## Report of the Comptroller and Auditor General of India

on

## Land Management by the Government of Kerala with special focus on land for Aranmula Airport and Smart City Kochi

The Report has been laid on the table of the State Legislature Assembly on 08-07-2014

Government of Kerala Report No. 6 of the year 2014

TABLE OF CONTENTS			
Particulars	Paragraph	Page No.	
Preface		(vii)	
Executive summary		(ix)	
CHAPTER-I : GENERAL			
Land management - a high risk area	1.1	1	
Administration of Government land	1.2	2	
Administration of Forest land	1.3	2	
Government control over private land	1.4	3	
Scope of the Report	1.5	3	
Terminology	1.6	3	
CHAPTER-II : ASSIGNMENT OF GOVER	NMENT LAN	D	
Introduction	2.1	5	
Organisational setup	2.2	5	
Objectives of audit	2.3	5	
Methodology of audit	2.4	6	
Criteria of audit	2.5	6	
Acknowledgements	2.6	6	
Audit findings	2.7	6	
Non-compliance of land management policy	2.7.1	7	
Delay in framing rules	2.7.2	7	
Lack of information on assignable land	2.7.3	8	
Failure to identify Government land	2.7.4	8	
Government land on lease	2.7.5	9	
Lack of information on land given on lease	2.7.5.1	10	
Failure of the Government to renew lease	2.7.5.2	11	
Issues in collection of lease rent	2.7.6	12	
Arrears of lease rent	2.7.6.1	12	
Failure to revise fair value and consequent short levy of lease rent	2.7.6.2	13	
Failure to collect lease rent arrears from entities whose land was resumed/lease terminated	2.7.6.3	14	
Defective calculation of lease rent	2.7.6.4	14	
Write off of arrears in violation of provisions of RALMCA, 1995	2.7.6.5	15	
Undue favour to Institution of Engineers (India), Kerala	2.7.6.6	15	
Application of incorrect rate of lease rent	2.7.6.7	15	
Incorrect assignments on registry	2.7.7	16	
Educational institutions	2.7.7.1	17	
Non-Educational entities	2.7.7.2	17	
Encroachments of Government land	2.7.8	18	
Direct encroachment		19	
Encroachment of a canal	2.7.8.1	19	
Suspected alienation of leased out land by the lessees	2.7.8.2	20	
Failure to resume land under unauthorised possession of	2.7.8.3	20	

Particulars	Paragraph	Page No.
M/s Harrison Malayalam Ltd.		
Indirect/deemed encroachment		21
Violations of lease conditions	2.7.8.4	22
Alienation and sale of leased government land	2.7.8.5	23
Internal Control	2.7.9	24
Failure to vacate court stay and non-realisation of arrears	2.7.9.1	24
and security deposit		
Failure to frame rules and consequent loss of revenue	2.7.9.2	24
Continuance of lease under repealed rules	2.7.9.3	25
Non-resumption of leased land despite Government	2.7.9.4	26
Orders		
Failure to comply with directions/judgments of Courts	2.7.9.5	26
Impact	2.7.10	28
Conclusion	2.7.11	28
Recommendations	2.7.12	29
CHAPTER–III : MANAGEMENT OF FOI	REST LAND	
Introduction	3.1	31
Organisational set up	3.2	32
Objectives of audit	3.3	32
Scope and methodology of audit	3.4	32
Criteria of audit	3.5	32
Acknowledgements	3.6	33
Audit findings	3.7	33
Absence of records of forest land and land on lease	3.7.1	33
Failure to frame Rules/revise lease rent timely	3.7.2	33
Loss due to non-revision of lease rent for PSUs	3.7.3	34
Accounting of lease rent	3.7.4	34
rrears in lease rent collection 3.		35
Non-execution of lease agreement with PCK		36 36
	ort demand of dues 3.7.7	
Failure to check adherence to lease conditions	3.7.8	36
Failure to take action in cases of violations	3.7.9	37
Violation of lease conditions in respect of lands leased out in Perumpara Estate	3.7.9.1	37
Alienation of forest land given on lease	3.7.9.2	38
Incorrect assignment of forest land	3.7.10	38
Assignment of forest land in excess of Government of India direction	3.7.10.1	38
Impact	3.7.11	39
Conclusion	3.7.12	39
Recommendations	3.7.13	39
CHAPTER-IV: ACQUISITION, DEVELOPMENT A		MENT OF
LAND FOR INDUSTRIAL PURPOSE BY PSUs		
Introduction	4.1	41
Kerala Industrial Infrastructure Development		42
Corporation Irregularities in acquisition of land	4.2	42
irregularities in acquisition of fand	4.2	42

Particulars	Paragraph	Page No.	
	Taragraph	age No.	
Wasteful expenditure due to acquisition of land not		42	
suitable for industrial purpose	4.2.2	43	
Acquisition of land at exorbitant price	4.2.2	43	
Extra expenditure on land acquired for setting up	4.2.3	43	
Common Facility Centre  Non- utilisation of allotted land	4.3	44	
	4.3	45	
Lease premium	4.4	43	
Extension of undue benefit by way of unjustified	4.4.1	45	
moratorium for repayment of lease premium			
Short collection of lease premium due to incorrect fixation	4.4.2	45	
Undue relaxation of Rules and extension of concessions			
	4.4.3	46	
to RUBCO group			
Kerala State Industrial Development Corporation Limited		47	
Delayed development of land in IGCs	4.5	48	
Undue benefit to a private sector company, INKID	4.6	48	
Unusual Joint Venture (JV) arrangements leading to	4.0	40	
transfer of land to private hands	4.6.1	48	
Allotment of land at low premium/holding of leased out			
land on sublease at higher premium	4.6.2	49	
Undue favour to RUBCO	4.7	50	
Kerala State Information Technology Infrastructure	7.7		
Limited		51	
Wasteful expenditure due to acquisition of submerged			
land	4.8	52	
Ineffective pre acquisition survey/defective asset			
management/deficiencies in safeguarding revenue	4.9	52	
interests of KSITIL			
Issues in IT park, Kozhikode	4.9.1	53	
Issues in IT Park, Koratty	4.9.2	54	
Issues in IT Park, Cherthala	4.9.3	54	
Issues in IT Park, Kollam	4.9.4	55	
Impact of Audit	4.10	56	
Conclusion	4.11	56	
Recommendations	4.12	57	
CHAPTER-V: ISSUES IN RESPECT OF LAND A			
IMPACT - ARANMULA AIRPORT			
Introduction	5.1	59	
Audit criteria	5.2	60	
Scope and methodology of audit	5.3	60	
Land for the airport	5.4	61	
Audit findings	5.5	61	
Evasion of land ceiling Rules with connivance of 5.5.1		61	
Government			
Registration of sale deeds during the currency of the	5.5.2	63	

Particulars	Paragraph	Page No.
holding		
Failure to take action against illegal filling of paddy fields	5.5.3	64
Illegal possession of Government land –Violation of KLC Act 1957	5.5.4	66
Illegal encroachment of 'Kozhithodu' and its environmental impact	5.5.5	67
Alteration of nature and boundaries of land in the sale deeds	5.5.6	68
Unauthorised according of approvals by the Industries Department	5.5.7	69
Granting of in-principle approval by State Government without sufficient verification regarding the availability of land	5.5.8	70
Acceptance of equity by Government in the project	5.5.9	70
Land declared as 'industrial area' in excess of requirement	5.5.10	71
Environmental clearance obtained through false submissions	5.5.11	71
'In-principle' approval of Central Government without reckoning the views of Customs	5.5.12	73
Public interest adversely affected by the proposed project	5.5.13	73
Conclusion	5.6	75
Recommendations	5.7	75
CHAPTER–VI : SMART CITY PROJECT	Г, КОСНІ	
Introduction	6.1	77
Capital structure and share holding pattern of SPV	6.1.1	77
Agreements governing Smart City project	6.1.2	78
Audit objectives	6.2	78
Audit criteria	6.3	78
Audit scope and methodology	6.4	79
Audit findings	6.5	79
Project conceptualisation	6.5.1	79
Non-transparency in selection of partner	6.5.2	80
Land issues	6.6	81
Short realisation of land value	6.6.1	82
Additional liability for KSEB land in Parcel II	6.6.2	82
Non-assessment of land required	6.6.3	83
Grant of freehold rights	6.6.4	84
Delaying tactics by SPV to implement development plan	6.7	84
Impact of 'Closing date' and 'Minimum infrastructure' with penalties for default (Article 1.1 and 7.1) of the FWA	6.8	85
Delay in providing minimum infrastructure	6.8.1	86
Continuous liability of GoK under the FWA	6.8.2	87
D THE COLUMN	602	0.0
Responsibility of GoK with regard to Parcel II of land	6.8.3	88

Particulars	Paragraph	Page No.
Other deficiencies in Frame Work Agreement	6.9	89
Deficiencies in legal opinion	6.9.1	89
Dilution of agreement conditions	6.9.2	89
Clauses favourable to Tecom on default	6.9.3	90
Non provision of penalty, Security Deposit and Insurance in the FWA	6.9.4 91	
Absence of Independent auditors, engineers and valuers	6.9.5	91
Financial impact on Government exchequer	6.10	92
Other findings	6.11	92
Board of Directors	6.11.1	92
Stamp Duty exemption for free hold land	6.11.2	93
Failure to produce records to audit	6.11.3	93
Conclusion	6.12	94
Recommendations	6.13	95

	ANNEXURE			
Annexure No.	Subject	Paragraph	Page No.	
I	List of Act/Rules related to Private/Government land	1.1	97	
II	Important terminology used in the Report	1.6	99	
III	Terms and Conditions for assignment on registry/lease of Government Land	2.1, 2.7.5.2	100	
IV	The list of lease cases, the details of which were not available with the Commissioner of Land Revenue	2.7.5.1	101	
V	Statement showing details of lease cases test checked	2.7.6.1	102	
VI	Failure to collect lease rent arrears from entities whose land was resumed/lease terminated	2.7.6.3	108	
VII	Write off of arrears in violation of provisions of RALMCA, 1995	2.7.6.5	109	
VIII	Incorrect assignments on registry to educational institutions	2.7.7, 2.7.7.1	112	
IX	Incorrect assignments on registry to non-educational entities	2.7.7, 2.7.7.2	114	
X	The main PSUs having forest area on lease as on 31 March 2013	3.7.3	115	
XI	Details of land Purchased and registered by KGS Aranmula Airport	5.5.6	116	
XII	Details of 246 acres of land in three non-contiguous parcels and 167 acres of future land	6.6	120	