. Sri K.V.V. Satyanarayana, Section Officer.

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\* w.e.f. 28-01-2012.

\*\* upto 09-02-2012

\*\*\* w.e.f. 30-06-2012

## INTRODUCTION

1. I, the Chairman of the Committee on Public Accounts (2012-2013) having been authorised by the Committee to present the Fifth Report, on their behalf, do present this report on the Reports of the Comptroller and Auditor General of India (Civil) for the years 2004-2005, 2007-2008, 2008-09 and 2009-2010 pertaining to Revenue Department.

2. The Reports of the Comptroller and Auditor General of India (Civil) for the years 2004-2005, 2007-2008, 2008-09 and 2009-2010 were laid on the Table of the House on 27.3.2006, 5.12.2008, 30.3.2010 and 29-3-2011 respectively.

3. The Committee examined the reports of the Comptroller and Auditor General of India (Civil) for the years 2004-2005, 2007-2008, 2008-09 and 2009-2010 pertaining to Revenue Department at their sitting held on 15<sup>th</sup>, 16<sup>th</sup> February, 6<sup>th</sup> March, 10<sup>th</sup> April, and 31<sup>st</sup> July, 2012.

4. A statement showing the Summary of Observations/ Recommendations of the Committee is appended to this Report.

5. A record of proceedings of the sittings of the Committee, which has been maintained forms part of this Report.

6. The Committee placed on record their appreciation of the assistance rendered to them by the Principal Accountant General (Civil Audit), Andhra Pradesh and their Officers and Staff; Secretary to State Legislature and their Officers and Staff in examination and preparation of the Report. The Committee would like to express their thanks to the officers of Revenue Department and other Officers and Staff of the Government of Andhra Pradesh for the co-operation in giving information to the Committee.

Hyderabad,  
Dated:10-09-2012.

**R. PRAKASH REDDY,**  
CHAIRMAN,  
Public Accounts Committee.

Report of the Public Accounts Committee on the Reports of  
the Comptroller and Auditor General of India for the years  
2004-05, 2007-08, 2008-09 and 2009-10 (Civil) – Government  
of Andhra Pradesh

Revenue Department

1. Para no. 2.4.3 – page 108 of Audit Report 2008-09 (The  
Audit para pertains to Visakhapatnam district)

Unauthorised utilisation of Government receipts in violation  
of codal provisions

Para no. 4.5.6 - page 148 of Audit Report 2007-08 (The  
Audit para pertains to Ranga Reddy District)

Un-authorized retention/utilization of Government receipts

Para no. 4.5.3- page 113 of the Audit Report 2004-05 (The  
Audit para pertains to Krishna District).

Unauthorised utilisation of Government receipts in violation  
of codal provisions

*(Lapse is similar in all the paras mentioned above)*

2.4.3 Unauthorised utilisation of Government receipts in  
violation of codal provisions

District Collector, Visakhapatnam, besides keeping the  
deposit amount received from land indenting agencies  
outside the Government account, unauthorisedly spent  
the interest amount of Rs 1.76 crore accrued thereon for  
office expenditure, expenditure on VIP visits, etc.

Financial Rules<sup>1</sup> stipulate that all moneys received by or  
tendered to Government servants in their official capacity should  
be paid in full into the treasury without undue delay. Further, such  
moneys should not be appropriated to meet departmental  
expenditure or otherwise kept apart from the Government account.  
AP Land Acquisition rules as also the AP Financial Code stipulated  
that all amounts rendered by the requisitioning department should  
be deposited in treasury under '8443 Civil Deposits'. Payment to  
awardees has to be made by way of bills presented to Treasury.

<sup>1</sup>Rules 7(1) of A.P. Treasury Code (Vol.1)

Audit scrutiny revealed (June 2008) that the District Collector, Visakhapatnam (DC), contrary to Financial Rules/Codal provisions, invested the deposit amounts which were received from the land indenting agencies towards compensation for land acquisition, in Fixed Deposit Receipts (FDRs) in various banks. The interest earned on these FDRs was also deposited in Savings Bank Accounts<sup>2</sup>. The DC also appropriated (September 2006 to May 2008) the interest amount to the extent of Rs 1.76 crore to meet various departmental expenditure as detailed in the following table:

	(Rs in lakh)
Renovation, repairs to the office buildings/structure; provision of infrastructure facilities in the office	39.95
Expenditure on account of VIP visits	36.27
Arrangement of Medical & Health Exhibition	30.00
Office expenditure including electrical and telephone bills, on rented vehicles, etc.	20.09
Payment to 'Apathbandhu'	20.00
Improvement of facilities to IAS Officers Association	10.00
Payment to 'Red Cross'	10.00
Office furniture, etc.	5.30
Miscellaneous expenditure	4.21
<b>Total expenditure</b>	<b>175.82</b>

The expenditure on the above items was to be met from the regular budget under the respective heads of account.

Thus, neither the receipts nor the expenditure were accounted for in the Government account by the DC and the expenditure was also completely without any legislative sanction. Thus, the action of the DC was a clear violation of codal provisions.

The matter was reported to Government in March 2009 (also reminded in April 2009); reply had not been received (August 2009).

**Para no. 4.5.6 of Audit Report 2007-08**

Un-authorised retention/utilization of Government receipts

<sup>2</sup> Union Bank of India, Gitan Branch, and Siripuram Branch respectively.

**There was failure on the part of the District Collector, Ranga Reddy District to remit the entire receipts (Rs 5.80 crore being the transaction charges from Rajiv centres) into Government account and part of the amount (Rs 2.67 crore) was diverted towards expenditure, which had no legislative sanction.**

Rule 7(1) of AP Treasury Code (Vol. 1) of Financial Rules stipulate that all moneys received by or tendered to Government servants in their official capacity should be paid in full into the treasury without undue delay. Further, such moneys should not be appropriated to meet departmental expenditure or otherwise kept apart from the Government account.

Government launched Rajiv Internet Village (Rajiv) centres (Rural e-Seva centres) in August 2004 to bring Government services/benefits closer to the people living in villages through Service Provider<sup>3</sup>. This was structured on a Public Private Partnership and there is no Government investment involved in this scheme. Entire expenditure on Capital as well running expenses is to be met by Service Providers. Revenue stream for Service provider is through transaction charges collected from Citizens/Departments for their services rendered.

Apart from the regular services,<sup>4</sup> to strengthen the services of Rajiv centres<sup>5</sup> by introducing online internet based delivery of certified copies of land records to the citizens in Ranga Reddy District, the District Collector entered (May 2005) into Memorandum of Understanding (MoU) with the Commissioner, Electronically Deliverable Services (EDS), Department of Information Technology & Communications (Commissioner) as authorised by the Government. As per the MoU, the Commissioner would pay<sup>6</sup> the amount received from the citizens<sup>7</sup> to the Collector.

<sup>3</sup> provides services to Citizens through RAJIV centres.

<sup>4</sup> Such as payment of Utility Bills, Certificates, Licence Renewal, Transport Department Services and Internet services, etc.

<sup>5</sup> main objective of the programme is to bring the Government closer to the people in rural areas and make the service delivery in rural areas more efficient and transparent.

<sup>6</sup> after deducting Rs. 20 for each application entered through RAJIV centres, towards miscellaneous charges.

<sup>7</sup> towards collections for services such as issuing certified copies of land records, Internet services rendered through e-Seva, AP-Online.

During the period May 2005 - September 2007, the Collector, Ranga Reddy District received Rs 5.80 crore from the Commissioner being the revenue received on account of issue of certified copies of land records to the citizens through Rajiv centres.

Scrutiny of the records of the District Collector, however, revealed that the District Collector in contravention of codal provisions deposited Rs 2 crore as Fixed Deposit in a private bank instead of remitting the receipts received from time to time into the Government account. It was also observed that the District Collector appropriated receipts to the extent of Rs 2.67 crore towards expenditure on account of scanning land records, remuneration to land holding persons/outourcing employees, advertisements, purchase of air conditioners, office expenses and other miscellaneous expenditure, etc. The balance Rs 1.13 crore was available in the Savings bank account of the District Collector. Thus, neither the expenditure nor the receipts were accounted for in the Government account by the District Collector and the entire expenditure was also without any legislative sanction.

In response to the audit observation, the District Collector stated (June 2008) that as the funds allotted by Government were insufficient, the receipts were utilised to meet urgent needs. The contention is not tenable as the action of the District Collector is a clear violation of Rule 7 (1) of AP Treasury Rules.

The matter was reported to Government in July 2008; reply had not been received (August 2008).

**Para no. 4.5.3 of the Audit Report 2004-05**

Unauthorised utilisation of Government receipts in violation of codal provisions

**District Collector, Krishna besides keeping the sale proceeds realised on account of sale and alienation of Government land outside the Government account unauthorisedly utilised Rs 2.42 crore out of that for construction of various Government buildings, etc. The expenditure was without any legislative sanction.**

Financial Rules<sup>9</sup> stipulate that all moneys received by or tendered to Government servants in their official capacity should be paid in full into the treasury without undue delay. Further, such

<sup>9</sup> Rule 7(1) of AP Treasury Code (Vol.1)

moneys should not be appropriated to meet departmental expenditure or otherwise kept apart from the Government account.

Government in Revenue Department issued orders in September 1998 (reiterated in May 2002) delegating powers to District Collectors (DCs) to sell government lands through public auction and to utilise proceeds from such sale for construction of office complexes and also Hospital buildings, educational institutions in the districts, divisions and mandal headquarters. As per these orders, the District Collectors were required to first remit the sale proceeds into the Government Treasury under the relevant head of account<sup>10</sup> and thereafter submit necessary proposals for provision of funds for taking up construction of integrated office complexes.

Audit scrutiny revealed (June and December 2004) that District Collector, Krishna realised Rs 1.73 crore on account of sale of Government lands in public auction during the year 2000-01 and Rs 1.14 crore<sup>10</sup> on alienation of Government lands during 1997-2004. Contrary to Financial Rules and in violation of the Government orders the DC had kept these amounts in savings bank accounts<sup>11</sup>.

It was noticed (June and December 2004) that during 2001-04, DC had also utilised without the approval of Government, Rs 2.42 crore (out of Rs 3.32 crore including accrued interest) for construction of buildings for 27 Mandal Revenue Offices (Rs 1.81 crore), Collectorate building (Rs 29.37 lakh), Camp office (Rs 4.72 lakh), Sub Collector's office, Vijayawada (Rs 0.94 lakh), Government Polytechnic College building (Rs 21 lakh) and towards other expenditure<sup>12</sup> (Rs 5.01 lakh). Thus, neither the receipts nor the expenditure were accounted for in the government account by the DC and the expenditure was also completely without any legislative sanction.

Audit also observed serious system lapses viz., (i) separate cash book was not maintained by the MROs for accounting the

<sup>9</sup> Major Head of Account-0075 Miscellaneous General Services, Minor Head-10 Sale of Land and Property.

<sup>10</sup> 1997-98: Rs. 2.88 lakh, 1998-99: Rs. 26.49 lakh, 1999-2000: Rs. 0.94 lakh, 2000-01: Rs. 1.40 lakh, 2001-02: Rs. 4.50 lakh, 2002-03: Rs. 54.91 lakh, 2003-04: Rs. 1.62 lakh and 2004-05: Rs. 21.68 lakh.

<sup>11</sup> With Indian Bank.

<sup>12</sup> Publicity: Rs. 2.50 lakh; Refunds to alliances: Rs. 2.51 lakh.



sale proceeds, (ii) tender system was not followed and the construction works were undertaken departmentally by MROs<sup>13</sup>, (iii) measurement books were not properly maintained in that check measurements and prescribed certificates were not recorded and (iv) quality control checks were not performed. These indicated lack of internal control in the Collectorate besides violation of financial rules.

The DC accepted (June 2005) the audit objection stating that it was a procedural lapse. He also replied to Audit that Rs 87.20 lakh had since been withdrawn from bank and remitted into the Government account. Government stated (September 2005) that the Chief Commissioner of Land Administration had been requested to issue suitable instructions to all concerned for adherence to the codal provision.

**Gist of lapse:**

(i) Any amount received by any Authority on behalf of Government should invariably be remitted to Government account (concerned Head of account).

(ii) The requirement of funds for expending on any scheme/ purpose is to be projected through **budget estimates and expenditure should be incurred only after authorisation of the Legislature sanction of Government.**

The District Collectors, Visakhapatnam, Ranga Reddy and Krishna Districts had not remitted the receipts into Government account and they spent these amounts (Visakhapatnam: Rs 1.76 crore, Ranga Reddy: Rs 2.67 crore and Krishna: Rs 2.42 crore) towards departmental expenditure violating the sanctity of legislative control.

**Thus, Legislative control was bypassed by the District Collectors.**

1.1 In the Explanatory Notes, in respect of Visakhapatnam district, Government stated that due to insufficient allotment of budget in certain heads of account, the amount was utilized by the District Collector, under unavoidable circumstances.

<sup>13</sup> with the co-operation from respective nodal officers/Mandal Parishad Development Officers/Mandal Level Engineers and other Government officials.

Government further stated that the Collector had been making efforts to reimburse to Government under certain heads of accounts.

In respect of Ranga Reddy district, Government stated that the amount was spent on account of scanning of land records, remuneration to land holding persons/outsourcing employees, advertisements, providing infrastructure facilities in Collectorate, etc. Government further stated that an amount of 'two crore had been credited to Government account by the District Collector and an amount of ' 1.13 crore was still (October 2010) lying with the Collector.

In respect of Krishna district, Government stated that District Collector had utilised the sale proceeds for construction/ repair/ renovation of the Government offices and the same was apprised to the Chief Commissioner of Land Administration and the Hon'ble Minister for Revenue for ratification.

1.2 Initiating the discussion on the Audit paragraphs, the Chairman observed that the District Collectors, besides keeping the Government receipts outside the Government accounts, spent the amounts unauthorisedly without legislative sanction.

1.3 The Joint Collector (JC), Krishna stated that due to keeping the amount in the bank accounts instead of treasury, higher rate of interest had been earned and the amount had been utilized properly viz., for repairs of Government buildings and construction of buildings. The JC further stated that taking into consideration the nature of expenditure, the action of the Collector had been ratified by the Government.

1.4 The Committee critically viewed the nature of expenditure pointed out in the said Audit paragraph which has no prior Legislative Concurrence. The Committee held that the said practice, for all practical purposes, should be discouraged and that it was not in tune with the Constitutional perforce of Legislature's control over Government's purse.

**1.5 The Committee recommends that the Principal Secretary (Revenue) issue necessary instructions to all the District Collectors in the State directing them to strictly desist from incurring expenditure which does not have prior Legislative sanction.**

2. Para 3.4.13 – Page 125 of Audit Report 2009-10 (para pertains to Chittoor, East Godavari, Karimnagar and Visakhapatnam districts)

#### Alienation of Government lands

Undue benefit of '101.43 crore was passed on to parties under various categories and there was lack of transparency and fairness in allotment of lands.

2.1 Policy guidelines<sup>14</sup> (February 2005) stipulate that land shall be alienated at basic value for Accredited Journalists from recognised and registered newspapers and at market value for educational/charitable institutions, etc. A scrutiny (October – December 2009) of 50<sup>15</sup> out of 77 transactions<sup>16</sup> in Chittoor (18), East Godavari (12), Karimnagar (7) and Visakhapatnam (13) Districts relating to cases of land transferred<sup>17</sup> by Government during the period 2006-09 revealed the following.

#### Fixation of land cost

Audit observed that, Government, in violation of the orders, alienated lands at rates much less than the basic value/market value. There were wide variations in the ratio of allotment price to the market price even though the purpose of utilisation of the land was the same. Scrutiny of cases of lands alienated during 2006-09 in the four districts revealed that a total undue benefit of '101.43 crore was extended to 12 beneficiaries (extent of land involved: 159 acres) in allotment of Government land as discussed below category-wise.

- ◆ In three cases where land was allotted for housing purposes Government alienated land at 64 to 93 per cent less than the basic value. The total undue benefit in the three cases was '61.10 crore.
- ◆ In three other cases where land was allotted for educational purposes, Government alienated land at 83 to 85 per cent less than to '21.58 crore. The total undue benefit in the three cases amounted

◆ In three other cases, land was allotted for infrastructure purposes at rates less than the market value as detailed below. The total undue benefit amounted to '18.64 crore.

<sup>14</sup> G.O.Ms.No. 243 of Revenue (Assignment) Department, dated 28 February, 2005.

<sup>15</sup> 627.84 acres.

<sup>16</sup> 5208.72 acres.

<sup>17</sup> Housing, Institutional and Commercial purpose.

Details are given in Appendix-3.11. Some of the significant cases for each category are illustrated below:

#### Details of land allotted

#### Audit findings

#### Purpose: Housing plots

The land was alienated (February 2009) only for '5.01 crore (eight per cent of the basic value) instead of '60.98 crore, thus extending undue benefit of '55.97 crore to the party.

#### Beneficiary: The

Accredited Journalist

Sangham-2005,

Visakhapatnam

#### Extent/Village/Mandal:

14 acres of land in Sy. No. 336 and

337 of Madhurawada village of

Visakhapatnam (Rural) Mandal

Price charged (P): '740 per Sq yard

Basic value (M): '9,000 per Sq yard

P/M: 0:08

#### Purpose: Setting up of Educational institutions

Beneficiary: Ambedkar Educational and Welfare Society, Srikakulam

#### Extent/Village/Mandal:

15 acres in Bakkannapalem village of Visakhapatnam (Rural) Mandal

Price charged (P): '6 lakh per acre

Market value (M): '40 lakh per acre (which is not arrived through auction route)

P/M: 0:15

#### Best practices:

For ascertaining the best practices, Audit checked up the procedure followed by 'City and Industrial Development Corporation of Maharashtra Limited' (CIDCO). As per this procedure, plots are allotted to educational institutions from the lands reserved for the purpose and at a predetermined discounted rate generally applicable to any allottee for a similar purpose.

Government alienated (August 2007) the land to the Society for '90 lakh much less than the market value ('6 crore) extending an undue benefit of '5.10 crore to the beneficiary.

While alienating the land, Government had not examined the past experience of the allottee in

Further, the institute is required to fulfill certain pre-determined conditions like (a) having a minimum of ten years experience in running an educational institute, (b) above 85 per cent pass percentage in the past three years and (c) sound financial position to complete the project within the stipulated time period.

The above procedure would ensure that the land is utilised for setting up of institutions only by eminent educational institutions ensuring quality education.

running educational institutions. The Society was established in 2005 and there was no evidence of this Society running any educational institution.

The Collector did not specify the purpose of construction activity to be taken up and did not also prescribe the time period before which the construction activity should be completed.

Though the land was alienated at a rate much less than the market value, the Collector did not prescribe any conditions to the Society in connection with passing on the benefit like reduction of fees, etc. to the students.

The Society was permitted (April 2008) to mortgage the land to a bank for taking up construction. Thus, it is evident that the Society was not financially capable to complete the proposed project on its own. There is no assurance that amount so raised would be fully utilised for setting up the educational institution.

**Purpose: Construction of a cluster cottages for aged people and orphans**

Government alienated the land at a rate (₹ 5.63 crore) much less than the market value (₹ 18.76 crore) thereby extending an undue benefit of ₹ 13.13 crore to the beneficiary.

Land was to be alienated only after full realisation of the cost. In the above case however, the beneficiary was yet to pay ₹ 4.86 crore (February 2010).

**Beneficiary:**

Hayagreva<sup>18</sup> Farms and Developers,

Visakhapatnam

**Extent/Village/Mandal:**

12.51 acres in Sy. No. 92/3

of Endada village of

Visakhapatnam (Rural) Mandal.

**Price charged (P):** ₹ 45 lakh per acre

**Market value (M):**

₹ 1.50 crore per

acre (which is not arrived through auction route)

P/M: 0.3

**Purpose: Industrial/Business**

**Beneficiary:** M/s Sudarshan

Steels Limited, Visakhapatnam

**Extent/Village/Mandal:**

Five acres

in Visakhapatnam

**Price charged (P):**

₹ 25,000 per acre

**Market value (M):**

₹ 75.00 lakh per

acre (which is not arrived through auction route)

P/M: 0.003

In violation of the AP Assigned Lands (Prohibition of Transfer) Act, 1977, the beneficiary purchased (1981) five acres of assigned land and applied (October 1986) for its alienation in their favour for establishment of steel industry. Though the area falls under residential zone, Government alienated the land (1988) at ₹ 25,000 per acre for setting up of industry which had never taken place.

Government issued (April 2000) notice to the firm for cancellation of alienation. The firm again approached (December 2005) for alienation of the same land for Tourism project and Government alienated (September 2008) the land to the same defaulted company at the old rate of ₹ 25,000 per acre instead of at the prevailing market value thereby extending an undue benefit of ₹ 3.74 crore to the firm.

<sup>18</sup> Land yet to be handed over to the firm.

Thus, undue favour was extended to the firm at every stage and the beneficiary was allowed to keep the land idle which has the risk of fuelling speculation.

**Purpose:** Construction of community projects  
**Beneficiary:** AMG India International, Kakinada  
**Extent/Village/Mandal:** 7066 Sq yard of land in Kakinada

**Price charged (P):** 500 per Sq yard  
**Market value (M):** 3,000 per square yard (which is not arrived through auction route)  
**P/M: 0.17**

Rules prescribe that alienation of State land shall be made after collecting the market value of the land. Government alienated the land at a rate ('35.33 lakh) much less than the market value ('2.12 crore) thus extending an undue benefit of '1.77 crore to the beneficiary. Interestingly, in this case, the beneficiary expressed his willingness (November 2005) to pay '1,400 per Sq yard for the land and even this rate was not charged.

♦ In three other cases (details in Appendix-3.11) where land was alienated for community halls, the land was alienated at 73 per cent less than the market value. Government collected a meagre amount of '30,000 from the allottees against the market value of '10.98 lakh. Thus, undue benefit of '10.68 lakh was passed on to the parties.

♦ In another three cases where lands were allotted for religious purposes, there were wide variations in the ratio of allotment price to market price (from zero to twenty five per cent).

#### **Non-utilisation of land for several years**

Scrutiny of seven cases where Government alienated 25.48 acres of land between 1988 and 2008 (details are given in Appendix-3.12)

revealed that the allottees had utilised only 0.46 acres (January 2010).

#### **Non-finalisation of alienation proposals and non-realisation of land cost**

Scrutiny revealed that, in 168 cases<sup>19</sup> (extent of land 4,839.17 acres) in the four districts, advance possession of the land was made during 1981 to 2009 but the allottees were utilising the land without making payment of the land cost.

Thus, even in the test checked cases alone, the Government not only did not observe the principles of transparency and fairness in alienation/allotment of land but also fixed the prices much below the basic/market price. This led to a total undue benefit of '101.43 crore to the parties as pointed out in above paras. Further, there was a failure on the part of the Government to prescribe a definite timeframe for utilisation of allotted lands and in case of default, repossessing the land for allotment to other parties which led to parties holding the precious land raising the potential risk of fuelling speculation besides the land not being available for use by other parties.

#### **Gist of lapse:**

##### **Lapse 1**

In the allotment of lands, there were wide variations. Government alienated lands to several private individuals at rates lesser than the basic value/market value. There was also wide variations in the ratio of allotment price to the market price in these cases, even though the purpose of utilisation of the land was the same.

##### **Lapse 2**

Land should be allotted only for immediate use. In the test-checked cases, lands alienated by Government between 1988 and 2008 were not fully utilised by the allottees. There was no mechanism to monitor the usage of land after its allotment.

<sup>19</sup> Chittoor-53 cases (Ac 242.26), East Godavari-4 cases (Ac. 181.91), Karimnagar-103 cases (Ac. 729.12) and Visakhapatnam-8 cases (Ac. 3685.88)

Appendix-3.11  
(Reference to paragraph 3.4.13)Statement showing undue benefit extended to parties in alienation of lands  
(Rupees in lakh)

(for Hoare ethics)							
1	Accredited Journalist Sangham, Visakhapatnam	14.00	Madhuvada (V), Visakhapatnam Rural (M)	20-02-2009	435.60	35.81	597.06
2	District Panchayat Secretariat Housing Society	3.34	Togalagunupalli (V), Karimnagar (M)	26-02-2009	13.18	2.00	37.34
3	APNGO's MAC Society, Visakhapatnam	50.00	Gadipati (V), Anandapuram (M), Visakhapatnam Dist.	20-02-2009	14.52	5.00	476.00
(for Establishing educational institutions)							
4	Doopan Education Society, Pune	49.59	Kunakoti (V), Rangula (M), Chittoor Dist.	21-02-2009	17.31	2.60	729.47
5	Ambedkar Educational and Welfare Society, Sakhalam	15.00	Bakkampalem (V), Visakhapatnam Rural (M)	08-02-2007	40.00	6.00	510.00
6	St. Luke's Ministry Educational Society, Visakhapatnam	7.35	Etada (V), Visakhapatnam Rural (M)	20-02-2009	150.00	25.00	918.75
(for Construction of community projects)							
7	AMG India International, Kakinada	1.46	Kakinada Urban	25-02-2009	145.20	24.20	176.66
(for Construction of industrial unit modified as tourism development)							
8	Sudeshani Steels Pvt. Limited, Visakhapatnam	5.00	P. Mallayapalem (V), Visakhapatnam Rural (M)	09-10-2008	75.00	0.25	373.75
(for Construction of cottages for aged and orphans)							
9	Harypavan Farms & Developments, Visakhapatnam	12.51	Etada (V), Visakhapatnam Rural (M)	12-06-2008	150.00	45.00	1313.55
(for Construction of community halls)							
10	District Vidvans Sangham	0.25	Poddigi (V), Karimnagar (M)	04-12-2007	14.64	0.40	3.56
11	District Madang Sangham	0.25	Poddigi (V), Karimnagar (M)	04-12-2007	14.64	0.40	3.56
12	District Karuna Sangham	0.25	Poddigi (V), Karimnagar (M)	04-12-2007	14.64	0.40	3.56

Appendix-3.12  
(Reference to paragraph 3.4.13)

Statement showing extent of land alienated and their utilisation

Chittoor					
1	Blue bell Agro Tech, Chittoor	Kothapalli	19-04-2007	7.64/NI	
2	M/s Mohan Granites, Chittoor	Magabati	12-02-2007	2.95/NI	
3	M/s Neela Granites, Chittoor	Tendabanda	25-03-2008	1.66/NI	
4	M/s Srinu Granites, Chittoor	Tendabanda	25-03-2008	0.63/NI	
5	M/s Baba Bhassanullah Khan Wasei Trust, Madanipalle	Madanipalle	07-10-1996	7.80/0.46	
Visakhapatnam					
6	M/s Sudarshan Steels Pvt. Limited, Visakhapatnam	Podhizampalem (V), Visakhapatnam Rural (M)	1988	5/NI	

2.2 Initiating discussion on the audit paragraph, the Chairman asked the CCLA to apprise the committee about the action taken by Government on the land allotments as the lands were not utilised for so many years for the purpose for which it was allotted. PAC also enquired about the mechanism existing in Government to resume lands in such cases and the policy of Government in this regard.

2.3 Special Chief Secretary and Chief Commissioner Land Administration (CCLA) replying to the Committee's observation stated that, the State Legislative Assembly had been discussing the issue of allotment of lands and that, due to loopholes and gaps in the land allotment policy, different departments were allotting different extents of land for the same purpose. CCLA stated that, keeping this background in view, a new land allotment policy has been prepared and is under consideration of the State Cabinet for approval. CCLA informed the Committee that, in the proposed new policy, provisions regarding the quantity of land to be allotted for each purpose and basis for fixation of rate were also included. CCLA also informed that, in the new DRAFT policy, it was proposed to form AP Land Management Authority under the control of CCLA. The Authority will be empowered to review all the cases of allotment not only to be allotted but also the past cases. This Authority is empowered to cancel the allotments, if need be.

2.4 The Committee observed that even as per the existing rules, the allotments made earlier should be cancelled if the lands are not being utilised.

2.5 The Committee discussed the case-wise land allotments pointed out in the Audit paragraph.

***Allotment at Visakhapatnam to Ambedkar Educational and Welfare Society, Srikakulam***

2.6 The Committee felt that the Society was given 15 acres of land in Bakkannapalem village of Visakhapatnam (Rural) Mandal at a throw away price and directed the District Collector, Visakhapatnam to inspect the Institution physically and verify the extent of land utilised by the Institution and report to the Committee.

2.7 The Committee also felt that though the land was alienated at a rate lesser than the market value, the Collector did not prescribe any conditions to the Society with regard to passing on benefits like reduction of fees, etc. to students. Further, the Society was permitted (April 2008) to mortgage the land to a bank for taking up construction. Thus, it is evident that the Society was not financially capable of completing the proposed project on its own. The Committee sees that there is no assurance that the amount so raised is fully utilised for setting up the educational institution.

2.8 The Committee enquired whether the Society had shown any corpus fund and the Government is performing its financial audit. The PAC also enquired about the past experience of the Society, such as, whether the Society was registered and whether the purpose of alienation was fulfilled. The Principal Secretary, Revenue replied that the District Collectors are not authorised to give permission to mortgage the lands.

2.9 The Collector, Visakhapatnam informed the Committee that notices had been issued to the Society and that the response of the Society had not been received. The Collector stated that as per the information obtained by the district administration, the Society had constructed buildings in a total area of 73 cents out of the 15 acres allotted. The Collector informed that the Society was established for the purpose of improvement of education of SC and ST community and is following the norms of AICTE. The Collector also stated that the Society obtained a loan of Rs 4.8 crore on the basis of pledging the allotted lands.

2.10 The Committee stated that the construction area is less than half an acre as per the information available with PAC and 73 cents is not correct. The Committee enquired as to how the Society obtained a loan of Rs 4.8 crore while it paid only Rs 90 lakh to the Government towards land cost. The Committee also questioned about permission given to the Society for obtaining loans and non-response from the Society. The Collector replied that no specific permission was given to the Society to mortgage the land and no reply had been received for notices already issued to the Society.

2.11 CCLA informed the Committee that further course of action will be initiated after expiry of the time given to the Society.

2.12 PAC visited the Institute at Visakhapatnam on 24 July 2012 and found that construction of the buildings was taken up only in one acre. The Committee also observed that carpenters were working in the room which is allotted for Computer lab. The Committee also noted that there are no amenities that are required for the present strength (970) of the Institute and directed the management to take necessary steps to provide basic amenities.

***Allotment to Hayagreva Farms and Developers, Visakhapatnam***

2.13 The Committee enquired about the following details concerning the company:

(i) promoters of the company, (ii) whether amount had been paid by the Company (iii) whether old age home had come up in the land, (iv) whether the land is being utilised for the purpose for which it was given and (v) whether the land taken was only for the purpose of orphanage.

2.14 Joint Collector, Visakhapatnam replied that the amounts have been recovered in different spells from the firm and a total of Rs. 5.62 crore was remitted through different challans by the end of April 2010.

2.15 PAC enquired if the firm was doing real estate business.

2.16 The District Collector replied that the land was asked for construction of cottages for old age people. As per norms, 30 per cent of the land should be utilised for formation of roads and other amenities. The Collector informed the Committee that the Board of

Directors were experienced in real estate business and had constructed in 80 lakh square feet in 1993 in the name of Hayagriva Company limited. The Collector also stated that they had proposed to sell 60 per cent of the land earmarking 10 per cent for construction of cottages for old age people. The Collector further added that the Joint Collector had inspected the site and found that levelling of the site was going on. Based on the Joint Collector's report, proposal for cancellation of the allotment was sent to Government in April 2012 as the firm was seen to have violated the terms and conditions of allotment.

2.17 The Committee asked the Collector to file Caveats in all the cases where the Government is likely to cancel the allotments.

2.18 The Committee noted that the Company is doing real estate business and enquired whether they had committed on paper for sale of plots to the extent of 60 per cent of the land. The Committee concluded that the firm has changed its objectives after alienation of land and might have started work only after PAC initiated the discussion on the Audit paragraph.

2.19 The Collector replied that the Company had committed on paper but work had not commenced so far.

2.20 PAC visited the site in Visakhapatnam on 24 July 2012 and enquired from the management of the firm about the requirement of the land for construction of cottages for old age people. The management replied that they would construct a cottage in a land of one acre for giving shelter to 120 old age people and 30 per cent of the land is planned for providing roads and other amenities. They also stated that in 60 per cent of the land they would construct villas and sell them to old age people. To a query regarding the resources for maintenance of old age home, the management stated that part of the funds would be met from own sources and remaining from the project itself.

2.21 Expressing dismay over the reply of the firm, PAC asked the Collector if the rules permitted the above proposal. The Committee also noted that, earlier there were no incidences of social activities being taken up by the firm.

#### **Allotments to M/s Sudarshan Steels Limited**

2.22 The Committee questioned as to how a private company was given the land and how it was regularised at Rs 25,000 per acre though the land was very expensive in the area.

2.23 The Joint Collector, Visakhapatnam replied that the case pertained to 1988 and that, the Company sought permission for setting up a steel plant and now they wanted to use it for other purposes like building a tourism project.

2.24 While interacting with the management of Sudarshan Steels Limited, the Committee learnt that the management had purchased the assigned land during 1981 and approached the Government later in 1986 for its alienation to get the transaction regularised. The Committee asked the management as to how the assigned lands were purchased by them in the first instance and how the permissions could be accorded for taking up the activity in the assigned lands.

2.25 The Committee noted that the Government was misguided in this issue and felt that although the company failed to initiate any activity on the land since 1988, the purchase of assigned land was regularised by the Government and converted it under tourism project. The PAC wanted to know whether the case got the approval of the Cabinet.

2.26 Expressing anguish over non-utilisation of the allotted land though the land was allotted 30 years ago, PAC asked the management about the reasons for not commencing the project so far.

2.27 The management replied that, at the time of allotment it was 26 feet below the ground level and that they had spent huge amount for levelling the same. They informed the Committee that Government had not granted permission for construction of the project. The District Collector however refuted this.

2.28 The Committee enquired about the intention of the management regarding utilisation of the 5 acres of land, as it had remained unutilised since 1988.

2.29 The management of M/s Sudarshan Steels Limited stated that it will be utilised either for educational institute or a tourism

project. When the Committee stated that 5 acres of land is not even sufficient for construction of a High School, the management quipped that it will be utilised for conventional centre.

2.30 PAC noted that the land had not been utilised by the Company even after so many years of allotment, except construction of compound wall despite the specific condition that construction activity should commence within 3 years.

2.31 Concluding the discussion on all the three cases of land allotments mentioned above, PAC expressed dissatisfaction regarding the action taken by the Government and decided to make the following recommendations.

2.32 The Committee recommends that Government should formulate a comprehensive policy with regard to land allotment/alienation containing inter-alia the grounds on which allotment can be made, procedure for allotment and hierarchical lines for decision making, extent of allotment for each category of activity, penalties for non-fulfilment of terms of allotment etc.,

2.33 The Committee also recommends that, before alienation of land for any entity/ individual, the Government should ensure that the entity/ individual has adequate experience in that sphere of activity.

2.34 The Committee further recommends that Government should ensure that the entity/ individual to whom land is to be alienated, has sound financial strength so as to be able to fulfill the terms of allotment like setting up industries/ schools/ hospitals etc.

2.35 The Committee recommends that Government should enquire into the circumstances of allotment of land in all the cases where allotments were made without specific assessment of requirement.

2.36 The Committee recommends that, in the case of Ambedkar Educational Society, Visakhapatnam, Government should enquire into the circumstances of allotment of land without specific assessment of requirement. The Committee also recommends that Government should determine the actual requirement of land for the Institution and resume the remaining land available with the Society duly following all the legal formalities involved.

2.37 The Committee recommends that Government should identify all cases of purchase of assigned lands and/ or allotment of assigned lands and enquire into the circumstances that led to such action. The Committee further recommends that accountability should be fixed for facilitating such activities.

2.38 The Committee also recommends that the land allottees should not be allowed to take loans by mortgaging Government lands.

2.39 The Committee also recommends that, in the case of Ambedkar Educational Society, Visakhapatnam, Government should enquire whether the loan raised by the Institution by mortgaging Government lands was utilised for the purpose, and if not, necessary action should be initiated against them.

2.40 The Committee recommends that Government should initiate action to resume the lands in all the cases in the State where the conditions of allotment have been violated by the allottees.

2.41 The Committee further recommends that the land allotments made to Hayagreeva Farms and Developers, Visakhapatnam and M/s Sudarshan Steels Limited, Visakhapatnam should be cancelled immediately, as the Companies failed to utilise the lands for the purpose for which these were allotted.

3. Para 3.4.14 – Page 129 of Audit Report 2009-10 (para pertains to Visakhapatnam district)

Power Project not set up even after 10 years

Despite facing serious power shortage, Government failed to cancel the allotment of land to a private party which failed to set up power plant and allot it to other parties willing to supply power at competitive rates.

3.1 Government alienated (April - May 1999) 1,122.38 acres of land in Devada Village of Visakhapatnam District to Hinduja National Power Corporation Limited (M/s HNPCL) for 26.63 crore<sup>20</sup> for setting up a 'Thermal Power Station'. M/s HNPCL was however, given possession of the land without realisation (short collected: 16.42 crore) of the full amount.

<sup>20</sup> Land cost 25.25 crore (2.25 lakh per acre) plus developmental charges of 1.38 crore.



Audit scrutiny (January - February 2010) revealed that the power plant proposed by M/s HNPCL had not come up and the prime source of the land remained unutilised as of February 2010. The agreement entered into with the M/s HNPCL stipulated that financial closure of the project should be achieved within 12 months of the date of agreement (15 April 1998). The project shall be completed within a period of 44 months from the date of financial closure. The date of financial closure was extended from time to time upto 31 March 2001. As per the undertaking furnished by M/s HNPCL, the balance amount towards the cost of the land was to be paid not later than six weeks from the date of financial closure. One basic flaw in the terms relating to handing over the land to M/s HNPCL was that it linked payment of the balance amount with financial closure of the project which never took place as the time limit was not enforced. In 2007, there were claims from Government Corporations like APGENCO<sup>21</sup>/NTPC<sup>22</sup> for allotting the same land for the purpose of power generation. Requests were also made to the Government by APTTRANSCO<sup>23</sup> for inviting open bids from private companies to fetch competitive lower power tariffs as against the supply of power by the M/s HNPCL on non-competitive rates. APTTRANSCO also informed (February 2007) the Government that four DISCOMS<sup>24</sup> in the State had already signed power purchase agreements with NTPC in February 2007 for supply of power and NTPC had requested the Government to provide part of this land for expansion (Simhadri Extension project). APTTRANSCO further informed that NTPC had proven track record of setting up of power plants and supply of power at low costs. Government did not explore these options but allowed the land to remain with the same private company (M/s HNPCL).

The legal advice given to the Government categorically stated (June 2005) that as M/s HNPCL had not paid the cost of land in full to the Government and also not fulfilled the condition of financial closure within the stipulated time, the contract with M/s HNPCL was no longer subsisting and deemed to have been closed as there was gross breach of contract by M/s HNPCL. However, this advice was ignored.

<sup>21</sup> A.P. Power Generation Corporation Limited.

<sup>22</sup> National Thermal Power Corporation Limited.

<sup>23</sup> Transmission Corporation of Andhra Pradesh Limited.

<sup>24</sup> Distribution Companies.

At this stage, the title of the land was vested with the AP Wakf Board as per the Judgment<sup>25</sup> (February 2004) of the Hon'ble High Court of Andhra Pradesh. The Government directed the Wakf Board to sell the land to M/s HNPCL at rates prevailing in the year 1999. The AP Wakf Board accordingly sold away (April 2008) their land to M/s HNPCL at old rates (1999) for a total consideration of 47.55 crore<sup>26</sup> as against the market value (January 2007) of 224.47 crore<sup>27</sup>. On this being pointed out, the Principal Secretary to Government, Minorities Welfare Department, stated (March 2010) that this was done as per the orders of the Government as per Section 97 of the Act.

The reply of the Government is not acceptable as Section 51 of the Act clearly stipulates that sale of property shall be effected by public auction only. Section 97 read in conjunction with Section 96 deals with regulation of secular activities. Further, the whole Devada village was an haram village granted by the former muslim rulers for purely religious and charitable service purpose. The action of the Government directing the Wakf Board to sell the land to M/s HNPCL at rates prevailing in the year 1999 without resorting to public auction was inappropriate and was in violation of the provisions of the Wakf Act 1995. Conferring such a benefit is further objectionable as there is no condition stipulating supply of power at rates matching that of APGENCO/NTPC.

#### Gist of lapse

##### Lapse 1

Government should ensure utilisation of the alienated land for the purpose for which it was actually alienated. In this instance, land was alienated to HNPCL for setting up a thermal power plant which never materialised. Government should therefore have resumed the alienated land, as the conditions of alienation were not fulfilled. Compounding this failure, Government sold the land to the same party in April 2008 at rates prevailing in 1999 instead of market rates at the time of actual sale.

<sup>25</sup> WP No. 2364 of 2004.

<sup>26</sup> including the interest amount of 20.93 crore payable @ 9 percent for the first year and 15 per cent from the second year onwards till the date of payment from the date of taking possession of the land on the balance amount i.e.

'16,41,48,075

<sup>27</sup> 20 lakh per acre (January 2007) (as assessed by the District Collector) X 1,122.38 acres.

**Lapse 2**

(i) There were claims from Government Corporations viz., APGENCO/NTPC for allotting this land for the purpose of power generation.

(ii) Requests were made to the Government by APTRANSCO for inviting open bids from private companies to fetch competitive lower power tariff as against the supply of power by M/s HNPCL at non-competitive rates.

(iii) NTPC had requested the Government to provide part of this land for expansion of Simhadri Extension project (NTPC had proven track record of setting up power plants and supplying power at low costs).

**The above options were not explored. Government had neither availed of the competitive rates of power tariff offered by Public Sector Units viz., NTPC, APGENCO nor went in for competitive bidding for getting better price for the land.**

**Lapse 3**

As per the Legal advice given to the Government, since M/s HNPCL had not paid the cost of land in full to the Government and also not fulfilled the condition of financial closure within the stipulated time, the contract with M/s HNPCL was no longer subsisting and deemed to have been closed as there was gross breach of contract by M/s HNPCL.

**This advice was ignored.**

3.2 In the Explanatory Notes, the Principal Secretary, Revenue Department stated that the lands were allotted by the Revenue Department in 1999 and the HNPCL project is in the construction stage. After the allotment, Hon'ble Supreme Court in its judgment confirmed that the lands belong to Wakf Board. The Wakf Board had received full compensation from HNPCL as the lands were registered by it as per the direction of Government. The Principal Secretary further stated that as the project is under construction the Energy Department is concerned with production and supply of power to AP state.

3.3 Initiating discussion on the Audit paragraph, the Secretary Minorities Welfare Department informed the Committee that this

land had been subjected to a series of litigations. The land was allotted and the possession delivered to HNPCL. He stated that the Wakf Board had also received the compensation which was fixed as Rs 82 crore. The Secretary also stated that this is an internal matter and has nothing to do with the delay in setting up the power project. There were complexities involved due to prolonged and multiple litigations. The Secretary further informed the Committee that during March 2010, HNPCL awarded engineering and construction contract to BHEL and Unit 1 will be commissioned by June 2013.

3.4 The Committee stated that HNPCL had offered to give back 500 acres of the land alienated to it to Wakf Board but Wakf Board was not interested in taking back the already sold land on the grounds that it might lead to legal complications.

3.5 The Secretary, Minorities Welfare Department stated that once the land is sold and registered, the question of taking back would not arise.

3.6 The Committee opined that Wakf Board does not have any right for alienation of land on lease to the extent of 500 acres for longer period and thus the land cannot be taken back and asked the Secretary, Minorities Welfare Department to clarify the position. The Committee felt that the entire process was done in a shady manner and calls for a detailed enquiry, as the Wakf board does not have any power to lease land exceeding three years which contradicts the decision of land alienation by Wakf board.

3.7 The Committee enquired about the role of Wakf board as it is not the business between Hinduja and the Wakf board. The Committee felt that Government should interfere and resolve this issue as Wakf board is not ready to take back the land. The Committee also enquired as to how the alienation of 1100 acres of land was done. The Committee opined that the process for reclamation of the already transferred land should be initiated by the Government.

3.8 The Secretary, Minorities Welfare Department stated the Wakf Board had refused to take back the land by passing a resolution in the Wakf Board.

3.9 The Committee opined that rejection of the offer of taking back the land does not fall under the purview of the Wakf Board and therefore Government should take a decision.

3.10 The Secretary, Minorities Welfare Department stated that HNPCL approached Wakf Board on this issue and Wakf Board had rejected it.

3.11 The Committee stated that HNPCL should have approached Government and it is not correct to approach Wakf Board. PAC questioned the authority of Wakf Board to pass a resolution without involving Government and asked the Secretary, Minorities Welfare to explain about the legalities.

3.12 The Secretary, Minorities Welfare Department stated that three parties i.e., Government, Wakf Board and Mutawalli should agree for taking back the land. The Secretary informed that, under Section 97 of Wakf Act, the State Government can give general or specific directions to the Wakf Board and it is mandatory on the part of Wakf Board to follow it and even now the Government can give a direction to Wakf Board.

3.13 The Committee enquired whether Government can supersede the decision of Wakf Board.

3.14 The Special Chief Secretary and Chief Commissioner Land Administration (CCLA) stated that the Government had taken a conscious decision that it is not enam land and it is Wakf land. Normally resumption proceedings have to be initiated for violation of the conditions. The Government had taken a decision that it is Wakf property. CCLA further stated that the Government directed to register this land in favour of HNPCL. The Government can also issue direction to take back that piece of land which has been given to HNPCL.

3.15 The Committee enquired about the benefits to be accrued to the State in this allotment of 1122.38 acres valuable land in Visakhapatnam. The Committee stated that HNPCL is constructing merchant plant and is likely to sell power privately. The Committee opined that the State should benefit when valuable land was given to a private party and sale of power to others should not be allowed.

3.16 The CMD, AP Transco replied that the capacity of HNPCL project is 1000 Mega Watt and the Company agreed to give

25 per cent of power to Andhra Pradesh at the rate of Simhadri Extension stage II. The CMD further stated that HNPCL can sell the remaining power anywhere in the country and the State Government is required to bid for buying power. The CMD informed the Committee that there was a power purchase agreement with AP State Electricity Board in the year 1998 for sale of 100 per cent power that was valid up to September 2001. The agreement had lapsed and was not renewed thereafter. AP Transco was of the opinion that the project would not come up but again in the year 2007, HNPCL approached the Government of India after enactment of new Electricity Act, 2003. The CMD informed the Committee that as per National Tariff Policy 2006, except AP Genco and NTPC, power should be purchased through tenders/bidding only. The CMD also informed that when called for phase I bidding HNPCL offered 580 MW at Rs 3.48 and was L2 bidder. Decision is yet to be taken by the High Level Committee and if approved, the total power offered by HNPCL will be 840 MW including 260MW at Simhadri Project tariff.

3.17 The Committee enquired as to when the PPA lapsed. The Committee also questioned if the land is in possession of HNPCL which is under dispute in the Court of law, how could the construction of the project be taken up? Would it not pose problem to Government, if the judgment was against the Government?

3.18 After prolonged discussion on the issue, the Committee felt that the issue is complicated and asked the Special Chief Secretary, Revenue and CCLA to constitute a Committee of Secretaries headed by CCLA and with the Secretaries of the Departments of Revenue, Minorities Welfare, Energy, Law, and CEO, AP Wakf Board as members to examine the issues and submit a report to PAC before its visit to Visakhapatnam which was scheduled in July 2012. PAC asked the Principal Accountant General to prepare a questionnaire relating to the issues for which the Committee (of Secretaries) could provide answers.

3.19 The Committee constituted by the Government examined the issues and submitted a report. The point-wise answers to the Committee's questionnaire are discussed below.

1. What were the terms and conditions governing the agreement with HNPCL when the land was allotted initially?

Initially in 1999, the lands were alienated by the Revenue Department vide G.O.Ms.No.239, Revenue (Assn.1) Dept, dt.22.3.1999 with the following conditions.

- (i) The HNPCL shall make payment @Rs.2.25 lakhs per acre.
- (ii) The above amount shall be apportioned as follows.
  - (a) 30% of the amount shall be credited to the Government account
  - (b) 35% of the amount shall be paid to the Wakf Board
  - (c) 35% of the amount shall be paid to the occupants/encroachers if any.
  - (d) The cost of the trees and structures shall be estimated and paid to the persons interested.

**(f) Have all these conditions been fulfilled by HNPCL?**

In pursuance of the above orders, the HNPCL has made payments to the District Collector, Visakhapatnam as follows:

SLNo.	Description	Date	Amount	Paid to
1.	35% share in favour of occupants+ tree value	13.4.1999	Rs. 8,83,87,425 Rs. 1,37,50,000	District Collector
2.	Refunded to HNPCL to pay to the encroachers/ occupants	12.5.1999	Rs. 4,00,00,000	Paid back to HNPCL

It is seen that initially only part payment was made for the land by HNPCL. Full payment was not paid by HNPCL as Energy Department on 31.03.1999 requested the Collector to give advance possession accepting Rs. 10,21,37,425/- as payment and obtain an undertaking from the Company for payment of the balance amount.

Subsequently in 2008/2009 payments have been made to the Wakf Board as follows.

SLNo.	Description	Date	Amount	Paid to
1.	Effectively paid to Wakf Board by the Collector from Rs.10,21,37,425/- received from HNPCL in 1999	2009	Rs. 6,21,37,425	Wakf Board
2.	Paid to Wakf Board-Balance land cost by HNPCL	9.4.2008	Rs. 16,41,48,075	
3.	Addl. Non refundable deposit paid to Wakf Board towards interest as per G.O.Ms.No.10 by HNPCL	9.4.2008	Rs. 20,92,60,333	
4.	Total amount paid to Wakf Board		Rs. 43,55,46,333	

**(ii) Has the agreement with HNPCL been revised subsequently? If so, what were the reasons for the revision and what were the conditions stipulated in the revised agreement?**

In 2007, HNPCL again approached the Government for revival of the Project. There was a long standing dispute between the Revenue Department and Wakf Board regarding ownership of the land in Devada (V). To resolve the issues

relating to land and Power Project in 2008 the Government decided to withdraw all pending SLPs by the Revenue Department and treat the Land in Devada Village as Wakf property as decided by the Supreme Court of India. Thereafter, the Minorities Welfare Department have directed the Wakf Board to register the lands in favour of HNPCL vide G.O.Ms.No.10, MW. Department, dt. 7.8.2008 at Rs. 2.25 lakhs per acre as fixed by the Revenue Department and confirmed by the Board subject to the condition of payment of interest as per provision laid down under the Land Acquisition Act for the lands taken over possession but compensation is yet to be paid i.e. @ 9% for the first year and 15% from the second year. There were no specific conditions in the above GO except to register the lands in favour of HNPCL. When once land is sold under a Registered Sale Deed, all rights stand transferred to Vendee/Purchaser.

II. The project should have been completed within a period of 44 months from the date of financial closure. However, it was extended from time to time up to 31 March 2001.

*(iii) What were the circumstances that necessitated these extensions?*

M/s. HNPCL sought extension citing that the existing PPA needs to be extended to adopt the measures suggested by the Government of India letter dated 26.5.1998 on the issues of revised procedure of counter guarantee, coal supply agreement, deadline for firm financial package. Therefore, GoAP extended the period upto 30.09.2001.

*(iv) Did the Government give further extension to HNPCL for setting up the project beyond March 2001?*

*a. If yes, the details may be furnished.*

Yes, for the aforesaid reasons, another six months upto 30.09.2001 was extended.

*b. If not, what action was taken by the Government against HNPCL for non-compliance with contractual stipulations?*

*(v) What is the current status of the project?*

As per the directions of the Committee, CMD/EPDCL whose head office is in Visakhapatnam was requested to depute CGM to ascertain the current status of the project. As per the report furnished by CMD/EPDCL based on the field visit and information furnished by the developer, the EPC contract for 1040

MW (2 x 520) has been awarded to BHEL and works have commenced on 30 June 2010. Erection of boiler and ESP for Unit I has commenced during May and June 2011. A total of 7599 Metric Tonnes for boiler and ESP structure for Unit-1 have been erected upto March 2012, while 3958 Metric Tonnes of boiler and ESP structure have been erected upto March 2012 for Unit-2.

Boiler drum lifting has been done for Unit-1 during January 2012. The balance of plant works like cooling tower, coal handling plant, ash coal plant, Chimney, Water treatment, etc., are in progress. As per the schedule, Unit-1 is programmed to be commissioned by June 2013 and Unit-2 by September 2013.

III. Since HNPCL had not set up the power plant, in 2007, APGENCO/NTPC requested the Government to allot this land to

them for the purpose of power generation. Requests were also made to the Government by APTRANSCO for inviting open bids from private companies to fetch competitive lower power tariffs as against the supply of power by HNPCL on non-competitive rates. NTPC had also requested the Government to provide part of this land for expansion of Simhadri Extension project. However, these options were not explored by the Government.

*(vi) What were the reasons for not exploring the above options by the Government and non-resumption of land from HNPCL despite its failure to comply with the terms of agreement?*

M/s. HNPCL requested for additional land of Ac 1550.00 (in addition to Ac 1122.38 cts) to reach the ultimate generation capacity of 4000 MW. Out of this land, an extent of Ac 350.00 was already transferred to NTPC for Simhadri Project. During 2007, they requested for allotment of balance land of Ac 1200.00. In response, to this, CMD APTRANSCO informed that this land could be used by NTPC or APGENCO for their future use. Subsequently it was noticed that only part of this land was Government land. However, the request of M/s HNPCL for allotment of additional land was not accepted by the Government.

IV. As per the Legal advice obtained by the Government in June 2005, there was a gross breach of contract by HNPCL since it had not paid the cost of land in full to the Government and had also not fulfilled the condition of financial closure within the stipulated time and therefore, the contract with HNPCL was no longer valid and deemed to have been closed. This advice was however, ignored by the Government.

*(vii) What were the specific reasons for ignoring the legal advice?*

Legal advice is not ignored. On 07.06.2005, the Senior Advocate Sri Anantha Babu gave his opinion on the request of HNPCL letter dated 13.05.2005 to revive the project. The relevant part of the said advice is "the matter has been examined in conjunction with APTRANSCO the facts reveal that the project has never taken off for more than a decade due to total indifference. The arrangement with APTRANSCO has become defunct. The Government therefore

regrets that your present request cannot be accepted". Therefore the said legal advice was acted upon.

**(viii) Why was the land not resumed despite violation of the terms of agreement by HNPCL?**

The Mandal Revenue Officer, Pedgantyada vide Rc. No. 632/2005A Dt.27-12-2005 issued a show-cause notice to the Site Manager HNPCL, Madras with a direction to submit their explanation for non-occupation of land as the firm has violated the conditions of the allotment. The firm has offered explanation in their letter dated 14-02-2006 stating that they have occupied the land to an extent of Acs. 1122.38 cts. and not commenced any construction because there was a setback in financial closure and therefore, delay in implementing the project. But they had undertaken significant site development work. HNPCL stated that the revival of the project is now under active consideration and discussion with the Government and hence there is no violation of the conditions of the allotment. Further they requested not to initiate any steps in this regard as the Wakf Board had transferred the land to the HNPCL by way of registered sale deed.

V. In February 2004, the AP High Court decreed that the title of the land allotted to HNPCL belonged to the Wakf Board. However, four years later, in March 2008, Government directed the Wakf Board to sell the land to HNPCL at rates prevailing in 1999 (when the land was initially alienated to HNPCL). The Wakf Board accordingly sold the land to HNPCL in April 2008 at old rates (1999) for a total consideration of Rs 47.55 crore<sup>28</sup> as against the prevailing market value of Rs 224.47 crore<sup>29</sup>.

**(ix) Whether Government is empowered to direct the Wakf Board to allot Wakf lands to private parties?**

Under Section 97 of the Wakf Act, 1995, the Govt. is empowered to give any general or special directions as the State Government thinks fit, subject to any directions issued by the Central Government.

<sup>28</sup> Including the interest amount of '20.93 crore payable @ 9 per cent for the first year and 15 per cent from the second year onwards till the date of payment '16,41,48,075.

<sup>29</sup> '20 lakh per acre (January 2007) (as assessed by the District Collector) X 1,122.38 acres.

The action was taken on the basis of the then Advocate General's (suggestion).

**(x) What were the reasons for allotment of land to HNPCL without public auction, although Section 51 of the AP Wakf Act stipulates that sale of property is to be effected only through public auction?**

**Rule position under Wakf Act 1995.**

The Wakf lands may be alienated with the approval of the board and the Government and through public auction vide Section 51 of the Act, read with Rule 12 of the Wakf Rules 2000.

If the board desires, not to conduct public auction, it has to go to Wakf Tribunal under Section 51, provided it is necessary to do away with public auction in the interest of the Wakf.

In the instant case, the lands were in possession of HNPCL since 1999. It was not possible in 2008, to follow the public auction provision prescribed under Section 51 of the Wakf Act, since the possession of the property was handed over to HNPCL about a decade back.

**(xi) What were the reasons for non-resumption of the land and selling the land to the same party at the rates prevailing in 1999?**

The said lands were already under the possession of HNPCL since 1999.

The rate of Rs. 2.25 lakhs per acre was fixed in the State Level Negotiations Committee (SLNC) for the acquisition of the land for the NTPC project in the adjoining villages in 1998. The same rate was adopted by the Government for HNPCL project in 1999. The Wakf Board have also accepted the proposal for the sale of the property vide their Resolution No.534 dt. 17.3.1999 and accepted the rate of Rs. 2.25 lakhs per acre. Since the lands were already in possession since 1999, presumably the rates of 1999 were adopted by the Government while issuing G.O.Ms.No.10, MW Department, dt. 7.8.2008. Interest @ 9% in the 1<sup>st</sup> year and 15% from the second year was also charged over and above the compensation of Rs. 2.25 lakhs per acre.

VI. On 1<sup>st</sup> September 2010 HNPCL offered to surrender about 500 acres of unutilised land to the Wakf Board. On;

7<sup>th</sup> September 2010, the Minorities Welfare Department requested the Wakt Board to place the matter before the Wakt Board. The Wakt Board in the meanwhile rejected the offer of HNPCL on 5<sup>th</sup> September 2010.

**(xii) What were the reasons that compelled the Wakt Board to reject the offer of HNPCL?**

The Wakt Board by majority, resolved that the Board is not interested in taking back the land, which was already sold and registered as the HNPCL has taken over the possession of the land vide Board Resolution No.656 of 2010. The Board was unable to resume the lands, since the matter is sub-judice.

It is noted that the land proposed for surrender lies in Sy.No.492 with a total ext. of Acs. 623.51 cts. falling within CRZ-I Zone where no activity can be taken up. The HNPCL desires to retain only an extent of Ac 123-51 cts in the above survey number and to surrender the extent of Ac. 500.00. It has been further reported that HNPCL informed the Joint Collector, Visakhapatnam that they had originally proposed for location of Ash Pond in that land. But since the land is falling in CRZ-I they have relocated the Ash Pond to a non CRZ area.

- a) The land proposed for surrender is covered with mud flat (as per the map of NIO) with bushes and watery patches.
- b) According to the Thesaurus, Mud flat is a track of low muddy land near an estuary covered at high tide and exposed at Low tide.
- c) The land is marshy/wet land/swamp area.
- d) The creek adjoining the land on the western side of Sy.No.492, during high tide of Bay of Bengal throws water into this area, thereby this land (Sy.No.492) becomes water logged.

Since the land in question falls under CRZ-I and cannot be put to profitable use by the Wakt Board, there may perhaps be no need for Wakt Board to accept the surrender of Acs. 500 land from HNPCL.

**(xiii) Did the Wakt Board take Government's approval for rejecting the proposal?**

NO

**(xiv) Was the Wakt Tribunal involved in the decision to reject the offer of HNPCL?**

NO

VII. The CMD, APTRANSCO informed the PAC on 15<sup>th</sup> February 2012 that, as per the initial agreement, 100 per cent power generated by HNPCL was to be given to the State. However, this agreement had lapsed in 2001 and as per the new agreement entered in the year 2007, only 25 per cent of the power generated will be given to the State at the rates offered by NTPC Simhadri Extension Project Stage II and with regard to the remaining 75 per cent of power generated by HNPCL, the State Government is required to participate in the bids (Case 2 bidding).

**(xv) When and why was the initial PPA revised?**

The initial PPA was signed on 09.12.1994. Subsequently to adopt the guidelines of counter Guarantee to be given by Gol and GoAP and about sharing of Fuel risk as per the direction of Gol, discussions were held with Ministry of Finance, Ministry of Power and later with approval of GoAP, the amended and Restated PPA were entered on 15.04.1998.

**(xvi) What were the reasons for accepting only 25 per cent of power to the State when the land was given to the company at old rates?**

The Government has not taken any final decision till date on the proposal of HNPCL of 25% of the capacity of the Project, to the State and also no agreement was entered in the year 2007 as stated above.

**(xvii) How was the HNPCL allowed to construct merchant plant ignoring the interests of the State?**

By 30.09.2001 the PPA got expired. Subsequently, the new Electricity Act, 2003 came into force. As per section 7 of Electricity Act 2003 any generating company may establish, operate and maintain a generating station without obtaining licence from the Government except statutory clearances from the authority. Therefore, HNPCL does not require any permission under the Electricity Act 2003 for setting up of the project.

**(xviii) What benefits ultimately accrue to the State in the allotment of 1122.38 acres of valuable land in Visakhapatnam to HNPCL?**

HNPCL offered 25% of power generated by the project to the nominated agency of GoAP under MoU route at Simhadri Stage-II tariff and also offered 580 MW under the case-1 bidding initiated by

APDISCOMS for procurement of power on a long term basis starting from 2016-17 onwards to meet the deficit power demand. As per the National Tariff Policy, 2005 which is issued under Electricity Act, 2003 competitive bidding process is only method to procure power from IPPs and MoU route through negotiations is not permitted in law.

Based on the initial evaluation of the financial bids received, HNPL has emerged as second lowest bidder with a levelised tariff of Rs. 3.48 per unit. The High level evaluation committee constituted by GoAP is yet to take a decision on the finalisation of bids received under case-1 bidding. Thus HNPL is offering a share of power around 85% to the APDISCOMS.

**(xix) Cabinet resolutions relating to HNPL may be provided.**

As far as the Revenue Department is concerned, the matter has not been placed before the Council of Ministers. However, orders in circulation to Hon'ble C.M including Secretary-Energy, Prl. Secretary-Minority Welfare, Prl. Secretary-Revenue, Chief Secretary, Minister for Minority Welfare, Minister for Revenue and Minister for Energy were obtained. In the circulation process, it has been ordered to issue a G.O. by the then Prl. Secretary-Revenue. Accordingly, G.O. Ms.No.239 Revenue (Assn.-1) Department dated: 22.03.1999 was issued.

VIII. PAC has been informed by the CEO, AP Wakf Board that the land is under dispute and is pending in the Court of Law.

**(xx) How is the Company (HNPL) going ahead with construction of Power plant when the issue is stated to be pending in the Court of law?**

There is no stay on construction of power plant either by the Wakf Tribunal or by the High Court. The District Collector, Visakhapatnam has reported that the plant is under erection stage and work is going on.

**(xxi) What is the present status of the case in the Court of law?**

The legal update is enclosed (Please see Annexure-I to this report).

**(xxii) Which Department in Government is following up with the case in the Court?**

The Wakf Board has filed impleading petition to defend their interests before the Wakf Tribunal. The Wakf Board is filing counter affidavit in W.P.No. 14525 of 2008.

**(xxiii) What are the options before the Government to resume the land allotted to HNPL, since it failed to comply with the conditions of the contract?**

Since the land has been sold under a Registered Sale Deed, all rights stand transferred to Vendee /Purchaser. After the Sale Deed is executed, nothing is retained with Vendor on the sold / alienated property.

However, for any other good reasons, the Government may consider to issue directions to the Wakf Board to resume lands under Section 97 of the Wakf Act.

3.20 The conclusion of the Committee of Secretaries is as follows (For detailed Report of the Committee please see Appendix to this report).

P The Committee of Secretaries noted that in G.O. Ms.No.239 dt. 22.03.1999, no specific conditions have been imposed at the time of alienation of the land. There are also no conditions regarding resumption of land to Government in the event of non fulfilment of the purpose for which the land was allotted. Despite this, the MRO, Pedagantyada has issued show cause notice on 27.12.2005 for resumption of the land for non utilisation. Further action was not pursued in view of the reply given by the Company. Once alienation by Registered Sale Deed takes place, there could be no question of resumption of land as such. Even if technically the Government gets interested in the land, it has to get a Sale Deed executed by its Vendee and there could be no resumption by a Government Flat.

P The Committee of Secretaries further stated that the land proposed for surrender lies in Sy.No.492 with a total extent of 623.51 acres falling within CRZ-I Zone where no activity can be taken up. The HNPL desires to retain only an extent of Ac.123-51 cts in the above survey number and to surrender the extent of Ac. 500.00. It has been further reported that HNPL informed the Joint Collector, Visakhapatnam that they had originally proposed for location of Ash Pond in that land. But since the land is falling in CRZ-I they have



relocated the Ash Pond to a non CRZ area and cannot be put to profitable use by the Wakf Board, there may perhaps be no need for Wakf Board to accept the surrender of Acs. 500 land from HNPCL.

b After a decision was taken to treat the lands in Devada Village as Wakf lands, the Wakf Board has registered the land by way of Sale Deed in favour of HNPCL. As this transaction was in the nature of sale deed, no conditions were imposed. Hence, resumption of land from HNPCL at this stage is not possible. However, in the New Land Allotment Policy which has been submitted to the Government for consideration, certain mechanisms have been recommended for ensuring proper monitoring and review of utilisation of Govt. lands.

3.21 PAC stated that as per the Agreement entered into with HNPCL in 1998, 100 per cent power has to be given to our State. The Committee was surprised as to how HNPCL has been allowed to sell 75 per cent of power in open market i.e. in bidding process despite 12 hours of power cut being faced in the State even in rainy season. PAC opined that since the valuable land is given at through away price Government should see that 100 per cent power is given to our State.

3.22 PAC visited (24 July 2012) the project site of HNPCL at Palavalasa, Visakhapatnam district. When contacted, the representatives of HNPCL stated that the estimated project cost is Rs 4,159 crore and an amount of Rs 2,350 had been spent so far on construction of 1040 MW power plant. They further stated that 630 acres of land is not being utilised for the plant, as it falls under Coastal Regulation Zone.

3.23 The General Manager, HNPCL stated that they will give 25 per cent of 1040 MW power to State at Simhadri Phase II rate and the remaining will be sold in open market at Rs 6 to Rs10.

3.24 PAC found fault with the management for selling the power in open market despite utilisation of natural resources of the State. The Committee opined that HNPCL is not giving assurance regarding power but creating five thousand metric tonnes of ash per day.

3.25 The Committee also interviewed the Project affected persons and learnt that they are facing many problems on account of the project and no employment had been given to the affected families.

3.26 The Complaints made (to the Committee) by public of the surrounding villages of the project are enumerated below

- (i) Compensation for the lands taken from them had not been paid yet
- (ii) Employment had not been given to the families who lost their lands
- (iii) HNPCL had given lands again on lease to the farmers who lost their livelihood due to acquisition of land from them
- (iv) HNPCL had not paid lease as per the agreements entered into by it with farmers for cultivation of cashew nut gardens

3.27 The Committee examined whether prior approvals of Government Departments have been accorded or not for taking up the construction of the plant. The Committee found that HNPCL had violated statutory regulations for construction of the plant and expressed dismay over the inaction of various Government departments against HNPCL for violations made by it.

3.28 The Vice Chairman, VUDA stated that notices had been served for payment of Rs 19.40 crore to enable VUDA to approve the plan but HNPCL approached Government and the issue is still pending with the Government.

3.29 The Joint Collector, Visakhapatnam stated that 10 per cent tax is to be paid in the form of NALA but the same was not paid by HNPCL.

3.30 PAC observed that about 30 to 40 per cent of the project work had been completed without getting approvals from the concerned authorities and the Management of the project had filed so many cases in various courts which are pending. The Committee also noted that while the PAC was informed (by the management) that water allocation for the project had been approved by APILG, according to the Executive Director, APILG, only allocation was given but no approvals were given as of now.

3.31 PAC directed the management of the project to submit the following approvals for construction of the project.

- (i) No objection Certificate for the construction,
- (ii) NALA conversion,

(iii) Local Bodies permissions i.e., GVMC Plan Approval, VUDA, mortgage papers and other relevant papers,

(iv) power tariff agreements,

(v) farmers enjoyment benefits,

(vi) precautionary measures taken in respect of ash pond, etc. When the management failed to submit the documents to the Committee, the Committee specifically directed the management to submit it within a week time.

3.32 The Committee opined that HNPCL is acting independently and even neglecting the directions of the District Collector and the Chairman, VUDA.

3.33 The above issues have been discussed by the Committee with Principal Secretary, Revenue; Secretary to CCLA; Secretary, Minority Welfare; Special Secretary, Energy Department and other officials in the PAC meeting held on 31 July 2012.

3.34 Principal Secretary, Revenue Department stated that no entity can function independently and in this case also permissions might be required from 6 to 7 departments.

3.35 The Special Secretary, Energy stated that APGENCO is in the process of setting up a power plant. The clearances required for setting up of power plant will be communicated to the District Collector for taking appropriate action.

3.36 The District Collector, Visakhapatnam informed the Committee about the receipt of requisite information from HNPCL which is presented below item wise:

**NOC for construction of project:** It is learnt from media that GVMC Council had given permission to issue NOC but it is yet to be issued.

**MALA:** Notices had been issued (February 2010) for payment of Rs 11.22 crore. HNPCL approached court of law stating that the land was given to them for specific purpose and hence need not pay any charges, and the case is still pending.

**De-zoning charges to VUDA:** HNPCL contended that even before VUDA earmarked the land for Agricultural and Recreation Zone, the land was allotted to them for specific purpose and

therefore they had requested the Government to issue final orders to that effect.

**Allocation of water:** APILC had allocated seven cusecs of water for the project in March 2008.

**Compensation to employers:** HNPCL paid the required amount to Government as per the Division Bench judgment of High Court and if any private property individuals are still not in receipt of compensation, they have to approach the Wakf Tribunal.

**Leasing out the land to farmers:** No part of the land was leased out. Some individuals had sought permission to pick up cashew from the Project land, and it was given for limited period of time and presently it is not under any lease.

**Sale of power:** The Company is committed to sell 25 per cent of power at the tariff benchmarked to NTPC Simhadri II project. AP Discoms participated in the bid for 60 per cent of the power generated and emerged as the successful bidder and accordingly 85 per cent of the power to be generated has already been offered to the Government of Andhra Pradesh.

**Ash pond:** They had gone for the State of Art technology to mitigate pollution.

3.37 The Committee found that it is not correct on the part of the Company as it is linking everything with pending Court cases and directed the Government to examine the replies of HNPCL.

3.38 Principal Secretary, Revenue had promised the Committee that the replies will be circulated among the concerned wings of the Government for taking appropriate action.

3.39 The Committee opined that HNPCL is clearly benefiting itself from the State resources and it is not appropriate to sell power at Rs 8 to Rs 10 per unit. The Committee also considered the present power crisis in the State and noted that the power being generated in the State is only 212 million units in the current year and that the State has acute shortage of power which is around 70 million units.

3.40 After prolonged discussions by PAC in various meetings, after considering the Report of the Secretaries, findings that emerged during the visit of PAC to the HNPCL project site and,

Keeping in view the acute shortage of power in the State, PAC decided to make the following recommendations.

3.41 The Committee recommends that State Government should negotiate power purchase agreement with HNPCL for securing 100 per cent power as per the agreement entered into with the company in 1999 at the rate supplied by Simhadri Power Project (stage II).

3.42 The Committee recommends that Government should take steps to give employment to all the affected families of the project and if necessary, requisite technical training should be given to them.

3.43 Pollution Control Board should take action to construct ash pond under their supervision so as to prevent pollution related threats that may arise in future.

3.44 Since the lands referred to in the Audit paragraph were already in possession/ being enjoyed by farmers even before their acquisition for the Power project, the Committee recommends that District Collector should take action for ensuring that HNPCL pays compensation to the farmers immediately on humanitarian grounds. This should be done irrespective of pending court cases in this regard and irrespective of whether the land in question is Wakf land or Government land.

3.45 District Collector should ensure that HNPCL take immediate action to develop the roads that were damaged due to plying of its heavy vehicles.

3.46 Appropriate action should be taken by Government to ensure that HNPCL gets the required permissions from local bodies. Government should also take immediate action to get the payments from HNPCL that are due to local bodies for various permissions (for instance, HNPCL was yet to pay an amount of Rs 19.40 crore to VUDA for approval of plan).

3.47 Government should take action for refund of the amounts collected by HNPCL from the farmers towards lease of lands.

3.48 Since HNPCL failed to fulfill the obligation of social responsibility of corporate bodies, Collector, Visakhapatnam should take appropriate action to ensure that HNPCL adopts some of the project affected villages and develop roads, schools, water and health facilities, etc therein.

### SUMMARY OF OBSERVATIONS/RECOMMENDATIONS

1. The Committee recommends that the Principal Secretary (Revenue) issue necessary instructions to all the District Collectors in the State directing them to strictly desist from incurring expenditure which does not have prior Legislative sanction. (para 1.5)
2. The Committee recommends that Government should formulate a comprehensive policy with regard to land allotment/ alienation containing inter-alia the grounds on which allotment can be made, procedure for allotment and hierarchical lines for decision making, extent of allotment for each category of activity, penalties for non-fulfilment of terms of allotment etc.. (para 2.32)
3. The Committee also recommends that, before alienation of land for any entity/ individual, the Government should ensure that the entity/ individual has adequate experience in that sphere of activity. (para 2.33)
4. The Committee further recommends that Government should ensure that the entity/individual to whom lands is to be alienated, has sound financial strength so as to be able to fulfil the terms of allotment like setting up industries/schools/hospitals etc. (para 2.34)
5. The Committee recommends that Government should enquire into the circumstances of allotment of land in all the cases where allotments were made without specific assessment of requirement (para 2.35)
6. The Committee recommends that, in the case of Ambedkar Educational Society, Visakhapatnam, Government should enquire into the circumstances of allotment of land without specific assessment of requirement. The Committee also recommends that Government should determine the actual requirement of land for the Institution and resume the remaining land available with the Society duly following all the legal formalities involved. (para 2.36)

7. The Committee recommends that Government should identify all cases of purchase of assigned lands and/ or allotment of assigned lands and enquire into the circumstances that led to such action. The Committee further recommends that accountability should be fixed for facilitating such activities. (para 2.37)
8. The Committee also recommends that the land allottees should not be allowed to take loans by mortgaging Government lands. (para 2.38)
9. The Committee also recommends that, in the case of Ambedkar Educational Society, Visakhapatnam, Government should enquire whether the loan raised by the Institution by mortgaging Government lands was utilised for the purpose, and if not, necessary action should be initiated against them. (para 2.39)
10. The Committee recommends that Government should initiate action to resume the lands in all the cases in the State where the conditions of allotment have been violated by the allottees. (para 2.40)
11. The Committee further recommends that the land allotments made to Hayagreva Farms and Developers, Visakhapatnam and M/s Sudarshan Steels Limited, Visakhapatnam should be cancelled immediately, as the Companies failed to utilise the lands for the purpose for which these were allotted. (para 2.41)
12. The Committee recommends that State Government should negotiate power purchase agreement with HNPCL for securing 100 per cent power as per the agreement entered into with the company in 1999 at the rate supplied by Simhadri Power Project (stage II). (para 3.41)
13. The Committee recommends that Government should take steps to give employment to all the affected families of the project and if necessary, requisite technical training should be given to them. (para 3.42)

14. Pollution Control Board should take action to construct ash pond under their supervision so as to prevent pollution related threats that may arise in future.

(para 3.43)

15. Since the lands referred to in the Audit paragraph were already in possession/ being enjoyed by farmers even before their acquisition for the Power project, the Committee recommends that District Collector should take action for ensuring that HNPCL pays compensation to the farmers immediately on humanitarian grounds. This should be done irrespective of pending court cases in this regard and irrespective of whether the land in question is Wakf land or Government land.

(para 3.44)

16. District Collector should ensure that HNPCL take immediate action to develop the roads that were damaged due to plying of its heavy vehicles.

(para 3.45)

17. Appropriate action should be taken by Government to ensure that HNPCL gets the required permissions from local bodies. Government should also take immediate action to get the payments from HNPCL that are due to local bodies for various permissions (for instance, HNPCL was yet to pay an amount of Rs 19.40 crore to VUDA for approval of plan).

(para 3.46)

18. Government should take action for refund of the amounts collected by HNPCL from the farmers towards lease of lands.

(para 3.47)

19. Since HNPCL failed to fulfil the obligation of social responsibility of corporate bodies, Collector, Visakhapatnam should take appropriate action to ensure that HNPCL adopts some of the project affected villages and develop roads, schools, water and health facilities, etc therein.

(para 3.48)

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