

CHAPTER - V

EXECUTIVE SUMMARY

What we have highlighted in this Chapter

In this Chapter, we present illustrative cases of ₹ 14.25 crore selected from observations noticed during our test check of records relating to non/short realisation of premium and ground rent, non remittance of land revenue and *upkar* in government account, non levy of service charges, non recovery of process expenses and underassessment of diversion rent and premium etc. in the office of the *Tahsildars* and Collectors, where we found that the provisions of the Acts/Rules were not observed.

It is a matter of concern that though similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, the Department has not taken corrective action.

Tax collection

In 2011-12, the collection of taxes from land revenue decreased by 22.66 *per cent* over the previous year due to postponement of recovery in order to provide relief to farmers affected by natural calamities.

Very low recovery by the Department of observations pointed out by us in earlier years

During the period from 2006-07 to 2010-11, through our Inspection Reports we had pointed out underassessment of premium, ground rent and diversion rent, non renewal of lease of *nazul* land, non levy of process expenses, non registering of revenue recovery certificate etc. with revenue implication of ₹ 2,087.83 crore in 6,82,978 cases. Of these, the Department/Government had accepted audit observations in 6,06,378 cases involving ₹ 1234.42 crore and had since recovered ₹ 162.59 crore in 15,119 cases. The recovery position as compared to acceptance of objections was very low, ranging from 0.64 *per cent* to 35.11 *per cent*.

Results of audit conducted by us in 2011-12

In 2011-12 we test checked the records of 66 units relating to land revenue and found underassessment of premium, ground rent, diversion rent and other irregularities involving ₹ 293.20 crore in 19,901 cases.

The Department accepted underassessment and other deficiencies of ₹ 278.02 crore in 19,323 cases, which were pointed out by us during the year 2011-12. An amount of ₹ 3.61 crore was recovered in 179 cases during the year 2011-12.

Our conclusion

The Department needs to initiate immediate action to recover the amount on account of under assessment of premium and ground rent, under assessment of diversion rent and *upkar*, non recovery of process expenses etc. pointed out by us, more so in those cases where it has accepted our contention.

CHAPTER-V LAND REVENUE

5.1 Tax administration

The Revenue Department is headed by the Principal Secretary at the Government level. The Principal Revenue Commissioner (PRC) is the Head of the Department and is assisted by the Commissioner, Settlement and Land Records (CSLR). Commissioners of Divisions exercise administrative and fiscal control over the districts included in the Division. In each district, the Collector administers the activities of the Department. It is entrusted upon the Collector of a district to place one or more Assistant Collector(s) or Joint Collector(s) or Deputy Collector(s) in charge of a sub-division of a district. The officers so placed in charge of a sub-division are called Sub Divisional Officers. They have to exercise such powers of the Collector as are directed by the State Government by notification. Superintendents/Assistant Superintendents, Land Records (SLR/ASLR) are posted in the Collectorate for maintenance of revenue records and settlement. Tahsildars/Additional Tahsildars are deployed in the tahsils as representatives of the Revenue Department. There are 10 revenue divisions, each headed by a Commissioner, 50 districts, each headed by a Collector and 341 tahsils in the State.

Receipts from Land Revenue are regulated under the provisions of the following Acts and Rules and notifications issued thereunder:

- Madhya Pradesh Land Revenue Code (MPLRC), 1959;
- Madhya Pradesh *Panchayat Raj Adhiniyam* (MPPRA), 1993;
- Madhya Pradesh *Upkar Adhiniyam*, 1982;
- Madhya Pradesh *Lokdhan (Shodhya Rashiyon Ki Vasuli) Adhiniyam* (MPLA), 1987 and
- Revenue Book Circular (RBC).

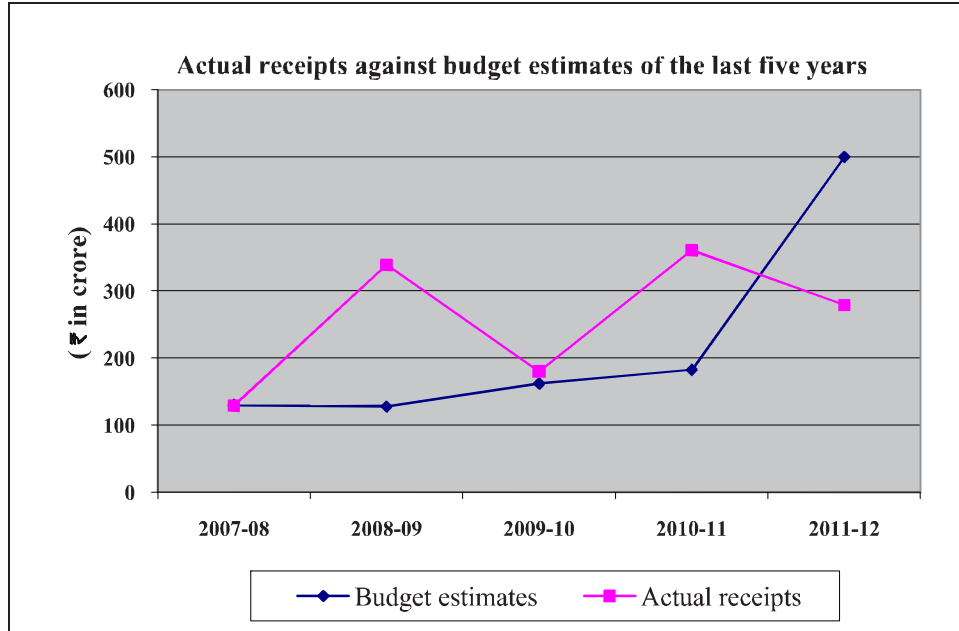
5.2 Trend of receipts

Budget estimates (BEs) and actual receipts from Land Revenue during the period 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the following table and line graph:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual tax receipts vis-a-vis total tax receipts
2007-08	130.00	129.15	(-) 0.85	(-) 0.65	12,017.64	(+) 1.07
2008-09	127.45	338.84	(+) 211.39	(+) 165.86	13,613.50	(+) 2.49
2009-10	161.81	180.03	(+) 18.22	(+) 11.26	17,272.77	(+) 1.04
2010-11	182.46	360.81	(+) 178.35	(+) 97.75	21,419.38	(+) 1.68
2011-12	500.30	279.06	(-) 221.24	(-) 44.22	26,973.44	(+) 1.03

(Source: Budget estimates and Finance Accounts of the Government of Madhya Pradesh)



In 2011-12, the collection of taxes from land revenue decreased by 22.66 per cent over the previous year.

It may be seen that the variation between BEs and actuals ranged between (-) 44.22 per cent and 165.86 per cent during the years 2007-08 to 2011-12. The Department reported (August 2012) that the shortfall in actual receipts during the year 2011-12 over the budget estimate as well as receipts of the previous year was on account of deferment of revenue recovery in order to provide relief to farmers affected by natural calamities in 2010-11.

5.3 Impact of audit

5.3.1 Position of Inspection Reports (IRs)

During the period 2006-07 to 2010-11, through our IRs we had pointed out underassessment of premium, ground rent and diversion rent, non renewal of lease of *nazul*¹ land, non levy of process expenses, non registering of revenue recovery certificate etc. with revenue implication of ₹ 2,087.83 crore in 6,82,978 cases. Of these, the Department/Government had accepted audit observations in 6,06,378 cases involving ₹ 1,234.42 crore and had since recovered ₹ 162.59 crore in 15,119 cases. The details are shown in the following table:

¹ Government land situated within urban areas.

(₹ in crore)

Year of Inspection Report	No. of units audited	Objected		Accepted		Recovered		Percentage of recovery to amount accepted
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	
2006-07	120	1,02,263	203.65	1,02,167	197.87	7,978	14.50	7.33
2007-08	110	2,37,557	110.81	2,37,557	110.81	6,835	4.76	4.30
2008-09	121	33,807	274.22	33,807	274.22	183	1.76	0.64
2009-10	94	1,36,783	628.68	72,803	378.94	9	133.04	35.11
2010-11	45	1,72,568	870.47	1,60,044	272.58	114	8.53	3.13
Total		6,82,978	2,087.83	6,06,378	1,234.42	15,119	162.59	

The recovery position as compared to acceptance of objections was very low, ranging from 0.64 per cent to 35.11 per cent.

5.3.2 Position of Audit Reports (ARs)

In the Audit Reports 2006-07 to 2010-11, we had pointed out cases of underassessment of premium and ground rent, non remittances of land revenue and *upkar*² in Government accounts, non levy of service charges, non recovery of process expenses, underassessment of diversion rent and premium etc. with revenue implication of ₹ 329.58 crore. While the Department accepted observations of ₹ 247.28 crore it recovered a sum of only ₹ 5.42 crore up to March 2012, as shown in the following table:

(₹ in crore)

Year of Audit Report	No. of paragraphs	Money Value	No. of accepted paragraphs	Money Value of accepted paragraphs	No. of paragraphs against which recovery made	Amount recovered up to 31.03.12
2006-07	5	1.11	5	1.11	5	0.80
2007-08	5	4.75	4	2.92	4	2.92
2008-09	7	5.22	6	4.01	4	0.42
2009-10	1	314.60	1	237.29	1	1.16
2010-11	6	3.90	2	1.95	1	0.12
Total	24	329.58	18	247.28	15	5.42

We recommend that the Government should take appropriate steps to recover the amounts involved, at least in the accepted cases.

5.4 Working of internal audit wing

The internal audit wing of a Department is a vital component of its internal control mechanism. The Department reported (August 2012) that no posts had been sanctioned for internal audit and thus internal audit of the subordinate offices was not conducted.

² Panchayat cess which is 50 per cent of land revenue.

5.5 Results of audit

Test check of the records of 66 units relating to land revenue during the year 2011-12 indicated underassessment of revenue and other irregularities involving ₹ 293.20 crore in 19,901 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Underassessment of premium and ground rent	2	8.85
2.	Non-registration of revenue recovery certificates	289	85.74
3.	Underassessment of diversion rent/premium	24	0.21
4.	Non-renewal of lease of <i>nazul</i> land	125	1.83
5.	Non-raising of demand of diversion rent/premium and penalty	170	1.44
6.	Non-levy/realisation of process expense	2,717	1.82
7.	Other observations	16,574	193.31
Total		19,901	293.20

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 278.02 crore in 19,323 cases, which were pointed out in audit during the year 2011-12. An amount of ₹ 3.61 crore was realised in 179 cases during the year 2011-12.

A few illustrative audit observations involving ₹ 14.25 crore highlighting important audit findings are mentioned in the following paragraphs.

5.6 Underassessment of premium and ground rent

Revenue Book Circular (RBC)-IV-I provides for levy of premium on market value of 60 *per cent* of *nazul* land allotted to a development authority or the plot area for residential purpose, whichever is more, whereas it will be leviable on total land in case of allotment for commercial purpose. Ground rent is leviable at prescribed rates respectively for commercial and residential purposes. According to the circular of April 2003 issued by Revenue Department, Government of Madhya Pradesh, *nazul* land would be valued according to the provisions of the guidelines issued by the Collector after reducing development charges.

We observed (January 2012) during test check of case files of allotment of land in Collectorate (*Nazul*), Gwalior that Government land measuring 21320 sq. meter for commercial purposes and 17420 sq. meter for residential purposes, situated in *gram* Jaderua Khurd, was leased to Gwalior Development Authority in May 2010 at a premium of ₹ 1.30 crore and ground rent of ₹ 9.76 lakh. We noticed that the

Department valued the land at rates applicable to agricultural land instead of the rates applicable to land allotted for commercial and residential purposes, respectively. The underassessment of premium and ground rent resulted in short levy/realisation of revenue of ₹ 7.79 crore as per details given below:

(in ₹)

Sl. No.	Purpose	Area Sq. meter/ Rate per sq. meter	Premium Ground rent leviable	Premium Ground rent levied	Short levy of premium & Ground rent
1	Commercial	21,320 3,068	6,54,09,760 49,05,732	13016500 976238	72962796 4957971
2	Residential	17,420 1,968	2,05,69,536 10,28,477		
Total			8,59,79,296 59,34,209	1,30,16,500 9,76,238	7,29,62,796 49,57,971
Grand total			9,19,13,505³	1,39,92,738	7.79 crore

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Calculation of development charge:

According to the details of Colony Development Permission Cases (between 2009 to 2011) of 10 colonies in Nagar Nigam Gwalior, total land area was 5.71 lakh sq. m. and total estimated development cost was ₹ 13.20 crore. Therefore, Development charge = ₹ 13.20 crore/5.71 lakh sq. m. = ₹ 232 per sq. m. (rounded off to next higher rupee)

Calculation of commercial premium and ground rent:

Premium: 21,320 sq. m. @ ₹ 3,300- ₹ 232 per sq. m. = ₹ 6,54,09,760

Ground rent: 7.5% of ₹ 6,54,09,760 (premium) = ₹ 49,05,732

Calculation of residential premium and ground rent:

Premium: 17,420 sq. m. @ ₹ 2,200- ₹ 232 per sq. m. * 60% = ₹ 2,05,69,536

Ground rent: 5% of ₹ 2,05,69,536 (Premium) = ₹ 10,28,477

After we pointed out the case (January 2012), the *Nazul* Officer stated that the case would be submitted to the Collector for raising the demand for the differential amount.

We reported the matter to the Department and the Government in April and May 2012; their replies have not been received (March 2013).

5.7 Non remittance of land revenue and *upkar* in Government account

As per Rule 7 (i) of Madhya Pradesh Treasury Code (volume I) read with Government notification issued in November 2001, land revenue and *upkar* collected by *tahsil* offices should be remitted into the treasury in Government account under the major head 0029 - Land Revenue. Further, according to Rule 3 and 4 of District *Panchayat Raj* Fund Rules, 1998, District *Panchayat Raj* Fund is to be kept in the savings bank account of nationalised banks as may be notified by the State Government. This fund comprises the proceeds of development tax, other taxes and fee etc.

We observed (between May 2011 and November 2011) during test check of statement of demand and collection and challans of 15 *Tahsil* offices⁴ that land revenue and *upkar* of ₹ 2.43 crore collected between October 2006 and September 2011 by *Tahsil* offices was deposited in *Panchayat Raj* Fund

rather than in the treasury under the Major head '0029'- Land Revenue. Thus, the exchequer was deprived of revenue of ₹ 2.43 crore. No information regarding recovery of land revenue and *upkar* from *Panchayat Raj* Fund of similar cases pointed out in earlier Audit reports has been received.

After we pointed this out, *Tahsildar* Aaron (Guna), Alot (Ratlam), Badnawar (Dhar), Chanderi (Ashoknagar), Gandhwani (Dhar), Gulana (Shajapur), Hoshangabad, Jaisinghnagar (Shahdol), Kurwai (Vidisha), Malhargarh (Mandsaur), Nalkheda (Shajapur), Rajpur (Badwani) and Ujjain stated that land revenue and *upkar* would be deposited in Major Head '0029' - Land Revenue. *Tahsildar* Goharganj (Raisen) and Jeerapur (Rajgarh) stated that amount deposited in *Panchayat Raj* Fund would be deposited to Major Head '0029' and audit would be intimated.

We reported the matter to the Department and the Government in September 2012; their replies have not been received (March 2013).

⁴ Aaron (Guna), Alot (Ratlam), Badnawar (Dhar), Chanderi (Ashoknagar), Ghandwani (Dhar), Goharganj (Raisen), Gulana (Shajapur), Hoshangabad, Jaisinghnagar (Shahdol), Jeerapur (Rajgarh), Kurwai (Vidisha), Malhargarh (Mandsaur), Nelkhedha (Shajapur), Rajpur (Badwani), Ujjain.

5.8 Non realisation of revenue due to non-disposal of attached properties

Under the provisions of Section 147 of MPLRC, 1959, arrears of land revenue payable to the Government shall be recovered by the *tahsildar* by attachment and sale of movable and immovable properties of the defaulters. Further, the *tahsildar* is required to conduct quarterly review of the Attached Property register with a view to take action for early disposal of the attached property.

We observed (October 2011) during test check of the Register of Attached Properties and relevant case files in Tahsil Indore that movable and immovable properties in 13

cases were attached between October 2009 and September 2011 for recovery of a sum of ₹ 1.36 crore. We could not find any evidence that quarterly review of the attached property register was carried out by the Tahsildar. Further action was also not taken by the Department to realise the dues by disposing of the attached properties. This resulted in non-realisation of revenue of ₹ 1.36 crore.

We reported the matter to the Department and the Government between March and May 2012; their replies have not been received (March 2013).

5.9 Loss of revenue due to allotment of Government land without charging any premium and ground rent

Para 26 of RBC-IV-I read with Government circular issued in August 1998 provides that *nazul* land will be allotted to *Panchayat Raj Sanstha* for the purpose of construction of office building on payment of premium at the rate of 50 per cent of the market value of the land and ground rent at the rate of 5 per cent of the premium.

We observed (December 2011) during test check of case files of allotment of land in Collectorate (*Nazul*), Dhar that Government land measuring 0.420 hectare in village *Dahi* was allotted by the Collector (December 2010) to *Nagar Panchayat, Dahi* for the purpose of construction of an office building without charging any premium and ground rent as against the leviable premium of ₹ 1.01 crore and ground rent of

₹ 5.04 lakh per year. Thus, the Government was deprived of premium of ₹ 1.01 crore and ground rent of ₹ 5.04 lakh in 2011-12 i.e. the month following the month of order (03/2011) of the *Tahsildar* for handing over of possession to the *Nagar Panchayat*.

After we pointed out the case, the officer in charge (*nazul*) stated in December 2011 that there was no mention in para 26 of RBC about charging premium and ground rent on the land allotted for the office building. We do not agree with the reply because premium and ground rent were chargeable in accordance with the Government circular dated 25 August 1998. Moreover no exemption from payment of premium/ground rent was provided in the RBC or by the Government.

We reported the matter to the Department and the Government (May and June 2012); their replies have not been received (March 2013).

5.10 Non levy of service charges

In order to grant incentives to the officers and staff engaged in land acquisition work and re-imburse the expenditure incurred in this regard, the Government decided in July 1991 to collect service charges at the rate of 10 per cent of the amount of award from the departments/organisations on whose behalf land acquisition was to be done. Before starting the proceedings for land acquisition, 10 per cent of the estimated amount of award was to be got deposited from the concerned departments/organisations. After the final award, balance of service charges (calculated on the difference of final award and estimated award) was also to be recovered. The amount so recovered was to be remitted to Government account under the major head 0029 - Land Revenue.

We observed (November 2011) during test check of the records relating to land acquisition in Collectorate, Ujjain that in two cases though the land award had been finalised in 2010-11, the service charges of ₹ 1.24 lakh were not remitted to the head of account -0029- Land Revenue. Further, in three cases, although the proceedings for land acquisition had been started between February and December 2010, the service charges of ₹ 60.82 lakh on the estimated value of the award of ₹ 6.08 crore were not recovered. Thus, the exchequer was deprived of revenue of ₹ 62.06 lakh due to non remittance/levy/

realisation of service charges. The details are shown below:

Sl. No.	Name of the Department/ Undertaking	Work proposed	Case No./ Year	Amount of Award/estimated value of award	Service charge recoverable (at the rate of 10%)
1.	Public Works Department	Construction work for <i>Mangi Ghat</i>	<u>1/A-82</u> 2009-10	6,53,159 (award value)	65,315
2.	Public Works Department	Construction work for <i>Tarana Tilawad Marg</i>	<u>1/A-82</u> 2009-10	5,87,229 (award value)	58,723
3.	Public Works Department	Construction work for <i>Jarasia panth to Narayan Marg</i>	<u>1-5/A-82</u> 2010-11	30,00,000 (estimated value)	3,00,000
4.	Water Resources Department	Construction work for <i>Shankarpur talah Rajaheda & Panwihar</i>	<u>1/A-82</u> 2009-10	1,16,75,000 (estimated value)	11,67,500
5.	M.P. Road Development Corporation Ltd.	Construction work for B.O.T. Road	<u>1/A-82</u> 2009-10	4,61,48,418 (estimated value)	46,14,842
Total				62063806	62,06,380

The matter was reported to the Department, and the Government between April and May 2012; their replies have not been received (March 2013).

5.11 Non recovery of process expenses

The MP *Lokdhan (Shodhya Rashiyon Ki Vasuli) Adhinyam*, 1987 (MPLA) and Madhya Pradesh Land Revenue Code (MPLRC) provides that the recovery officer will register the revenue case in the Revenue Recovery Certificate (RRC) Register after receipt of the Revenue Recovery Certificate and issue the demand notice within 15 days. The demand notice includes principal amount with cost of proceedings and interest on the sum due at the rate specified in the agreement, upto the date of recovery. According to the *Adhinyam* and rules made thereunder, process expense at the rate of three *per cent* of the principal amount is leviable.

We observed (between May 2011 and January 2012) during test check of the statements of recovery of 10 *Tahsil* Offices⁵, that process expenses of ₹ 77.37 lakh was recoverable on the principal amount of ₹ 25.79 crore recovered against RRCs during the period from 2002-03 to 2010-11. However the Department did not include the process expenses while issuing the notices of demand, as a result of which

the same was not recovered from the defaulters. This resulted in non-realisation of process expenses of ₹ 77.37 lakh.

We reported the matter to the Department and the Government between February and May 2012; their replies have not been received (March 2013).

5.12 Underassessment of diversion rent and premium

Under Section 59 of the MPLRC, 1959, where land assessed for one purpose is diverted for any other purpose, the land revenue (premium and diversion rent) payable on such land shall be revised and reassessed in accordance with the purpose for which it has been diverted from the date of such diversion at the rates fixed by the Government.

We observed (between May and December 2011) during test check of diversion cases in four Collectorates (Diversion)⁶ that there was underassessment of diversion rent and premium in 18 cases of diversion decided between February 2007 and September 2011. This resulted in short-realisation of premium and diversion rent of ₹ 21.12 lakh.

The details are given in the following table:

⁵ Aaron (Guna) 1.56/51.88 lakh, Baraseoni (Balaghat) 4/133.31 lakh, Beohari (Shahdol) 2.01/67.04 lakh, Bhagwanpura (Khargone) 1.25/41.67 lakh, Chanderi (Ashoknagar) 1.38/45.94 lakh, Chhindwara 3.48/115.90 lakh, Hazur (Bhopal) 10.27/342.36 lakh, Indore 48.72/1623.97 lakh, Kurwai (Vidisha) 0.55/18.34 lakh and Shahpura (Jabalpur) 4.15/138.32 lakh.

⁶ Dhar, Indore, Ratlam and Ujjain.

Sl. No.	Unit/ Period	No. of cases	Area involved	Audit observation	Short assessment of Premium & Diversion rent (₹)
1.	Collectorate (Diversion) Dhar 10/2010 to 9/2011	3	5.406 Hect.	Assessment was not done as per area approved by Town and Country Planning Department. The Department assessed premium and diversion rent on less area (2.4589 Hect.)	4,73,530
		5	11.651 Hect.	The Department applied incorrect rates of premium in four cases and residential diversion rate instead of commercial diversion rate in one case.	2,50,684
2.	Collectorate (Diversion), Ratlam 10/2010 to 9/2011	1	1.649 Hect.	Assessment was not done as per area approved by Town and Country Planning Department. The Department assessed premium and diversion rent on less area (0.617 Hect.).	71,764
		4	7.332 Hect.	The Department applied incorrect rates of diversion in four cases and incorrect rate of premium in one of those four cases.	1,12,615
3.	Collectorate (Diversion), Ujjain 10/2010 to 9/2011	1	3.135 Hect.	Assessment was not done as per area approved by Town and Country Planning Department. The Department assessed premium and diversion rent on less area (2.769 Hect.).	6,48,246
4.	Collectorate (Diversion), Indore 10/2010 to 9/2011	4	21.198 Hect.	Assessment was not done as per area approved by Town and Country Planning Department. The Department assessed premium and diversion rent on less area (3.419 Hect.).	5,54,798
Total					21,11,637

The matter was reported to the Department and the Government (between February and June 2012); their replies have not been received (March 2013).

EXECUTIVE SUMMARY

What we have highlighted in this Chapter	<p>In this Chapter, we present illustrative cases of ₹ 32.71 crore selected from observations noticed during our test check of records relating to non/short levy, non/short realisation etc. on Stamp duty and Registration fees in the office of the Sub Registrars (SRs) where we found that the provisions of the Acts/Rules were not observed.</p> <p>It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department has not taken corrective action.</p>
Tax collection	<p>In 2011-12, the collection from Stamps and Registration fees increased by 30.63 <i>per cent</i> over the previous year, due to registration of more documents and rise in the market value of immovable properties.</p>
Very low recovery by the Department of observations pointed out by us in earlier years	<p>During the period from 2006-07 to 2010-11, we had pointed out non/short levy, non/short realisation, underassessment/loss of revenue etc., with revenue implication of ₹ 162.91 crore in 26,111 cases. Of these, the Department/Government had accepted audit observations in 17,774 cases involving ₹ 77.93 crore and had since recovered ₹ 12.51 crore in 2,059 cases. The recovery position as compared to acceptance of objections was low ranging from 2.93 <i>per cent</i> to 27.59 <i>per cent</i>.</p>
Results of audit conducted by us in 2011-12	<p>In 2011-12, we test checked records of 51 units relating to Stamps and Registration fees and found underassessment of tax and other irregularities involving ₹ 60.16 crore in 1,867 cases.</p> <p>The Department accepted underassessment and other deficiencies of ₹ 11.57 crore in 868 cases, which were pointed out by us during the year 2011-12. An amount of ₹ 7.98 lakh was recovered in nine cases during the year 2011-12.</p>
Our conclusion	<p>The Department needs to improve the internal control system including strengthening of internal audit so that weaknesses in the system are addressed and omissions of the nature detected by us are avoided in future.</p> <p>It also needs to initiate immediate action to recover the amount on account of non/short levy of Stamp duty and Registration fees pointed out by us, more so in those cases where it has accepted our contention.</p>