

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2014-2016)**

SEVENTY SEVENTH REPORT
(Presented on 16th December, 2014)

13



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**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014**

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2014-2016)**

SEVENTY SEVENTH REPORT

On

**Paragraphs relating to Revenue Department contained in the
Report of the Comptroller and Auditor General of India
for the year ended 31st March 2011 (Revenue Receipts)**

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COMMITTEE ON PUBLIC ACCOUNTS (2014-2016)

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- ” K. Mohandas, Special Secretary
- Smt. A. K. Shaila, Deputy Secretary
- Shri G. P. Unnikrishnan, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on its behalf, present the Seventy Seventh Report on paragraphs related to Revenue Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2010 (Revenue Receipts).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2010 (Revenue Receipts) was laid on the Table of the House on 28th June, 2011.

The Report was considered and finalised by the Committee at the meeting held on 9th December, 2014.

The Committee place on record its appreciation of the assistance rendered to it by the Accountant General (Audit) in the examination of the Audit Report.

Thiruvananthapuram,
16th December, 2014.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

REPORT
REVENUE DEPARTMENT
LAND REVENUE AND BUILDING TAX

AUDIT PARAGRAPH

Tax Administration

Revenue Department is under the control of the Principal Secretary (Revenue) at Government level and the Land Revenue Commissioner is the Head of the department. The revenue collection of the department includes collection of basic tax, plantation tax, lease rent, building tax etc. The department realises arrears of public revenue under the Kerala Revenue Recovery Act with interest and cost of process prescribed.

Trend of receipts

Actual receipts from land revenue and building tax during the last five years (2005-06 to 2009-10) along with the budget estimates during the same period is exhibited in the following table and graph:

(Rupees in crore)

<i>Year</i>	<i>Budget estimates</i>	<i>Actual receipts</i>	<i>Variation excess(+)/shortfall(-)</i>	<i>Percentage of variation</i>	<i>Total tax receipts of the State</i>	<i>Percentage of actual receipts vis-à-vis total tax receipts</i>
2005-06	68.60	43.88	(-) 24.72	(-) 36.03	9,778.62	0.45
2006-07	55.72	47.00	(-) 8.72	(-) 15.65	11,941.82	0.39
2007-08	55.69	47.21	(-) 8.48	(-) 15.23	13,668.95	0.35
2008-09	84.13	47.56	(-) 36.57	(-) 43.47	15,990.18	0.30
2009-10	52.50	53.93	(+) 1.43	(+) 2.72	17,625.02	0.31

Thus, the percentage of variation which was 36.03 in 2005-06, came down to a level of around 15 during 2006-07 and 2007-08 but again rose to a level of about 43 per cent in 2008-09. However, during 2009-10 the receipts exceeded the budget estimates by 3 per cent.

We observed that the land revenue remained between 0.3 and 0.45 per cent of the total tax receipts. We also noticed that after four years (2005-06 to 2008-09) the actual collection have marginally exceeded the budget estimates during 2009-10.

We recommend the department to continue the realistic budget process of 2009-10 in future.

IMPACT OF AUDIT

Revenue impact

During the last four years, we pointed out under assessment of building tax, short levy of lease rent, short realisation of collection charges, non-levy of luxury tax etc., with revenue implication of ₹ 348.96 crore in 358 paragraphs. Of these, the Department/Government accepted audit observations involving ₹ 9.47 crore and had since recovered ₹ 1.82 crore. The details are shown in the following table:

(Rupees in lakh)

Year of Audit Report	Paragraph included		Paragraph accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2005-06	63	1,681.00	39	69.97	16	9.41
2006-07	91	323.00	28	47.58	28	35.91
2007-08	113	330.00	83	607.05	50	102.00
2008-09 Vol. I	91	32,562.00	16	222.05	16	35.04
Total	358	34,896.00	166	946.65	110	182.36

We noticed that the Government failed to recover even the amount it has accepted.

We recommend that the Government may revamp the recovery mechanism to ensure that at least the amount involved in accepted cases is promptly recovered.

Working of Internal Audit Wing

The Internal Audit Wing was constituted in Land Revenue Department under the control of Commissioner of Land Revenue and the functioning of the wing is monitored by Senior Finance Officer. The department has not prepared a separate internal audit manual. The IAW is having strength of one Senior Superintendent, six Junior Superintendents and six Upper Division Clerks. As informed by the department, audit of 63 Taluk Offices are conducted once in two or three years. Selection of offices is done according to the periodicity of audit determined for each office. IAW fixed target of 36 units during 2009-10, but the wing could complete audit of only 26 units during the year due to shortage of manpower. 18546 paragraphs involving ₹ 68.28 crore relating to 192 Inspection Reports remained outstanding at the end of March 2010.

We noticed that, the clearance of internal audit paragraphs during 2009-10 was only 0.01 per cent of the outstanding paragraphs.

We recommend that the IAW may be strengthened so that they are able to achieve their planned audit target. Besides, a mechanism needs to be installed for timely settlement of the audit observations raised by the IAW.

Results of audit

We test checked the records of 57 units relating to land revenue and building tax.

We detected under assessment of tax and other irregularities involving ₹ 17.22 crore in 104 cases which fall under the following categories:

<i>(Rupees in crore)</i>			
<i>Sl. No.</i>	<i>Categories</i>	<i>No. of cases</i>	<i>Amount</i>
1	Underassessment and loss under building tax and luxury tax	73	3.61
2	Underassessment and loss under other items	31	13.61
Total		104	17.22

The department accepted under assessment and other deficiencies of ₹ 69.41 lakh in 33 cases, of which three cases involving ₹ 2.65 lakh were pointed out in audit during the year 2009-10 and the rest in earlier years. An amount of ₹ 59.34 lakh was realised in 33 cases during the year 2009-10. A few illustrative audit observations involving ₹ 5.23 crore are mentioned in the following paragraphs:

Audit Observation

We scrutinised records of various Taluk Offices and found several cases of non-compliance of the provisions of the Rules for Assignment of Land within Municipal and Corporation Areas 1995 (RALMCO) and Kerala Revenue Recovery Rules, 1968 (KRR Rules), Kerala Building Tax Rules (KBT) and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Tahasildars are pointed out in audit each year, but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit.

Non Compliance of provisions of Acts/Rules

The provisions of the KBT Act/Rules, RALMCO and KRR Rules require:

- (i) levy of lease rent on land assigned to various persons at the prescribed rates;
- (ii) levy of collection charges on the amount recovered under RR Act; and
- (iii) assessment of building tax and luxury tax at prescribed rates.

We noticed that the Tahasildars, did not observe some of the above provisions at the time of levying tax. This resulted in short levy of lease rent/building tax/collection charges of ₹ 5.23 crore as mentioned in the paragraphs 6.7.1 to 6.7.5.

Non-levy of revised lease rent

(Collectorate, Thiruvananthapuram; March 2010)

As per Rule 12(5) of the Rules for assignment of land within Municipal and Corporation Areas, 1995, land held under lease either current or time expired, and granted under any rules or orders shall be granted fresh lease for a period not exceeding three years subject to the conditions laid therein. The Government, vide an order issued in May 2004 had fixed the rate of lease rent of land leased to educational institution at 2 per cent of the market value for minimum extent required for the essential functioning of the institution and at 10 per cent for the excess holding and used for commercial purposes.

We noticed that an Arts and Science College was holding 18.49 acres of leased land in Kadakampally Village and was paying lease rent fixed by the Government in February 1996 when the area was in the jurisdiction of Panchayat. Kadakampally Panchayat was brought under the jurisdiction of Thiruvananthapuram Corporation with effect from 1st October, 2000. The revenue authorities had not revised the lease rent accordingly and the college was paying the nominal rent fixed earlier.

The lease rent payable at the minimum rate of 2 per cent for 18.49 acres worked out to ₹ 3.24 crore. This resulted in short levy of ₹ 3.24 crore.

We pointed out the matter to the department in April 2010 and to the Government in May 2010. We have not received their replies (December 2010).

Non-assessment/realization of building tax

(14 Taluk Offices; between February 2009 and March 2010)

Every Village Officer shall transmit to the assessing authority within five days of the expiry of each month a monthly list of buildings liable to assessment, together with extracts from the building tax application register of the local authority within whose area the buildings included in the list are situated as per Rule 3 of the KBT (Plinth area) Rules.

We conducted cross verification of the records of 14 Taluk Offices with those of the corresponding Village Offices/Municipalities and it revealed that 357 buildings escaped from building tax assessment as under:

<i>Sl. No.</i>	<i>Nature of objection</i>	<i>No. of cases</i>	<i>Amount involved</i> (₹)
1	Cases reported by the Village Officers during 2007-08 and 2008-09 were not assessed by the Tahasildars	305	1,60,42,050
2	Cases in which the building tax assessment records of the local authorities were not verified by the Village Officers	13	7,95,000
3	Cases in which demand of building tax was not entered in the Form B register by the Village Officers	39	6,71,688

₹ 8,030 paid for the period from 16th November, 1964 to 31st March, 2004.

Taluk Office: Changanacherry, Chavakkad, Chittur, Hosdurg, Karthikapally, Kozhikode, Kunnathur at Sasthamkotta, Kunnathunaud at Perumbavoor, Muvattupuzha, Neyyattinkara, Pala, Pathanapuram, Ranni and Udumbanchola at Nedumkandam.

This resulted in non-assessment/non-realisation of building tax of ₹ 1.75 crore calculated at the prescribed rates on the basis of plinth area.

After we pointed out the matter between March 2009 and April 2010, the department stated in September 2009 that in one case*, the dues of ₹ 4,050 were collected and in other two cases necessary instructions were issued to assess the building tax. We have not received further information (December 2010).

We pointed out the matter to the Government in March 2010 and May 2010. We have not received their reply (December 2010).

Short levy of royalty due to erroneous calculation

(Taluk Office, Kunnathunadu at Perumbavoor; July 2009)

Section 6 (1) of the Kerala Land Conservancy Act provides that royalty and cost of rock is leviable for unauthorized quarrying on Government land. Royalty and cost of rock is leviable at the rate of ₹ 16/MT and ₹ 2.5/MT respectively.

We found in two cases that the quantity of granite extracted unauthorisedly, was incorrectly computed as 9450 MT instead of 59062.50 MT. This resulted in short levy of royalty and cost of rock of ₹ 9.18 lakh.

After we pointed out of the defect, the Tahasildar stated in July 2009 that the error was due to incorrect conversion of cubic metre to metric tonne and that the error would be rectified and balance amount collected at the earliest. A report on recovery has not been received (December 2010).

We pointed out the matter to the department in August 2009 and reported to the Government in February 2010. We have not received their replies (December 2010).

Non-raising of demand/Non-realization of luxury tax

(Five Taluk Offices†, between March and August 2009)

The Kerala Building Tax Act, 1975 (KBT Act) as amended by the Finance Act, 1999, provides that luxury tax at the rate of ₹ 2,000 is leviable each year on all residential buildings having a plinth area of 278.7 square metre or more and completed on or after 1st April, 1999. The Act further stipulates that luxury tax is to be collected in advance on or before 31st March every year.

* Taluk Office: Kozhikode

† Kanjirappally, Kochi, Kunnathur at Sasthamkotta, Tirurangadi and Vadakara.

We noticed that luxury tax was not demanded/realised on 221 residential buildings of plinth area exceeding 278.7 square metres. This had resulted in short collection of luxury tax of ₹ 7.96 lakh.

After we pointed out the defect between April 2009 and January 2010, the department stated in September 2009 that in one case* notices have been issued to the parties to remit luxury tax and village officers were given direction to collect the amount. Further developments on the recovery and replies in other cases have not been received (December 2010).

We reported the matter to the Government in March 2010 and April 2010. We have not received their reply (December 2010).

Short levy of building tax

Short levy due to failure to consider entire assessable area

(Four Taluk Offices†, between March 2009 and February 2010)

Building Tax based on the plinth area at the rate specified in the schedule to the Act is leviable on every building, as per Section 3(1) of the KBT Act. Further, the Act provides for tax exemption to the buildings used principally for religious, charitable or educational purposes or as factory or workshops.

We noticed that in eight cases while finalising the building tax assessment, the assessing authorities failed to levy building tax on the entire assessable area even though no portion of the building was eligible for exemption. This resulted in short levy of building tax of ₹ 4.75 lakh.

We pointed out the matter to the department between April 2009 and March 2010 and reported to the Government in March 2010 and May 2010. We have not received their replies (December 2010).

Short levy of building tax due to misclassification of Special Grade Panchayat into ordinary Grama Panchayat

(Taluk Office, Kozhikode; March 2009)

Building Tax based on plinth area, at the rate specified in the schedule to the KBT Act, is leviable on every building, the construction of which is completed on or after 10th February, 1992 and the plinth area of which exceeded 100 sq.m. in the case of residential buildings and 50 sq.m. in the case of other buildings as per Section 5 of the Act. Separate rates have been specified for buildings situated in Panchayats, Special Grade Panchayats/Municipalities and Corporations.

* Kanjirappally

† Quilandy, Taliparamba, Tirurangadi and Vadakara.

We noticed that 118 buildings coming under Chelannur Village was assessed to tax at the rate applicable to the Grama Panchayats even though the village comes under Special Grama Panchayat. This resulted in short levy of building tax of ₹ 2.12 lakh.

We pointed out the matter to the department between April 2009 and March 2010 and reported to the Government in March 2010. However, we have not received their replies (December 2010).

[Para 6.1 to 6.7.5 contained in the Report of the C&AG of India for the financial year ended 31st March, 2010 (Revenue Receipts).]

Notes received from the Government on the above Audit Paragraph is included as Appendix II.

At the outset the Committee enquired the reason for not furnishing RMT statement within the stipulated period. The Secretary, Revenue Department replied that strict instructions had been issued to the Head of the Departments viz. Commissioner of Land Revenue, Director of Survey and Director of ILDM to finalize the accounts in time. The Committee directed that action should be taken against those who failed to obey the instruction and the technical problem should be rectified which lead to the inordinate delay in the submission of RMT statements. It also directed that the report should be submitted within one month and the Secretary, Revenue Department assured to do so and requested the Committee to permit the department to withdraw the note furnished on the audit paragraph 6.2 since the department could not comply with the declarations made therein.

2. To the query of the Committee, regarding 'revenue impact' the Secretary, Revenue Department explained the measures taken for the effective implementation of Revenue Recovery proceedings. The District Collectors have been monitoring the whole procedure at monthly meeting with Tahasildars and the Secretary himself holding videoconference with District Collectors to review it. The Committee noticed that out of 358 audit para pointed out by Audit, the Department had accepted only 166 paragraphs and out of ₹ 946 lakh accrued to those 166 cases only ₹ 182 lakh had been recovered. The Committee enquired that how much had recovered since the objection was raised by the Audit. The Secretary, Revenue Department informed that an additional amount of ₹ 138 lakh was recovered and an amount to the tune of ₹ 27 lakh had been exempted and certain cases were pending before the court. Then the Committee directed the Revenue Department to furnish a detailed report of the present position of the cases pointed by the Audit at the earliest.

3. To the query of the Committee, the Secretary, Revenue Department replied that Internal Audit Wing had conducted 24 inspections in 2011-12 and 40 inspections in 2012-13. This financial year up to September 2013, 28 inspections had been conducted and supposed to conduct 50-60 inspections by March. He continued that at present the internal audit wing have a staff strength of 12 personnel who were divided into two batches to conduct the inspection. He explained the dearth of staff in the Revenue Department hindered from entrusting personnel solely for the purpose and emphasized the necessity of creating additional post in the department.

4. The Committee suggested to fix a target for conducting inspection and urged the department to take strenuous effort to achieve the target. The Secretary, Revenue Department assured the Committee to take all measures to double the number of inspections than that was conducted during the previous year.

5. Regarding the short levy of lease rent to the tune of ₹ 3.24 crore from the Arts and Science College in Kadakampally Village, the Secretary, Revenue Department replied that revised demand notice for ₹ 8 crore had been issued. Similarly recovery notice to realise the revised amount had been issued to Thiruvananthapuram Tennis Club, Rama Varma Club, Golf Club etc., but the amount could not be collected because of stay orders of court.

6. He continued that at present lease rent was levied as per the land Assignment Rules 1995 which provides to collect lease rent @2% of the market value for non-commercial purposes and 5% for commercial purposes irrespective of the extend of land. The proposal for revising the rate is under consideration. He was optimistic that with the introduction of the revised rates taking into account of area of land, revenue collection could be enhanced considerably. The Committee opined that exempting profit earning institutions from lease rent is not justifiable.

7. The Committee directed that Revenue Department should make a distinction between educational institutions and other semi-commercial institutions as Government prefers to give title deed to educational institutions. It decided to recommend that after making such a distinction, stringent action should be taken to realise lease rent from institutions other than educational institutions at the earliest.

8. To a query of the Committee, the Secretary, Revenue Department informed that out of the two cases mentioned in the audit report one case of Shri Jose Pallissery, amounting ₹ 5,09,960 was still pending with the High Court. In the latter case where short levy of ₹ 4,07,900 occurred, RR proceedings had been initiated against the concerned party, Shri Arumugham, now residing in Tamilnadu. In the meantime the official from the Office of the AG reminded the Committee that in the assessment of the royalty and cost of granite, miscalculation occurred while converting quantity into metric tonne by dividing the area instead of multiplying it with 1.5. It resulted in incurring a huge loss to the exchequer. The Committee observed that it was a serious issue and remarked that it could not be rectified simply by recovering the loss from the concerned parties. It enquired whether any disciplinary action had been taken against the officials responsible for the miscalculation. The Secretary, Revenue Department replied in the negative and submitted that though Revenue Department collected the royalty, it was fixed by the Mining and Geology Department. Then the Committee sardonically remarked that the officials of Revenue Department could not be left Scot free. It opined that had the Revenue Department cross-checked the calculation at the time of collection, this fraud could have been avoided. It urged the Revenue Department to look into the matter seriously and take disciplinary action against the officials responsible for this fraudulent act.

9. Regarding the audit objections the Secretary, Revenue Department informed the Committee that luxury tax @ ₹ 2,000 was levied each year, and the cases pointed out by audit were reconciled by Tahsildars. He added that out of the total collectable demand of ₹ 10,16,000 in 222 cases, ₹ 6,42,000 was realized in 189 cases and 2 lakh involved in 22 cases had been exempted. The Committee accepted the explanation.

10. To the query of the Committee, the Secretary, Revenue Department apprised that out of ₹ 4.75 lakh, ₹ 1.71 lakh in 3 cases had been realized and 3 cases involving ₹ 1.94 lakh had been exempted and one case amounting ₹ 52,000 was pending in the court.

11. The Committee analysed that though many cases were exempted, it could not close the eyes to the bona fide mistakes made in considering assessable area for building tax. It urged the department to take necessary steps to fix the responsibility in cases pointed out by Audit and take disciplinary action against the delinquent officers in each cases. The Secretary, Revenue Department agreed to do so.

12. Regarding the audit paragraph, the Secretary, Revenue Department informed that the District Collector, Kozhikode had reported that Chelannoor Grama Panchayat in Kozhikode District was a first grade panchayat and not a special grade panchayat and the assessment was done according to the report of the collector which was correct. Then the Senior Audit Officer interfered to inform that as per the report from collectorate to the Comptroller and Auditor General's Office, Chelannoor Grama Panchayat was a Special Grade Grama Panchayat. Both reports were contradictory. The Secretary, Revenue Department submitted that the Chelannur Grama Panchayat was a Special Grade Grama Panchayat and assured to rectify the confusion in this regard and furnish a report to the Committee.

Conclusion/Recommendation

13. The Committee expresses its anguish over the lackadaisical attitude of the officials in the department in furnishing the remedial measures taken statements on the audit objection within the stipulated time and directed that action should be taken against those who failed to obey the instruction in this regard. It urged the Revenue Department that technical problems which lead to the inordinate delay in submitting the RMT Statement, should be rectified and a report should be furnished to the Committee.

14. The Committee permits the Revenue Department to withdraw the statement furnished earlier regarding the audit paragraph 6.2 and opines that the Revenue Department could not comply the assurance it made to the Committee while furnishing the notes.

15. Considering the measures taken to gear up the Revenue Recovery proceedings, the Committee suggests the Revenue Department to furnish a detailed report on the present position of the cases in which Revenue Recovery is pending to be realised as pointed out by Audit.

16. The Committee remarks that had the internal audit wing in the Revenue Department functioned more effectively, the department itself could have rectified many defects without waiting for the Audit of the Accountant General to rectify the errors. It recommends that Revenue Department should fix a target for conducting inspections and earnest effort should be made to achieve the target.

17. The Committee is of the opinion that exempting profit making institutions from lease rent is not tenable. It directs the Revenue Department that there should be distinction between educational and semi-commercial institutions as Government prefers to give title deed to educational institutions. After making such a differentiation, steps should be taken to realize lease rent from institutions other than educational institutions at the earliest.

18. The Committee comments that the miscalculation of quantity of granite by applying division method instead of multiplication, could not be considered as a simple error and it could not be rectified simply by recovering the loss from the concerned parties. The Committee exhorts that Revenue Department and Mining and Geology Department are equally responsible for the fraudulent act. So it recommends that Revenue Department should re-examine the case and should take disciplinary action against the delinquent officials.

19. The Committee evaluates that similar misappropriation had occurred in the assessment of building tax. The Committee reprimands the Revenue Department in not taking any disciplinary action against erring officials. It remarks that a chain of mistakes of the similar nature is repeated persistently. It recommends the Revenue Department to take departmental action against the officers responsible for the short levy of building tax. It also directs the Revenue Department to take necessary steps to avoid such mistakes in future.

20. The Committee recommends the Revenue Department to settle the issue of the correctness of the assessment made on the building tax due to misclassification of Chelannur Grama Panchayat as an ordinary panchayat and urges the Revenue Department to ascertain whether Chelannur Grama panchayat is a special grade panchayat or not and also to re-check the assessment made in this regard.

DR. T. M. THOMAS ISAAC,

Chairman,

Committee on Public Accounts.

Thiruvananthapuram,
16th December, 2014.

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/Recommendation</i>
(1)	(2)	(3)	(4)
1	13	Revenue	The Committee expresses its anguish over the lackadaisical attitude of the officials in the department in furnishing the remedial measures taken statements on the audit objection within the stipulated time and directed that action should be taken against those who failed to obey the instruction in this regard. It urged the Revenue Department that technical problems which lead to the inordinate delay in submitting the RMT Statement, should be rectified and a report should be furnished to the Committee.
2	14	"	The Committee permits the Revenue Department to withdraw the statement furnished earlier regarding the audit paragraph 6.2 and opines that the Revenue Department could not comply the assurance it made to the Committee while furnishing the notes.
3	15	"	Considering the measures taken to gear up the Revenue Recovery proceedings, the Committee suggests the Revenue Department to furnish a detailed report on the present position of the cases in which revenue recovery is pending to be realised as pointed out by Audit.
4	16	"	The Committee remarks that had the internal audit wing in the Revenue Department functioned more effectively, the department itself could have rectified many defects without waiting for the Audit of the Accountant General to rectify the errors. It recommends that Revenue Department should fix a target for conducting inspections and earnest effort should be made to achieve the target.

(1)	(2)	(3)	(4)
5	17	Revenue	The Committee is of the opinion that exempting profit making institutions from lease rent is not tenable. It directs the Revenue Department that there should be distinction between educational and semi-commercial institutions as Government prefers to give title deed to educational institutions. After making such a differentiation, steps should be taken to realize lease rent from institutions other than educational institutions at the earliest.
6	18	”	The Committee comments that the miscalculation of quantity of granite by applying division method instead of multiplication, could not be considered as a simple error and it could not be rectified simply by recovering the loss from the concerned parties. The Committee exhorts that Revenue Department and Mining and Geology Department are equally responsible for the fraudulent act. So it recommends that Revenue Department should re-examine the case and should take disciplinary action against the delinquent officials.
7	19	”	The Committee evaluates that similar misappropriation had occurred in the assessment of building tax. The Committee reprimands the Revenue Department in not taking any disciplinary action against erring officials. It remarks that a chain of mistakes of the similar nature is repeated persistently. It recommends the Revenue Department to take departmental action against the officers responsible for the short levy of building tax. It also directs the Revenue Department to take necessary steps to avoid such mistakes in future.

(1)	(2)	(3)	(4)
8	20	Revenue	The Committee recommends the Revenue Department to settle the issue of the correctness of the assessment made on the building tax due to misclassification of Chelannur Grama Panchayat as an ordinary panchayat and urges the Revenue Department to ascertain whether Chelannur Grama Panchayat is a special grade panchayat or not and also to re-check the assessment made in this regard.

APPENDIX II
NOTES FURNISHED BY THE GOVERNMENT

ACTION TAKEN REPORT IN RESPECT OF PARAS 6.1 AND 6.7.5 IN THE C&AG REPORT (RR) FOR THE YEAR ENDED 31.03.2010 (LAND REVENUE AND BUILDING TAX)

FIGURE 477/2011

6.1 Tax administration

Revenue Department is under the control of the Principal Secretary (Revenue) at Government level and the Land Revenue Commissioner is the head of the department. The revenue collection of the department includes collection of basic tax, plantation tax, lease rent, building tax etc. The department realises arrears of public revenue under the Kerala Revenue Recovery Act with interest and cost of process prescribed.

6.2 Trend of receipts

Actual receipts from land revenue and building tax during the last five years (2005-06 to 2009-10) along with the budget estimates during the same period is exhibited in the following table and graph

Year	Budget estimates	Actual receipts	Variation excess (+) / short fall (-)	Percentage of variation	Total tax receipts of the state	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	68.60	43.88	(-24.72)	(-36.03)	9,778.62	0.45
2006-07	55.72	47.00	(-8.72)	(-15.65)	11,941.82	0.39
2007-08	55.69	47.21	(-8.48)	(-15.23)	13,668.95	0.35
2008-09	84.13	47.56	(-36.57)	(-43.47)	15,990.18	0.30
2009-10	52.50	53.93	(+1.43)	(+2.72)	17,625.07	0.31

Budget estimates and Actual receipts

No Remarks

The Department made a realistic assessment of Receipt while preparing the Budget Estimate for 2010-11. But the actual position is explained below.

Year	Budget estimate	Actual Receipt
2010-11	155.13	55.97
2011-12	162.84	Reconciled figure is being collected.

On examination of the Budget estimate for the year 2010-11, it can be seen that an amount of 100 crore is estimated as receipts under the Kerala Conservation of Paddy and Wet land Act 2008. But the actual receipts under the same item is only Rs.1434/- Hence excluding the anticipated receipt of Rs.100 crore from the Budget estimate for 2010-11, the

Thus, the percentage of variation which was 36.03 in 2005-06, came down to a level of around 15 during 2006-07 and 2007-08 but again rose to a level of about 43 per cent in 2008-09. However, during 2009-10 the receipts exceeded the budget estimates by three per cent.

We observed that the land revenue remained between 0.3 and 0.45 percent of the total tax receipts. We also noticed that after four years (2005-06 to 2008-09) the actual collection have marginally exceeded the budget estimates during 2009-10.

We recommend the department to continue the realistic budget process of 2009-10 in future.

5.3 Impact of audit

Revenue impact

During the last four years, we pointed out underassessments of building tax, short levy of lease rent, short realisation of collection charges, non-levy of luxury tax etc. with revenue implication of Rs.348.96 crore in 358 paragraphs. Of these, the department/Government accepted audit observations involving Rs.9.47 crore and had since recovered Rs.1.82 crore. The details are shown in the following table.

Year of Audit Report	Paragraph included		Paragraphs accepted		(Rupees in lakhs)	
	No.	Amount	No.	Amount	No.	Amount recovered
2005-06	63	1,681.00	39	69.97	16	9.43
2006-07	91	323.00	28	47.58	28	35.91
2007-08	113	330.00	83	607.05	50	102.00
2008-09	91	32,562.00	16	222.05	16	35.04
Total	358	34,896.00	166	946.65	110	182.38

estimate would be Rs.55.13 crore. The actual receipt for 2010-11 is Rs.55.97 crore. Thus it can be seen that the Dept. is following realistic budget process. The result of Budget estimate and actual receipt for the year 2011-12 will be furnished soon on receipt of reconciled receipt figure.

The latest position of the collection of the building tax levied, lease rent, Luxury Tax and Collection charge is watched through the monthly review meeting at district level and through the quarterly review meeting at the Commissionerate level.

We noticed that the Government failed to recover even the amount it has accepted
 we recommend that the Government may revamp the recovery mechanism to ensure that at least the amount involved in accepted cases is promptly recovered

6.4 Working of internal audit wing

The internal Audit Wing was constituted in Land Revenue, Department under the control of Commissioner of Land Revenue and the functioning of the wing is monitored by Senior Finance Officer. The Department has not prepared a separate internal audit manual. The IAW is having strength of one Senior Superintendent, six junior Superintendents and six Upper Division Clerks. As informed by the department, audit of 63 taluk offices are conducted one in two or three years. Selection of offices is done according to the periodicity of audit determined for each office. IAW fixed target of 36 units during 2009-10, but the wing could complete audit of only 26 units during the year due to shortage of man power. 18,546 paragraphs involving Rs.68.28 crore relating to 192 Inspection Reports remained outstanding at the end of March 2010.

We noticed that, the clearance of internal audit paragraphs during 2009-10 was only 0.01 per cent of the outstanding paragraphs.

We recommend that the IAW may be strengthened so that they are able to achieve their planned audit target. Besides, a mechanism need to be installed for timely settlement of the audit observations raised by the IAW.

The IAW is not in a position to audit all sub offices in a year or two due to the insufficient number of staff in the IAW and the ceiling on T.A.

Regarding the disposal of audit observations, periodical internal audit committee meetings are being conducted for the speedy settlement of audit objections, at District level and there by, considerable progress could be achieved in the settlement of the audit observations raised by the IAW. During the year 2010-11, the percentage of disposal of audit observations was 3.67

6.5 Result of audit

We test checked the records of 57 units relating to land revenue and building tax. We detected underassessment of tax and other irregularities involving Rs.17.22 crores in 104 cases which fall under the following categories.

(Rupees in crores)		
Sl.No.	Categories	No. of cases
1	Underassessment and loss under building tax & luxury tax	73
2	Underassessment and loss under other items	31
	Total	104

(Rupees in crores)	
Amount	Amount
3.61	3.61
13.61	13.61
17.22	17.22

The department accepted underassessment and other deficiencies of Rs.69.1 lakh in 33 cases, of which three cases involving Rs.2.65 lakh were pointed out in audit during the year 2009-10, and the rest in earlier years. An amount of Rs.59.34 lakh was realised in 33 cases during the year 2009-10. A few illustrative audit observations Rs.5.23 crore are mentioned in the following paragraphs.

Para 6.5 relates to the Results of audit conducted by the AG during the year 2009-10 in various Revenue Offices in the state.

The underassessment and loss under building tax & luxury tax and the underassessment and loss under other items amounting to Rs.17.22 crore mentioned in this para were included in the inspection report, relating to the Revenue Offices in the state, issued by the AG earlier. On the basis of the observation in the Inspection Report, efforts have been made by the concerned authority to make good the short levy/loss. The Department is furnishing timely reply to the AG in respect of the cases which are being pursued by the AG through the concerned local audit reports. The present position of the items included in this para is furnished below: The present position of under assessment and loss under BT and LT (Rs.3.61 crore) and under assessment and loss under other items (Rs.13.61 crore) is furnished in the statement below:

BT and LT

short levy pointed out in the audit	Amount Realised	Amount exempted	Court case/appeal pending disposal	Balance
3.61 crore	2,15,22,764	15,67,697	14,72,354	1,15,37,185

Other items.				
short levy pointed out in the audit	Amount Realised	Amount exempted	Court case/appeal pending disposal	Balance
13.61 crore	66,77,486	1,40,70,648	16,32,553	11,37,21,272

6.6 Audit observations
 We scrutinized records of various Taluk offices and found several classes of non compliance of the provisions of the Rules for Assignment of Land within Municipal and Corporation Areas 1995 (RALMCO) and Kerala Revenue Recovery Rules 1968. (KRR Rules) Kerala Building Tax Rules (KBT) and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Tahsildars are pursued out in audit each year, but not only the irregularities persist these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit.

6.7 Non compliance of provisions of Act/Rules
 The provisions of the KBT Act/Rules, RALMCO and KRR Rules require:
 i) levy of lease rent on land assigned to various persons at the prescribed rates.
 ii) levy of collection charges on the amount recovered under RR Act and
 iii) assessment of building tax and luxury tax at prescribed rates

As explained in the report on above para 6.4, the Internal Audit Wing is not in a position to audit all sub-offices in a year or two due to the insufficient number of staff in IAW. At present the IAW consists of 1 Senior Superintendent, 3 Junior Superintendent and 6 clerks with the existing staff pattern two Audit teams are constituted and each team is conducting audit only in two offices per month, and thus only 48 offices can be covered in a year.

The Government is requested to provide additional staff for constituting one more team consisting of 1 S.S. and 3 clerks, so that all the Taluk offices can be audited once in every year.

Strict directions have been issued to all Tahsildars to observe the provisions of Acts/Rules at the time of levying tax.

We noticed that the Tahsildars, did not observe some of the above provisions at the time of levying tax. This resulted in short levy of lease rent/building tax/collection charges of Rs.5.23 crore as mentioned in the paragraphs 6.7.1 to 6.7.5

6.7.1 Non-levy of revised lease rent.
(Collectorate, Thiruvananthapuram)

As per Rule 126 of the Rules for assignment of land within Municipal and Corporation areas, 1995, land held under lease either current or time expired, and granted under any rules or orders shall be granted fresh lease for a period not exceeding three years subject to the conditions laid therein. The Government, vide an order issued in May 2004 had fixed the rate of lease rent of land leased to educational institution at two per cent of the market value for minimum extent required for the essential functioning of the institution and at 10 per cent for the excess holding and used for commercial purposes.

We noticed that an Arts and Science College was holding 18.49 acres of leased land in Kadakampally village and was paying lease rent fixed by the Government in February 1996 when the area was in the jurisdiction of panchayat. Kadakampally panchayat was brought under the jurisdiction of Thiruvananthapuram Corporation with effect from 1 October 2000. The revenue authorities had not revised the lease rent accordingly and the college was paying the nominal rent fixed earlier.

Efforts are being made to levy revised lease rent and collect it. Necessary directions in this regard have been issued to District Collector, Thiruvananthapuram.

The lease rent payable at the minimum rate of two per cent for 18.49 acres worked out to Rs.3.24 crore. This resulted in short levy of Rs.3.24 crore.

6.7.2 Non-assessment/realization of building tax.
(14 Taluk offices between February 2009 and March 2010)

Every village officer shall transmit to the assessing authority within five days of the expiry of each month a monthly list of buildings liable to assessment, together with extracts from the building tax application register of the local authority within whose area the buildings included in the list are situated as per Rule 3 of the KBT (Plinth area) Rules.

We conducted cross verification of the records of 14 Taluk offices with those of the corresponding village offices/municipalities and it revealed that 357 buildings escaped from building tax assessment as under:

AG has pointed out that the non-assessment/non realization of BT is Rs.1.75 crore in 357 buildings. But it was reported by the Tahsildars that the actual amount came to Rs.1,76,43,588/- in 357 cases as per the concerned Local

Audit reports issued by the A.G. Out of the amount mentioned above, an amount of Rs.1,53,64,314/- in 276 cases has already been realised. 15 cases involving Rs.327150/- have been exempted from BT due to less plinth area found in re-assessment. In 5 cases involving Rs.745050/- court case is pending disposal. (1 case involving Rs.34200/- is pending with Govt. - Govt. 64617/SC/11/RD dt. 26.11.11) An amount of Rs.12,07,074/- in 92 cases remains to be realised Tahsildars concerned have been given strict directions to realise the balance amount urgently.

Sl. No.	Nature of objection	No. of cases	Amount involved
1	Cases reported by the Village Officers during 2007-08 and 2008-09 were not assessed by the Tahsildars	305	Rs.1,60,42,050
2	Cases in which the building tax assessment records of the local authorities were not verified by the Village Officers	13	Rs.7,95,000
3	Cases in which demand of building tax was not entered in the form B register by the Village officers	39	Rs.6,71,488

This resulted in non-assessment/non realisation of building tax of Rs. 1.75 crore calculated at the prescribed rates on the basis of plinth area. After we pointed out the matter between March 2009 and April 2010, the department stated in September 2009 that in one case⁴² the dues of Rs. 1,050 were collected and in other two cases necessary instructions were issued to assess the building tax. We have not received further information (December 2010)

We pointed out the matter to the Government in March 2010 and in April 2010. We have not received their reply (December 2010)

41) Taluk office: Changanacherry, Chavakkad, Chittur, Hosdurg, Kattappana, Kozhikkode, Kunnathur, at Seshamkotta, Kunnathumad at Perumbavoor, Muvattupuzha, Neyyattinkara, Pala, Pathanapuram, Ramanattur and Udumbalancholia at Nedumkandam.

Taluk office, Kozhikkode

6.7.3 Short levy of royalty due to erroneous calculation
(Taluk office, Kunnathumadu at Perumbavoor July 2009)

<p>Section 6(1) of the Kerala Land Conservancy Act provides that royalty and cost of rock is leviable for unauthorised quarrying on Govt. land. Royalty and cost of rock is leviable at the rate of Rs.16/MT and Rs.2.5/MT respectively.</p>	<p>We found in two cases that the quantity of granite extracted unauthorisedly, was incorrectly computed as 9,450 MT instead of 59,062.50MT. This resulted in short levy of royalty and cost of rock of Rs.9.18 lakh</p>
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Out of 2 cases amounting to Rs.9.18 lakh pointed out in audit, one case of Sri.Jose Pullassery amounting to Rs.5,09,906/- is still pending with the Hon. ble High Court (WP(C)18853/10). In the other case involving Rs.4,07,925/- concerned party Sri.Arunughnam, is now residing in Tamilnadu and hence R.R. steps have been initiated to realise the amount.

After we pointed out the defect, the Tahsildar stated in July 2009 that the error was due to incorrect conversion of cubic metre to metric tonne and that the error would be rectified and balance amount collected at the earliest. A report on recovery has not been received (December 2010). We pointed out the matter to the department in August 2009 and reported to the Government in February 2010. We have not received their replies (December 2010).

6.7.4 Non-raising of demand/non-realisation of luxury tax.
(Five taluk offices⁴ between March and August 2009)

The Kerala Building Tax Act 1975 (KBT Act) as amended by the Finance Act, 1999, provides that luxury tax at the rate of Rs.2,000 is leviable each year on all residential buildings having a plinth area of 278.7 sq. metre or more and completed on or after 1 April 1999. The Act further stipulates that luxury tax is to be collected in advance on or before 31 March every year.

We noticed that luxury tax was not demanded/realised on 221 residential buildings of plinth area exceeding 278.7 sq. metres. This had resulted in short collection of luxury tax of Rs.7.96 lakh

AG has pointed out in the Audit para that LT. was not demanded/realised on 221 residential buildings and this had resulted in short collection of LT of Rs.7.96 lakh. But it was reported by the Tahsildars that the actual amount is to Rs.10,16,000/- in 222 cases. Out of the above said amount, Rs.6,42,000/- has since been realised in 189 cases. 22 cases involving Rs.2,16,000/- have been exempted from LT since the building were either completed prior 1.4.99 or the plinth area of the buildings come to below 278.7 M² in re-assessment. In 6 cases involving Rs.84,000/- court cases are pending. The balance amount of Rs. 74,000/- in 5 cases is yet to be realised. Tahsildars concerned have been given strict directions to realise the balance amount immediately.

After we pointed out the defect between April 2009 and January 2010, the department stated in September 2009 that in one case⁴ notices have been issued to the parties to remit luxury tax and village officers were given direction to collect the amount. Further developments on the recovery and replies in other cases have not been received (December 2010)

We reported the matter to the Government in March 2010 and April 2010. We

have not received their reply (December 2010)

43 Kanjirappally, Kochi, Kunnathur at Sasthankotta, Tirurangudi and Vadakara.
 44 Kanjirappally

6.7.5 Short levy of building tax
6.7.5.1 Short levy due to failure to consider an fire assessable area
 (Four taluk offices⁴³ between March 2009 and February 2010)

<p>Building tax based on the plinth area at the rate specified in the schedule to the Act is leviable on every building, as per section 3(1) of the KBT Act. Further, the Act provides for tax exemption to the buildings used principally for religious, charitable or educational purposes or as factory or workshops</p>	<p>We noticed that in eight cases while finalising the building tax assessment, the assessing authorities failed to levy building tax on the entire assessable area even though no portion of the building was eligible for exemption. This resulted in short levy of building tax of Rs.4.75 lakh</p>
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In the audit para AG has pointed out that there is a short levy of BT of Rs.4.75 lakh in 8 cases. Out of which Rs.1,71,000/- 3 cases has since been realised. 3 cases involving Rs.1,94,900/- have been exempted due to 2 of them have not been completed so far and no change is seen in the area of one building at re-assessment. One case amounting to Rs.52,200/- is pending with the court. An amount of Rs.57,000/- in 1 case remains to be realised. In this case proposal ~~is under consideration~~ Govt. for the exemption u/s. 3(1)b of KBT Act.

We pointed out the matter to the department between April 2009 and March 2010 and reported to the Government in March 2010 and May 2010. We have not received their replies (December 2010)

6.7.5.2 Short levy of building tax due to misclassification of special grade panchayat into ordinary Grama panchayat.
 (Taluk office, Kozhikkode; March 2009)

Building tax based on plinth area, at the rate specified in the schedule to the KBT Act, is leviable on every building, the construction of which is completed on or after 10 February 1992 and the plinth area of which exceeded 100 sq. m in the case of other buildings as per section 5 of the Act. Separate rates have been specified for buildings situated in panchayats special grade and panchayats/municipalities and corporations.

We noticed that 118 buildings coming under Chelannur Village were assessed to tax at the rate applicable to the grama panchayats even though the village comes under special grama panchayat. This resulted in short levy of building tax of Rs.2.12 lakh.

We pointed out the matter to the department between April 2009 and March 2010 and reported to the Government in March 2010. However, we have not received their replies (December 2010).

It has been pointed out in the audit para that 118 buildings coming under Chelannur Village were assessed to tax at the rate applicable to ordinary 'grama panchayat' even though the village comes under Spl. Grama Panchayat, which resulted in short levy of BT of Rs.2.12 lakh

The District Collector, Kozhikode has reported that Chelannur is a first grade Grama Panchayat which is below the rank of Special Grade Panchayat. Being an ordinary Grama Panchayat, the BT levied on 118 buildings in Chelannur Village is absolutely in right manner and hence there is no need for the reassessment on said buildings.

കംഗ്രാളർ ആൻഡ് ആഡിറ്റ് ജനറൽ റിപ്പോർട്ട് (31.03.2010) - ന്
അനുസരിച്ച വർഷത്തെയുള്ള നടപടി റിപ്പോർട്ട്

ക്രമ നം.	ഖണ്ഡിക നം.	ശുപാർശ	നടപടി
1	6-7-1 (എം-25)	ആൾ സെഡിന്റേറ്റ് കോളേജിന് അനുവദിച്ച ഉൾപ്പെടെ പേരിലുള്ള 3.24 കോടി രൂപ പാട്ടക്കടികൾ പിരിച്ചെടുക്കുന്നത്	<p>തിരുവനന്തപുരം താലൂക്കിൽ കടകംപള്ളി വില്ലേജിൽ സ.നം. 263-ൽപ്പെട്ട 18.49 ഏക്കർ ഭൂമി 16.11.1964-ലെ സ.ഉ(എം.എസ്) നം. 772/64/ആർ.ഡി നമ്പർ ഉത്തരവ് പ്രകാരം ഏക്കറിന് 10/- രൂപ നിരക്കിൽ 25 വർഷത്തേക്ക് ആൾ സെഡിന്റേറ്റ് കോളേജ് ഫോറർ വിമൻ സ്ഥാപിക്കുന്നതിനായി ഹോളി എഞ്ചൽസ് കോൺവെന്റ് മദർ ജനറലിന് പാട്ടത്തിനു നൽകി ഉത്തരവ് പുറപ്പെടുവിച്ചിരുന്നു.</p> <p>20.2.1996-ലെ സ.ഉ(എം.എസ്) നം. 129/96/ ആർ.ഡി നമ്പർ ഉത്തരവ് പ്രകാരം പാട്ടത്തുക ഏക്കറിന് 25 രൂപ നിരക്കിൽ 19.11.89 മുതൽ 25 വർഷത്തേക്ക് പാട്ടം ദീർഘിപ്പിച്ചു നൽകുകയുണ്ടായി. 20.02.96-ൽ ആൾ സെഡിന്റേറ്റ് കോളേജിന് പാട്ടം ദീർഘിപ്പിച്ചു നൽകുമ്പോൾ കടകംപള്ളി വില്ലേജ് പഞ്ചായത്ത് പ്രദേശമായിരുന്നു. എന്നാൽ 01.10.2000-ൽ കടകംപള്ളി വില്ലേജ് തിരുവനന്തപുരം കോർപ്പറേഷനിൽ ഉൾപ്പെടുത്തി എങ്കിലും ടി സ്ഥാപനത്തിന് പാട്ടം നൽകിയ ഉത്തരവ് പ്രകാരം 1989 മുതൽ 26 വർഷത്തേക്കാണ് പാട്ടം അനുവദിച്ചിരിക്കുന്നത്. പ്രസ്തുത നിരക്കിൽ സ്ഥാപനം 31.03.2010 വരെ പാട്ടം വാടക ഒഴുകിയിട്ടുണ്ട്.</p> <p>01.04.2004 മുതൽ 31.03.2010 വരെയുള്ള കടികൾ കൂക ഉൾപ്പെടെ 31.03.13 വരെ ടി സ്ഥാപനം 8,39,63,179/- രൂപ പാട്ടവാടകയിനത്തിൽ ഒഴുക്കുവാനുള്ളതായി കാണുന്നു.</p> <p>ജി.ഒ(എം.എസ്) നം.126/04/റവ ഉത്തരവ് പ്രകാരം സ്ഥാപനത്തിന്റെ പാട്ടവാടക പൂരൂക്ക് നിശ്ചയിക്കുന്നത്</p>

സംബന്ധിച്ച വിഷയത്തിന്മേൽ,	
പാട്ടങ്ങിഴിക, ഭൂമി കൈമാറ്റം സംബന്ധിച്ച വിവരങ്ങൾ, നിർദ്ദിഷ്ട	
ഭൂമിയുടെ നിർമ്മാണ പ്രവർത്തനം തുടങ്ങിയവ സംബന്ധിച്ച	
ജില്ലകളിൽ നിന്നും അധികവിവരം ആരാഞ്ഞിരിക്കുന്നു.	
പ്രസ്തുത വിവരങ്ങളുള്ളതായ റിപ്പോർട്ട് ലഭ്യമാക്കി സർക്കാർ ഈ	
വിഷയത്തിന്മേൽ നടപടി സ്വീകരിക്കുന്നതാണ്.	

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