

CHAPTER III LAND REVENUE

3.1 Results of audit

Test check of the records of land revenue offices conducted during the year 2007-08 revealed non/short levy of revenue and other deficiencies amounting to Rs. 730.95 crore in 92 cases, which fall under the following categories:

(Rupees in crore)			
Sl. No.	Nature of irregularity	No. of cases	Amount
1	“Assessment, levy and collection of water tax and royalties” (A review)	1	222.91
2	Alienation of Government lands, non-recovery of market value	10	499.18
3	Non/short levy of road cess	54	5.32
4	Non/short levy of non-agricultural land assessment (NALA)	6	0.48
5	Other irregularities	21	3.06
Total		92	730.95

During the year 2007-08, the department accepted underassessments and other deficiencies of Rs. 76.77 crore in 40 cases, of which 35 cases involving Rs. 76.74 crore were pointed out during the year 2007-08 and the rest in earlier years. Out of this, Rs. 3.06 lakh in six cases was realised during the year.

A few illustrative cases involving Rs. 2.75 crore and a review on **“Assessment, levy and collection of water tax and royalties”** involving Rs. 222.91 crore are mentioned in the following paragraphs.

3.2 Assessment, levy and collection of water tax and royalties

Highlights

Lack of co-ordination between Irrigation and Revenue departments resulted in non-realisation of royalty of Rs. 165.48 crore.

[Paragraph 3.2.7]

Arrear demand of Rs. 2.06 crore was eliminated from the demand, collection and balance register.

[Paragraph 3.2.9.2]

Royalty of Rs. 81.21 crore was not demanded from the municipal corporations.

[Paragraph 3.2.9.3]

Water tax was either not levied or was levied at lesser rate resulting in non-realisation of revenue of Rs. 5.60 crore.

[Paragraph 3.2.12]

Royalty of Rs. 67.99 crore was levied short on power generation units in three irrigation divisions.

[Paragraph 3.2.13]

In two divisions, the royalty was levied either incorrectly or at lesser rates which resulted in short levy of Rs. 36.59 crore.

[Paragraph 3.2.14]

Water tax of Rs. 18.40 crore due to the Government was adjusted in excess to water user associations.

[Paragraph 3.2.17]

3.2.1 Introduction

The receipts on account of water supplied by the State Government consists of water tax leviable on supply of water for irrigation purpose and royalty leviable on sale of water for purpose other than agriculture. The Andhra Pradesh (AP) Water Tax Act, 1988 as amended in 1997 governs assessment and collection of water tax. The royalty on water supplied for non-agricultural purposes i.e. industrial, commercial and for power generation purposes are assessed and collected in terms of Board Standing Orders (BSO) of the Revenue Department.

The water user associations were formed for maintenance and upkeep of irrigation system under AP Farmer's Management Irrigation Systems Act, 1997. A portion of water tax receipts was apportioned to the associations on the basis of Government orders issued from time to time. Water tax was recovered at the rates specified in the schedule to the AP Water Tax Act, 1988.

All major and medium irrigation projects were regarded as category-I while other Government sources, which supply water for not less than four months in a year, were regarded as category-II. The rates of water tax were higher in respect of lands irrigated from category-I source, *duffassal*¹ crop and aquaculture.

The basic record for computation of water tax is village account, which contains survey number, extent of land, *pattadar*², nature of crop, source of irrigation etc. The Village Revenue Officers (VROs) prepare the demand for water tax and the concerned tahsildars consolidate the demand for each mandal and get it approved by the concerned jamabandi officers. Tax is collected by the VROs/Revenue Inspectors and remitted into the treasury.

A review of the system of assessment, levy and collection of water tax and royalties was conducted by audit. It revealed a number of system and compliance deficiencies, which have been discussed in the subsequent paragraphs.

3.2.2 Organisational set up

At the apex level, Chief Commissioner of Land Administration (CCLA) is responsible for administration of the Act, Rules and orders issued thereon. The State is divided into 23 districts, each of which is headed by a District Collector who is responsible for the administration of the respective district. Each district is divided into revenue divisions and further into mandals³, which are kept under administrative charge of Revenue Divisional Officers and Tahsildars respectively. Each village in every mandal is administered by VROs under the supervision of Tahsildars. VROs/Revenue Inspectors are entrusted with the work of collection of water tax etc. At the Government level, Principal Secretary (Revenue) is incharge of overall administration of the Revenue Department.

3.2.3 Audit objectives

The review was conducted with a view to examine:

- the efficiency and effectiveness of the existing system of assessments, levy and collection of tax and pursuance thereof;
- the extent of compliance with the provisions of the Act and BSOs governing the assessment and collection of tax; and
- whether a suitable internal control mechanism existed for proper assessment and realisation of the tax under the Act.

¹ *Duffassal* means crop which requires water for two ordinary wet crops i.e. more than six months

² *Pattadar* means owner of a land

³ Mandals are the jurisdictional area of each tahsildar

3.2.4 Scope and methodology of audit

With a view to ascertain compliance to various provisions of the Act, a review of records for the fasli years 1410 to 1414 (i.e. 2000-01 to 2004-05) of tahsildars of nine⁴ districts out of 23 districts was undertaken between April 2007 to March 2008. The districts were selected on the basis of maximum revenue collections, extent of notified area and demand of water tax. There are 483 mandals in these nine districts out of which 163 mandals were test-checked. The records of the office of the CCLA and Principal Secretary to the Government (Revenue) were also verified with regard to realisation of water tax. To ensure proper realisation of royalty, the records for the period from 2002-03 to 2006-07 were verified in nine⁵ irrigation divisions out of 23 divisions.

3.2.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Land Revenue Department in providing the necessary information and records to audit. At the outset, an entry conference was held in November 2007 with Principal Secretary, Land Revenue and other departmental officers in which the objectives of the review and audit methodology was explained. The review report was forwarded to the department and Government in May 2008. The review was discussed in the Audit Review Committee meeting held in November 2008. Additional Secretary, Revenue Department represented the Government while the Additional Assistant Commissioner and the Deputy Chief Engineer represented the Revenue and Irrigation Departments respectively. The Government/departments accepted all the audit recommendations.

Audit findings

3.2.6 Trend of revenue

The Budget Manual stipulates that the estimates should take into account only such receipts including arrears, which are expected to be actually realised during the budget year.

Test check of the records revealed that the royalty received on account of sale of water was credited to the concerned head of the project from which royalty was received. There was no specific head to account for the total amount of the royalty received by the State. As such, no separate budget estimates (BE) were prepared for this purpose.

The Government in August 2008 stated that the matter relating to opening of a new head for this purpose was under consideration. Further, report in this regard has not been received (November 2008).

⁴ East Godavari, Guntur, Karimnagar, Khammam, Krishna, Kurnool, Nalgonda, Prakasam and West Godavari

⁵ East Godavari, Guntur, Karimnagar, Khammam, Krishna, Kurnool, Nalgonda, Prakasam and West Godavari

The BE, actuals, variation over BE and percentages of variation for the years 2000-01 to 2004-05 in respect of water tax are mentioned as under:

Year	Budget Estimates	Actuals	Variation	
			Amount	Percentage
2000-01	105.50	116.30	+ 10.80	+ 10.23
2001-02	145.20	19.72	- 125.48	- 86.42
2002-03	129.71	86.17	- 43.54	- 33.57
2003-04	100.02	34.51	- 65.51	- 65.49
2004-05	126.48	33.59	- 92.89	- 73.44

The steep fall of revenue in 2001-02 and in 2003-04 over the preceding years was stated to be due to drought in the State. The high degree of difference between the BEs and actuals indicates the need for streamlining the budgeting process to make the budget estimates realistic.

System deficiencies

3.2.7 Lack of co-ordination between the Irrigation and Revenue departments

As per the BSO 11-A of the Erstwhile Board of Revenue, royalty for the water used for the generation of electricity is payable half yearly in advance by 1 April and 1 October every year at the rates mentioned in clause 4 of the licence of the licensee. All royalties are required to be collected by the Revenue Department and credited to "0070 - other administrative services", but due intimation of the amounts due from the licensee for the each half year was to be given by the Chief Engineer of the Irrigation Department to the Revenue Department. There is no provision in BSO 11-A to levy interest on the delayed payments.

Test check of the records of four⁶ licensees in three⁷ irrigation divisions revealed that none of the licensees made advance payment of royalty for use of water. The irrigation divisions itself raised a demand of Rs. 165.48 crore against these four licensees for the period from April 1991 to June 2006 in contravention of the BSO 11-A. However, none of the licensees paid any amount.

Absence of a provision for levy of interest encouraged the licensees to withhold the payments due to the Government. Thus, due to non-following of the prescribed system by the Irrigation Department and absence of a provision for levy of interest, an amount of Rs. 165.48 crore remain uncollected.

After this was pointed out, the irrigation divisions replied that the concerned licensees are being reminded regularly and the same was brought to notice of higher authorities. However, the reply was silent about the non-following of the prescribed procedure by the department.

⁶ Andhra Pradesh Gas Power Corporation, Vijjeswaram, Hyderabad Metro Water Supply & Sewerage Board, Hyderabad, Andhra Pradesh Generation Company, Medak and Mini Hydel Project at Polair, Khammam

⁷ G.H. Division, Dowlaiswaram, S.E. Irrigation Circle, Nizamabad and NSC Monitoring Division, Tekulapally

Absence of a provision to charge interest resulted in foregoing an amount of Rs 9.93 crore on account of interest at six *per cent* per annum (chargeable under AP Revenue Recovery Act, 1864) in 2006-07 alone.

The Government may ensure that the system prescribed by it for collection of royalty is followed and a provision for levy of interest is provided in the Act, which may act as a deterrent for delayed payment of dues.

3.2.8 Non-completion of *jamabandi*

As per the instructions issued by the CCLA, A.P, Hyderabad read with instructions issued in BSO, *jamabandi*⁸ is required to be conducted immediately after the close of the *fasli*⁹ year, so as to finalise the settled demand in respect of water tax, NALA¹⁰, road cess and other revenue including penalties. However, no return has been prescribed by the department for watching the progress in completion of *jamabandi* by each mandal.

Test check of the records revealed that *jamabandi* was not completed in 154 mandals out of 163 test-checked mandals from 1411 to 1414 *fasli* years as mentioned below.

Fasli ¹¹ Year	No. of mandals test-checked by audit	No. of mandals where <i>jamabandi</i> was conducted	No. of mandals where <i>jamabandi</i> was not conducted
1411	163	161	2
1412	163	154	9
1413	163	128	35
1414	163	55	108
Total	652	498	154

In the absence of the return, the progress made from time to time in completion of *jamabandi* could not be watched by the District Collectors/ CCLA and demand could not be raised in time.

After this was pointed out, the CCLA replied that the action would be taken to issue instructions to the concerned District Collectors for completion of *jamabandi*.

The Government may prescribe a return for watching the progress of completion of *jamabandi* by each mandal.

3.2.9.1 Non-monitoring of the levy, collection and remittance of water tax, royalty etc.

As per Article 8 of AP Financial Code (APFC), every departmental controlling officer should watch closely the progress of the realisation of the revenue under his control. Article 9 of the APFC stipulates that every departmental

⁸ *Jamabandi* means finalisation of Village Accounts and demand

⁹ Fasli year starts from 1st July to 30th June

¹⁰ NALA means Non-agricultural Land Assessment

¹¹ F1411 starts from 01-07-2001 to 30-06-2002, F1412 starts from 01-07-2002 to 30-06-2003, F1413 starts from 01-07-2003 to 30-06-2004, F1414 starts from 01-07-2004 to 30-06-2005

controlling officer should obtain regular returns from his subordinates for the amount received by them.

Test check of the records revealed that the CCLA was not aware of the total amount outstanding against royalty, water tax etc. Thus, in absence of this information, action taken to recover the arrears could not be ascertained by audit. Audit noticed that no returns were prescribed by CCLA to watch the progress in realisation of revenue. Information collected from 59 mandals by audit revealed that an amount of Rs. 77.29 crore was pending collection under Land Revenue till end of June 2005. Thereafter the information was not made available.

After this was pointed out, the CCLA accepted the fact that no monitoring system existed in the department. However, steps taken to strengthen the monitoring system were not intimated to audit.

The Government may prescribe a return to watch the collections of revenue due to the Government.

3.2.9.2 Elimination of arrear demand from demand, collection and balance (DCB)

Test check of DCB files of six mandals revealed that while carrying forward the opening balances during the fasli years 1411 and 1412, an amount of Rs. 2.06 crore was omitted. This was neither detected by the concerned tahsildars at mandal level nor by higher authorities at district and apex level. There was no system of internal audit in the department to detect such mistakes. This resulted in non-realisation of Rs. 2.06 crore as mentioned below:

(Rupees in lakh)

Sl. No.	Name of the mandal	Fasli year	Balance to be taken	Balance actually taken	Short demand carried forward	Reply of Tahsildar
1	Narsapur, W.G. Dist.	1411	77.29	50.39	26.90	It was reported that rectified report would be submitted.
2	Mylavaram, Krishna Dist.	1412	27.09	9.03	18.06	It was reported that rectified report would be submitted.
3	Pedaparapudi, Krishna Dist.	1411	93.05	68.74	24.31	It was reported that the matter would be examined.
4	Gudlalleru, Krishna Dist.	1411	177.51	147.07	30.44	It was reported that the short demand carried forward would be included during the next fasli years
5	Jaggaiahpet, Krishna Dist.	1412	53.73	10.98	42.75	The matter would be examined.
6	Nandivada, Krishna Dist.	1411	253.38	189.70	63.68	Action would be taken to reconcile the difference and intimated accordingly.
Total					206.14	

3.2.9.3 Non-levy/payment of royalty charges by local bodies

The BSO stipulates that if a municipal corporation getting its supply of water free of charge from the Government source, sells such water for non-domestic purposes, it should pay to the Government one-third of the total amount realised by it every year from such sale.

No returns were prescribed by the Revenue Department to watch the collection of one-third amount of sale of water recoverable from the corporations. No co-ordination existed between the Revenue Department and Municipal Corporations to ascertain the actual quantity of water supplied by corporations for commercial purpose and the amount receivable thereon.

Cross check of the records of five municipal corporations with revenue records revealed that corporations had drawn water from Government sources free of charge and sold a part of it for non-domestic purposes for Rs. 243.64 crore. An amount of Rs. 81.21 crore was recoverable from these municipal corporations. But no amount was remitted to the Government. This resulted in non-realisation of Rs. 81.21 crore as mentioned below.

(Rupees in crore)

Sl. No.	Name of the Municipal Corporation	Period	Amount realised	Amount to be remitted to the Govt.
1	Visakhapatnam	2002-03 to 2006-07	236.71	78.90
2	Guntur	2002-03 to 2006-07	3.40	1.13
3	Kurnool	2002-03 to 2006-07	3.02	1.01
4	Rajahmundry	2002-03 to 2006-07	0.45	0.15
5	Warangal	2005-06 to 2006-07	0.06	0.02
Total			243.64	81.21

The Government may prescribe a return to watch the amount of royalty recoverable from the corporations that sells water supplied to them free of cost.

3.2.10 Internal Audit

Internal audit, which provides a reasonable assurance of proper enforcement of laws, rules and departmental instructions, is a vital component of internal control. It was noticed that there is no system of internal audit existed in the department to ascertain the compliance of Rules/Government orders by the Government. In the absence of which proper and effective functioning of the offices could not be ensured.

The Government may ensure for introduction of internal audit system in Revenue department to ascertain the compliance of Rules/Government orders by the subordinate offices.

Compliance deficiencies

3.2.11 Short levy of water tax due to non-conducting/variation in joint Azmoish

There is no provision in the AP Water Tax Act for conducting joint azmoish¹² for reconciliation of figures between Revenue, Irrigation and Agriculture departments. However, the Government issued orders from time to time for conducting a joint *azmoish* for the reconciliation of actual area irrigated and that booked by the Revenue Department.

3.2.11.1 Test check of the records of Eluru mandal revealed that Revenue, Agriculture and Irrigation departments did not conduct the joint azmoish during the fasli year 1412. The mandal demand for F 1412 was settled for Rs. 23.52 lakh by the Revenue Department. However, the irrigation authorities intimated cultivation of paddy in 18,293.27 acres as 1st crop during F 1412 and the water was supplied from category-I source for which a demand of Rs. 36.59 lakh was required to be raised. This resulted in short levy of water tax of Rs. 12.97 lakh.

After this was pointed out, the department accepted the audit observation and stated that the water tax would be levied during the subsequent fasli years.

3.2.11.2 Test check of the records of five mandals revealed that the settled demands for the villages under their jurisdiction for the fasli years 1410 to 1413 were finalised by jamabandi officer without taking the statements of joint *azmoish* conducted by Revenue, Agriculture and Irrigation departments. The amount arrived by joint *azmoish* was Rs. 3.67 crore against Rs. 3.22 crore raised by the Revenue Department. This resulted in short levy of water tax of Rs. 45.18 lakh as shown below.

(Rupees in lakh)

Sl. No.	Name of the Mandal	Period in fasli years	Demand to be settled as per Joint Azmoish	Demand settled by the Revenue Department	Short levy
1	Naguppalapadu, PKSM Dist	1411	10.27	6.08	4.19
2	Pitapuram, E.G.Dist.	1411-14	56.36	40.37	15.99
3	Tenali, Guntur Dist.	1411-14	193.17	171.61	21.56
4	G.Konduru, Krishna Dist.	1411-13	2.44	1.27	1.17
5	Pamaru, Krishna Dist.	1413	104.81	102.54	2.27
Total			367.05	321.87	45.18

3.2.12 Non/short levy of water tax

As per the AP Water Tax Act, all lands receiving water for irrigation from a Government notified source of irrigation shall be subjected to water tax. For this purpose, all major and medium irrigation sources shall be regarded as category-I and all other sources, which are capable of supplying water for not less than 4 months in a year shall be regarded as category-II. The rate of water

¹² Joint Azmoish mean joint inspection of irrigated land conducted by Irrigation, Agriculture and Revenue departments

tax for first or single wet crop irrigation with water from category-I source is Rs. 200 per acre and the rate for category-II source is Rs. 100 per acre.

Test check of the records of 24 mandals conducted between April 2007 and March 2008 revealed that concerned tahsildars levied water tax at lesser rates instead of Rs. 200 though the water was drawn from category-I source and released for cultivation of paddy. This resulted in non/short levy of water tax of Rs. 5.60 crore.

After this was pointed out, all the tahsildars accepted the audit observation and stated that the demands would be revised.

3.2.13 Short levy of royalty on water used for generation of power

The Government of Andhra Pradesh in October 1983¹³ fixed the royalty charges of water diverted from the Government sources for generation of electricity by thermal power stations of APSEB¹⁴ as Rs. 30 per horsepower of the effective capacity installed.

Test check of the records of three¹⁵ irrigation divisions and one¹⁶ mandal revealed that five¹⁷ thermal power projects received water from Government source for generation of electricity with installed capacity of 3,66,40,000 HP. These projects were required to pay royalty of Rs. 109.92 crore for the period from April 2000 to March 2007. However, the department levied royalty of Rs. 41.93 crore only without taking into account the installed capacity of the projects. This resulted in short levy of Rs. 67.99 crore.

After this was pointed out, two irrigation divisions and tahsildar accepted the audit observation and issued revised demand notices to the concerned licensees.

3.2.14 Short levy of royalty on water supplied

The Government order¹⁸ dated 2 April 2002 provide for levy of royalty on water drawn for consumptive purpose at the rate of Rs. 1.50 per 1,000 gallons of water drawn from a natural source and Rs. 3 per 1,000 gallons for the water drawn from reservoirs.

Test check of the records of two¹⁹ divisions revealed that two industries received water for consumptive purpose from the reservoirs of Godavari and Krishna projects. These industries were liable to pay royalty at the rate of Rs. 3 per 1000 gallons but the department charged royalty incorrectly. This resulted in short realisation of Rs. 36.59 crore as mentioned below:

¹³ G.O.Ms.No.1472, Revenue (M) department, dated 26-10-1983

¹⁴ Now APGENCO

¹⁵ Executive Engineer, Kothagudem, Peddapalli and Vijayawada

¹⁶ Tahsildar, Kothagudem

¹⁷ Kothagudem Thermal Power Station, National Thermal Power Station, Navabharath Power Station, Singareni Collieries Limited and Vijayawada Thermal Power Station

¹⁸ G.O.Ms.No.39, I & CAD, dated 02.04.2002

¹⁹ Executive Engineers, G.H. Division, Dowlaiswaram and K.C. Division, Vijayawada

(Rupees in crore)

Sl. No.	Name of the Company	Source	Period	Royalty to be levied	Royalty levied	Short levy of Royalty
1	M/s Andhra Pradesh Gas Power Corporation, Vijjeswaram	Upstream of SAC Barrage (Godavari river)	2002-03 to 2006-07	62.50	26.30	36.20
2	M/s Lagadapati Amarapati Naidu Company, Kondapalli	Upstream of Prakasam Barrage (Krishna river)	2002-03 to 2006-07	0.77	0.38	0.39
Total				63.27	26.68	36.59

3.2.15 Short levy of royalty charges

In accordance with a Government Order²⁰ dated 2 April 2002, the rates for consumptive use of water for industrial purpose and non-consumptive use by major and mini hydel schemes are 300 paise and 3 paise respectively for 1,000 gallons of water drawn from reservoirs. Water drawn by industry was required to be treated as consumptive use and charged accordingly.

It was noticed that two private limited industries were drawing water from upstream of Godavari Barrage at Dowlaiswaram. Royalty charges were incorrectly demanded at the different rates i.e., for consumptive and non-consumptive rate instead of rate applicable to consumptive use of water only. This resulted in short levy of Rs. 4.48 crore for the period from 2002-03 to 2006-07 as mentioned below.

(Rupees in crore)

Sl. No.	Name of the Industry	Quantity of water drawn in 1,000 gallons	Royalty to be demanded	Royalty demanded	Short levy of royalty
1	M/s AP Paper Mills Ltd., Rajahmundry	1,80,69,967	5.42	1.09	4.33
2	M/s Andhra Sugars, Kovvuru	6,43,268	0.19	0.04	0.15
Total		1,87,14,235	5.61	1.13	4.48

3.2.16 Non-realisation of water charges drawn from Godavari river

The Government permitted a private company²¹ to draw water from Godavari river in 1976 at a concessional rate of 50 *per cent* of water charges. The Government in May 1990 clarified that the concession was only for a period of five years and demanded Rs. 34.88 lakh for the water utilised for the period from 1981 to 31 March 1995 in March 1996. The company refused to pay the charges and approached Andhra Pradesh High Court in April 1996. Thereafter no demand was raised by the department. However, the court in 2006 dismissed the petition and held that the concession was only for a period of five years.

²⁰ G.O.Ms.No.39, I&CAD Department, dated 02.04.2002

²¹ Bhadrachalam Paper Mill Ltd.

Test check of the records of the Executive Engineer, Bhadrachalam revealed that the company was liable to pay water charges of Rs. 2.74 crore from 2002-03 to 2006-07. The company paid only Rs. 25.14 lakh during this period. The department did not raise the demand for the balance amount of Rs. 2.49 crore for the period from 2002-03 to 2006-07. Thus, inaction on the part of the department resulted in non-realisation of Rs. 2.49 crore.

3.2.17 Excess adjustment of water tax

The Government issued orders²² in February 2001 for adjustment of water tax to different water users associations (WUAs) and Irrigation Department at the rate of Rs. 200 per acre in respect of major/medium and at Rs. 100 per acre in respect of minor irrigation collected from the fasli year 1410 onwards. The above allocation of water tax collections related to kharif crop (1st crop) only. There were no Government orders on the adjustment of water tax collections for rabi crop (2nd crop) and aquaculture, which were leviable at Rs. 150 per acre and at Rs. 500 per acre.

Test check of the adjustment records of 29 mandals between April 2007 and March 2008 revealed that the water tax collections of crop I and crop II aggregating Rs. 42.91 crore were adjusted to water users associations instead of the 1st crop collections which amounted to Rs. 24.51 crore only. This resulted in excess adjustment of water tax amounting to Rs. 18.40 crore during the fasli years 1410 to 1414 as mentioned below.

(Rupees in lakh)

Name of the District	No. of mandals	Water tax to be adjusted to WUAs & Irrgn. Dept.	Water tax adjusted	Excess adjustment
East Godavari	²³ 13	919.92	1,609.87	689.95
West Godavari	²⁴ 10	1,248.76	2,185.35	936.59
Krishna	²⁵ 2	143.09	250.41	107.32
Karimnagar	²⁶ 4	139.21	245.29	106.08
Total		2,450.98	4,290.92	1,839.94

After this was pointed out, all the tahsildars stated that the matter would be brought to the notice of the higher authorities.

3.2.18 Irregular grant of remission of water tax

As per provisions of AP Water Tax Act, water tax is leviable on all types of land receiving water from Government sources. Further, only the Government is competent to remit water tax and Collectors are required to obtain orders from the Government whenever such cases of remission arise. Remission granted by the Government has to be noted in Account 4-B of village accounts.

²² G.O.Ms.No.115, Revenue LR-III Department, dated 13-02-2001

²³ Alamuru, Amalapuram, I. Polavaram, Kakinada (R), Kothapeta, Mummidivaram, P. Gannavaram, Pithapuram, Ravulapalem, Razole, R.C. Puram, Rayavaram and Tallarevu

²⁴ Akiveedu, Attili, Bhimavaram, Iragavaram, Narsapur, Penugonda, Penumantra, Peravali, Tanuku and Undrajavaram

²⁵ Pamarru and Kalidindi

²⁶ Choppadandi, Huzurabad, Jagityal and Peddapalli

Test check of the records of 25 mandals revealed that the remission of water tax amounting to Rs. 3.51 crore was granted by the Jamabandi officer for the fasli years 1410 to 1414 without sanction of the Government as mentioned below.

(Rupees in lakh)

Sl. No.	Name of the District	No. of mandals	Remission granted
1	East Godavari ²⁷	6	32.69
2	West Godavari ²⁸	1	2.07
3	Visakhapatnam ²⁹	6	164.73
4	Krishna ³⁰	1	1.32
5	Guntur ³¹	4	40.02
6	Nalgonda ³²	2	64.22
7	Medak ³³	1	24.80
8	Srikakulam ³⁴	3	10.94
9	Vizianagaram ³⁵	1	10.29
Total		25	351.08

3.2.19 Conclusion

Audit scrutiny revealed that the budgeting process in the Revenue Department was flawed. There was no co-ordination between the Irrigation and Revenue departments, which resulted in non-realisation of the revenue. There was no internal audit system in the department to ascertain the compliance of Rules/Government orders by subordinate offices, which resulted in non/short levy of water tax/royalties. Jamabandi was not regularly conducted in mandals. The monitoring system was weak. The department was not in a position to know the exact position of arrears of water tax/royalties to be paid by the ryots/licensees.

3.2.20 Summary of recommendations

The Government may consider implementation of the following recommendations to rectify the system and compliance issues:

- ensuring the system prescribed by the Government for collection of royalty is followed and a provision for levy of interest is provided in the Act so that it may act as a deterrent for delayed payment of dues;
- prescribing returns for watching the progress in completion of jamabandi by each mandal and collections of revenue due to the Government;
- prescribing a return to watch the amount of royalty recoverable from the corporations that sell water supplied to them free of cost; and

²⁷ Devipatnam, Gokavaram, Pithapuram, Rampachodavaram, Rangampet and Seethanagaram

²⁸ Jangareddygudem

²⁹ Anakapalli, Chodavaram, Devarapalli, Elamanchili, Kasimkota and Payakaraopeta

³⁰ Avanigadda

³¹ Bapatla, Piduguralla,, Ponnuru and Tenali

³² Mothey and Nidamanoor

³³ Andole

³⁴ Kotabommali, Laveru and Sarubujjili

³⁵ Vepada

- introduction of internal audit system in Revenue Department to ascertain the compliance of Rules/Government orders by the subordinate offices.

3.3 Non-finalisation of alienations of land

According to the BSO, alienation of the Government land to a company, private individual or institution for any public purpose will normally be on the collection of its market value/occupancy price and subject to the terms and conditions prescribed in the BSO. The BSO permits handing over of the possession of the land in emergency cases pending formal approval of the alienation proposal. Neither any time limit has been prescribed nor has any return been prescribed for watching the finalisation of the proposals.

3.3.1 Test check of the records of two³⁶ offices of the tahsildars between September and December 2007, revealed that advance possession of 428.21 acres of Government land valued at Rs. 54.63 crore was handed over to Andhra Pradesh Industrial Infrastructure Corporation Limited (APIICL) between March 1981 and November 2002. APIICL developed the land as industrial sites and sold to three industrial units upto October 2007 for Rs. 1.50 crore. However, APIICL did not remit any amount to the Government account. The alienation proposals were pending with the department for a period ranging between five and 27 years. Thus, non-finalisation of alienation proposals resulted in non-realisation of the value of land and extension of unintended benefit to APIICL even on those lands, which were sold by the lessee.

3.3.2 Test check of the records of eight³⁷ offices of the tahsildars between April and December 2007 revealed that advance possession of the Government land valued at Rs. 432.91 crore was handed over between May 1998 and April 2007 to 10 organisations. However, alienations of these cases were yet to be finalised. Of these eight cases are pending with the tahsildars, one case with the district collector and three cases with the Chief Commissioner of Land Administration (CCLA). Non-finalisation of alienations resulted in non-realisation of the market value of the land amounting to Rs. 432.91 crore, though possession of land was given between one and 10 years back. In absence of a return, the progress made for alienation of the land could not be ascertained.

The Government may fix a time limit for transfer of ownership of property rights of the lands and prescribe a return at apex level to ensure speedy disposal of alienation proposals.

The above matter was referred to the department between December 2007 and March 2008 and the Government in May 2008; their reply has not been received (November 2008).

³⁶ Kadapa and Kodad

³⁷ Hyderabad (Hayatnagar, Qutbullapur, Rajendranagar, Serilingampally and Uppal), Kodad, Nellore and Suryapet

3.4 Unauthorised occupation of Government land

The Government allotted 200 acres of Government land in survey No. 211 and 212 of Manikonda Jagir village, Rajendranagar Mandal, Ranga Reddy district for establishment of Moulana Azad National Urdu University (MANUU) and handed over the possession of land in July 1998. However, during the joint inspection conducted in September 2004 by the Mandal Surveyor, University representative, APIIC Limited authorities and a surveyor from the office of Assistant Director of Survey and Land records, it was noticed that the University was in possession of 234.025 acres against the allotted land of 200 acres. Thus, delay of six years in demarcation of land resulted in unauthorised retention of excess land valued at Rs. 10.21 crore by the University. The Collector, Ranga Reddy district instructed the MRO, Rajendranagar Mandal in February 2005 to resume the excess land from the University and hand over the same to the APIIC Limited. Even after three years of the joint inspection, neither the university surrendered the excess land nor the department resumed the land.

The above matter was referred to the department in March 2008 and the Government in May 2008; their reply has not been received (November 2008).

3.5 Non-levy of penalty

As per Rule 16 of the Andhra Pradesh (Secunderabad Area) Land Administration Rules, 1976, the Commissioner of Land Revenue (CLR) shall be the authority competent to sanction renewal of leases and the estates officer shall be the authority competent to execute lease deeds on behalf of the Governor of Andhra Pradesh. Under Rule 17, every application for renewal of lease shall be made to the estates officer two months before the date of expiry of the lease period. As per Rule 22-A, penalty shall be levied in cases of letting out portions by the residential lessee without permission of the competent authority annually at Rs. 5 per sq. yard and from October 2005 at Rs. 1,000 per sq. yard till the Government regularises it.

Test check of the records of the CCLA office in January 2008 revealed that a lease deed was executed in June 1965 leasing out 4,863.88 square yards of the Government land to a private school for 30 years commencing from 01 March 1962 to construct a school building subject to the condition that the building shall not be used for any purpose other than that of the school without the consent of the Estate Officer, Secunderabad town. Even though the lease period expired on 28 February 1992, the lessee did not renew the lease. During the inspection conducted by the Estate Officer, Secunderabad in 1990, it was noticed that the lessee constructed one mosque and six shops in the leased premises and let out to others in violation of the lease conditions. Collector, Hyderabad district reported the irregularities to the CCLA in April 1990, September 1991 and October 2007 for necessary orders and permission to resume the land. However, the CCLA neither resumed the Government land nor levied penalty of Rs. 1.13 crore upto December 2007 for overstayed and breach of covenant by the lessee.

The matter was referred to the department in April 2008 and the Government in May 2008; their reply has not been received (November 2008).

3.6 Non/short levy of road cess in command areas of the irrigation projects

Under the AP Irrigation, Utilisation and Command Area Development Act, 1984, read with the notifications issued thereunder, road cess at the rate of Rs. 12.35 per hectare per annum is leviable for laying of roads and their upkeep in the command areas of Nagarjunasagar, Sriramsagar and Tungabhadra projects. According to a clarification issued in August 1989³⁸ by the CLR, road cess is leviable on all *ayacutdars*³⁹ irrespective of the formation of roads and supply of water in their command areas relating to the above projects.

Test check of jamabandi records of 39 offices⁴⁰ of the tahsildars between April 2007 and February 2008 revealed that road cess amounting to Rs. 1.05 crore was either not levied or short levied during the period 1 July 1998 to 30 June 2006 (fasli years 1408 to 1415).

After the cases were pointed out, five⁴¹ tahsildars replied between February and May 2008 that an amount of Rs. 11.41 lakh was levied towards road cess, out of which an amount of Rs. 1.78 lakh was collected. 29⁴² tahsildars replied between April 2007 and February 2008 that the non/short levied road cess would be levied. The reply in respect of the remaining cases has not been received.

The above matter was referred to the department between May 2007 and March 2008 and the Government in April 2008; their reply has not been received (November 2008).

3.7 Short levy of conversion charges due to application of incorrect rates

The Government in August 1994⁴³ approved a scheme for conversion of leasehold lands into freehold in Secunderabad area, subject to the payment of conversion charges. The Government also ordered penalty of 20 *per cent* of

³⁸ Z2/486/88 dated 28 August 1989

³⁹ Land owners in command areas of irrigation projects

⁴⁰ Chilakaluripeta, Chimakurthy, Damaracherla, Dharmapuri, G. Konduru, Guntur, Jagitial, Jammikunta, Kadapa, Kamalapuram, Karamchedu, Karempudi, Karimnagar, Khammam (rural), Kondapuram, Kurichedu, Madhira, Mallapur, Manakondur, Martur, Mudigonda, Narasaraopet, Ongole, Peddamudium, Peddapalli, Phirangipuram, Piduguralla, Rajupalem (M), Ramagundam, Santhanuthalapadu, Sattenapalli, Savalyapuram, Simhadripuram, Tadikonda, Tallada, Thondur, Vatsavai, Veenavanka and Wyr

⁴¹ Kadapa, Karempudi, Martur, Rajupalem and Simhadripuram

⁴² Chilakaluripeta, Chimakurthy, Damaracherla, G. Konduru, Guntur, Jammikunta, Karamchedu, Karimnagar, Khammam (rural), Kurichedu, Madhira, Mallapur, Manakondur, Mudigonda, Narasaraopet, Ongole, Peddamudium, Peddapalli, Phirangipuram, Piduguralla, Ramagundam, Santhanuthalapadu, Sattenapalli, Savalyapuram, Tadikonda, Tallada, Vatsavai, Veenavanka and Wyr

⁴³ G.O.Ms.No.816, Revenue (Assn. III) dated 09 August 1994

the notified land value of the locality on the lessees who contravened the conditions of lease having lease area of above 500 sq. yards.

Test check of the records of the office of the CCLA, in January 2008, revealed that land admeasuring 3,232 sq. yards was leased out in May 1985 for residential purpose only. But the lessee used it for commercial purposes without the permission from the competent authority. The lessee applied for conversion of leasehold rights into freehold in October 2000. The lessee was liable to pay conversion charges, additional compounding fee and lease rent of Rs. 2.56 crore on the market value of the property valued at Rs. 1.62 crore. But the department adopted lower rates of the market value and demanded conversion charges, additional compounding fee and lease rent of Rs. 1.99 crore only. This resulted in short levy of conversion charges, additional compounding fee and lease rents by Rs. 57.16 lakh.

The matter was referred to the department in April 2008 and the Government in May 2008; their reply has not been received (November 2008).