

# Executive Summary

## 1. Background

The Karnataka Industrial Areas Development Board was established under the Karnataka Industrial Areas Development Act, 1966 to promote and assist in the rapid and orderly establishment, growth and development of industries in the State. The Board acquires land, both Government and private, develops industrial areas and makes these available for undertakings to establish themselves. The Board also functions as an agency for acquisition of lands for Single Unit Complexes and Special Economic Zones.

A performance audit of acquisition and allotment of land by the Board was taken up between April to July 2011 and October 2011 and entry and exit conferences were held with the Principal Secretary, Commerce and Industries. The responses of various officers of the Board to the audit observations have been taken into consideration and incorporated in this report. While the main findings are summarised in the following paragraphs, the details are available in the specific chapters.

## 2. Land acquisition

- Establishment of industrial areas by the Board was not consistent with the Industrial Policy 2006-11 and 2009-14 of Government. Selection of areas for setting up industrial areas was ad hoc and showed lack of due diligence. This led to regional imbalances in setting up industrial areas.
- In two projects, the Board acquired land for industrial areas without verifying the land use patterns prescribed in the Comprehensive Development Plans (CDPs) of the areas. There was no prior consultation by the Board with the Planning Authorities to ensure that land earmarked for non-industrial use was not notified for industrial areas.
- Though the Board had been acquiring Government land both for setting up industrial areas and allotment to Single Unit Complexes, the title to the land so acquired had not been transferred to the Board.
- During November 2005 to April 2011, Government had de-notified 563 acres and 13 guntas of land. A few important cases of de-notifications examined by audit have been included in this Report. In these cases, Government had de-notified the acquired land despite objections raised by the Board. These illustrative cases are examples of flouting of laws and subversion of public interest and subjugating it to private interest.

**(Chapter 3)**

### 3. Determination of compensation

- The Karnataka Industrial Areas Development Act does not prescribe any timeframe for completing the acquisition proceedings including payment of compensation. The Price Advisory Committee (PAC) headed by the Deputy Commissioner of the district determined the compensation based on mutual agreement with the owners of land. As the compensation so fixed was based on current market considerations, any delay in fixation of compensation was fraught with the risk of the land owners demanding higher compensation based on prevailing market price. In seven out of 19 projects, PAC had not fixed compensation for periods ranging from 11 to 57 months from the date of final notifications.
- In respect of land acquired for three adjacent industrial areas, preliminary notifications for acquisition had been issued between August 2006 and January 2007. However, final notifications were belatedly issued at different points of time between May 2007 and September 2008. As a result, fixation of compensation by PAC was delayed and the compensation fixed per acre of land kept increasing from ₹ 31 lakh in November 2007 to ₹ 55 to 57 lakh in March 2008 and ₹ 60 to 70 lakh in September 2008.

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### 4. Payment of compensation

- Board did not follow Government instructions for notification of land. Preparation of preliminary and final notifications for acquisition of Government land only on the basis of Record of Rights, Tenancy and Crops Certificates (RTCs) resulted in payment of compensation to ineligible persons as RTCs were defective in many respects.
- In five out of 19 projects, joint-measurement had not been done even before payment of compensation. It was not conducted in respect of one project till date.
- The Special Land Acquisition Officers (SLAOs) themselves decided upon the documents to be obtained for processing a claim, processed the claim and disbursed compensation. There was no segregation of duties relating to scrutiny and payment. None of the SLAOs had been subject to post-audit by the Internal Audit wing till August 2009 though the Board had been spending heavily year after year on acquisition of land.
- The SLAO failed to obtain all documents necessary for processing a claim before payment of compensation. In 60 out of 340 cases test-checked, the SLAO did not obtain all necessary documents before disbursing compensation. In respect of Government land granted to

various persons, the SLAO did not obtain even the original grant certificates from the claimants in 44 out of 60 cases.

- In respect of land acquired in two survey numbers of Bandikodigehalli village, Special DC, Bangalore Urban had informed (December 2007) the SLAO that RTCs had been issued in excess of land granted and that the matter was under investigation. The SLAO overlooked this report and disbursed (April 2008 to March 2010) compensation of ₹ 76.07 crore for 235 acres and 3 guntas in these two survey numbers. In one of these survey numbers, while the land notified for acquisition was only 41 acres, the SLAO disbursed compensation for 87 acres and 5 guntas, causing excess payment of ₹ 17.68 crore. The SLAO also acquired 9 acres and 20 guntas of land located outside the notified area in the remaining survey number and paid compensation of ₹ 3.09 crore.
- Out of 235 acres and 3 guntas in these two survey numbers, 76 acres and 8 guntas for which compensation of ₹ 25.41 crore had been paid were subsequently forfeited to Government by Special DC, Bangalore Urban, following the completion of an investigation. In addition, land measuring 29 acres and 17 guntas acquired for two other industrial areas was also forfeited to Government. The SLAO had, however, disbursed compensation of ₹ 14.72 crore for these lands also.
- Investigation by Special DC, Bangalore Urban into the irregularities was in progress in respect of 356 acres and 15 guntas of Government land already acquired for three industrial areas. The SLAO had already disbursed compensation of ₹ 190.30 crore for these lands under investigation.
- The SLAO disbursed compensation of ₹ 7.49 crore in seven cases based on oral assurance given by a company overlooking the requirement of obtaining requisite documents to establish the title to land.
- The SLAO disbursed compensation of ₹ 14.40 crore to nine persons who owned either no land or whose title to land was doubtful. Dubious land transactions by persons holding General Power of Attorney were overlooked and compensation of ₹ 1.74 crore was disbursed in two cases.
- The SLAO also made excess payments of compensation aggregating ₹ 1.83 crore in six cases, overlooked pending litigations and violation of various Acts before paying compensation of ₹ 13.31 crore in 13 cases and also disbursed compensation of ₹ 5.72 crore in respect of lands, the titles of which were illegally transferred in two cases after declaration of notification.
- While compensation paid by the SLAO in 11 cases for land either not notified for acquisition or not included in the joint-measurement reports aggregated ₹ 17.31 crore, enhanced compensation paid without supporting documents amounted to ₹ 3.15 crore in 9 cases. The SLAO even disbursed compensation of ₹ 46.50 lakh in one case

based on RTC for only one year and did not ensure eligibility of persons receiving compensation of ₹ 2 crore in two cases.

- The SLAO did not also deduct Income Tax of ₹ 2.33 crore from compensation disbursed for converted land.
- The Board paid compensation of ₹ 26.70 crore to evict unauthorised occupants of Government land acquired for an industrial area though the High Court had dismissed the claims of the occupants to land title while ordering status quo. Government also ordered withdrawal of the Special Leave Petition filed later against the High Court order.
- The Board paid compensation of ₹ 82.85 crore during 2006-11 for malkies and structures on land acquired. However, the revenue realised from sale of malkies and structures was only ₹ 3.66 lakh during this period. Details of disposal of malkies and structures were not furnished to audit.

**(Chapter 5)**

## **5. Allotment of land**

- A resolution passed (December 2005) by the Board permitted the Land Allotment Committee (LAC) headed by the Chief Executive Officer of the Board to allot land not exceeding one acre in Bangalore Urban and two acres in Bangalore Rural districts. However, the LAC violated this resolution and allotted lands in all the districts of the State. Zonal Development Officers also allotted lands in the industrial areas under their jurisdiction and such allotments were routinely and belatedly ratified by the LAC. During 2010-11 alone, the Zonal Development Officers allotted 101 acres.
- The Board did not evolve any policy for allotment of civic amenity sites in industrial areas.

**(Chapter 6)**

## **6. Conclusion**

The Board's functioning, especially in regard to selection of locations for industrial areas, was not effective in removing the regional imbalances. There was no prior consultation by the Board with the Planning Authorities to ensure that land earmarked for non-industrial use was not notified for industrial areas. The de-notifications by Government of acquired land reflected serious loopholes in rules and disregard for landmark judgments given by courts. Grave irregularities in payment of compensation included in the report reflected consistent subversion of Acts and Rules by the SLAOs concerned in the absence of any checks and balances over their functioning.

**(Chapter 7)**

## 7. Recommendations

- In order to ensure orderly establishment, growth and development of industries in the State, Government needs to ensure that the Board acquires land for setting up industrial areas after prior consultation with the jurisdictional Planning Authorities.
- Government needs to ensure that land taken possession of by the Board is not de-notified by subjugating public interest to private interest.
- Government needs to address the issue of fixation of compensation on the basis of mutual consent by framing guidelines prescribing the benchmarks which the PAC is to follow. This is essential to guard against disproportionately high compensation being fixed by PAC in the guise of mutual agreement.
- The irregularities highlighted in the report are only illustrative and reveal glaring examples of dereliction of duty and severe lack of accountability which need to be investigated. All payments of compensation made by the SLAOs for Government land acquired during 2006-11 need to be examined to assess the impact of irregularities committed.
- An effective internal control mechanism needs to be put in place to ensure that land acquisition is consistent with Government instructions and payment of compensation for land acquired by the Board is made after due observance of the procedures prescribed.
- The Board needs to frame appropriate guidelines to ensure that there is transparency in allotment of civic amenity sites in the industrial areas developed by it.

(Chapter 7)

