

## CHAPTER-VI: NON-TAX RECEIPTS

### 6.1 Results of audit

Test check of the records of the Departments of Mines, Geology and Petroleum, Urban Development, Home (Police) and Public Health Engineering conducted during the year 2008-09, revealed non/short recovery of revenue amounting to Rs. 537.74 crore in 2,607 cases, which fall under the following categories:

(Rupees in crore)

Sl. no.	Category	Number of cases	Amount
<b>A. Public Health Engineering Department</b>			
1.	<b>'Receipts of Public Health Engineering Department' (A review)</b>	1	144.91
<b>B. Mines, Geology and Petroleum Department</b>			
2.	Non/short recovery of dead rent and royalty	293	43.78
3.	Unauthorised excavation	859	266.33
4.	Non-levy of penalty/ interest	631	6.62
5.	Non-forfeiture of security	108	0.66
6.	Other irregularities	713	12.85
<b>C. Urban Development Department</b>			
7.	Assessment and collection of lease money	1	61.74
<b>D. Home (Police) Department</b>			
8.	Non-raising of demand	1	0.85
<b>Total</b>		<b>2,607</b>	<b>537.74</b>

During the year 2008-09, the departments accepted short realisation and other deficiencies of Rs. 17.46 crore in 709 cases, of which 528 cases involving Rs. 13.82 crore were pointed out in audit during the year 2008-09 and the rest in the earlier years. The departments recovered Rs. 3.16 crore in 897 cases of which 68 cases involving Rs. 21.47 lakh were pointed out during the year 2008-09 and the rest in the earlier years.

A Review on **'Receipts of Public Health Engineering Department'** involving findings of Rs. 259.67 crore is mentioned in the succeeding paragraphs.

## **A. Public Health Engineering Department**

### **6.2 Review : Receipts of Public Health Engineering Department**

#### **Highlights**

- Outstanding demands against Nagar Nigams/Nagar Palikas amounting to Rs. 85.76 crore were not included in the details of arrears maintained by the Department.  
**(Paragraph 6.2.7.2)**
- Non-functioning of water meters resulted in incorrect assessment of water charges.  
**(Paragraph 6.2.7.4)**
- Interest on outstanding demands amounting to Rs. 55.15 crore was not levied.  
**(Paragraph 6.2.9.1)**
- Non-levy of water charges against Nagar Nigam, Jodhpur resulted in non-recovery of Rs. 2.35 crore.  
**(Paragraph 6.2.9.2)**
- Loss of revenue of Rs. 234.43 crore due to abnormal leakage of water.  
**(Paragraph 6.2.9.3)**
- Short realisation of stamp duty of Rs. 87.58 lakh.  
**(Paragraph 6.2.9.5)**

#### **6.2.1 Introduction**

Receipts of Public Health Engineering Department (PHED) mainly comprise of water charges payable by consumers for use of water for domestic, non domestic and industrial purposes at the rates fixed by the State Government from time to time. Besides, water supply connection charges and penalties *etc.* are also leviable by the department.

**Audit reviewed the system of receipts of Public Health Engineering Department. It revealed a number of system and compliance deficiencies which are mentioned in the succeeding paragraphs.**

#### **6.2.2 Organisational setup**

The determination of policies, monitoring and control over receipts of PHED at the Government level is exercised by the Principal Secretary, Government of Rajasthan. The work of the department has been distributed among four Chief Engineers. Powers of head of department in all matters pertaining to levy and collection of water charges vest with the Chief Engineer (CE) headquarters, who is assisted by the 11 Additional Chief Engineers at regional

level, 38 Superintending Engineers (SE) at circle level, 136 Executive Engineers (EE) at divisional level and 400 Assistant Engineers (AE) at sub divisional level.

### **6.2.3 Audit objectives**

The review was conducted to ascertain:

- the extent to which the provisions of the Government notifications and instructions were being adhered to;
- reasons for uncollected revenue;
- effectiveness of the internal control mechanism; and
- whether the amount due to the Government had been promptly realised and credited into the Government Account, particularly where such work was allotted on contract basis.

### **6.2.4 Acknowledgement**

The Indian Audit and Accounts Department acknowledges the co-operation of the Public Health Engineering Department in providing necessary information and records for audit. An entry conference was held on 6 November 2008 in the office of Chief Engineer Headquarter Jaipur wherein objectives and criteria of the review were explained. The audit findings were reported to the Government in May 2009; their replies have not been received (October 2009). An exit conference was held on 14 September 2009 with the Secretary, PHED to discuss the major audit findings and recommendations. The view point of the Government/department has been incorporated in the relevant paragraphs.

### **6.2.5 Scope of audit**

Out of 129 divisions, 26 divisions<sup>1</sup> alongwith CE (Headquarters) were selected for study and records of these units were test checked for the years 2003-04 to 2007-08. Selection of units was made on the basis of PPSWR (Probability Proportional to Size with Replacement) method of sampling.

### **6.2.6 Trends of revenue**

Estimated receipts, revenue realised and shortfall in revenue of the State under head “0215 Water Supply and Sanitation” during last five years ending

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<sup>1</sup> P&D (South) Jaipur, Revenue (South) Jaipur, Revenue (North) Jaipur, Revenue Ajmer, District Ajmer, Bhilwara, Pratapgarh, Salumber, Rajasmand, Tonk, Bundi, Revenue Kota, Jhalawar, Beawer, Balotra, District (North) Barmer, Revenue Bikaner, Churu, City Ganganager, Suratgarh, City Jhunjhunu, District III Jodhpur, Revenue Jodhpur, Nagaur, RIGEP Nagaur and Sojat City.

2007-08 were as under:

(Rupees in crore)

Year	Budget estimates (BE)	Revised estimates	Actuals	Shortfall over BE	Percentage of shortfall over BE
2003-04	170.00	170.00	146.29	23.71	13.95
2004-05	180.00	180.00	164.13	15.87	8.82
2005-06	200.00	200.00	180.38	19.62	9.81
2006-07	220.00	200.35	182.49	37.51	17.05
2007-08	224.54	201.45	204.16	20.38	9.08

It would be seen from above table that the shortfall during the years from 2003-04 to 2007-08 ranged between 8.82 and 17.05 *per cent*. The Department attributed the shortfall in revenue to short supply of water to consumers as water level had gone down very deep due to scanty rainfall and non-recovery of arrears against other departments and public consumers inspite of the best efforts to recover the dues. In revised estimates, original estimates had been reduced by Rs. 19.65 crore (from Rs. 220 crore to Rs. 200.35 crore) and Rs. 23.09 crore (from Rs. 224.54 crore to Rs. 201.45 crore) in 2006-07 and 2007-08 respectively. The department stated that estimates had been reduced keeping in view the possibility of short realisation of revenue and the revised estimates had been approved by the Budget Finalisation Committee.

## Audit findings

### 6.2.7 System deficiencies

#### 6.2.7.1 Position of arrears

A test check of records revealed that water charges amounting to Rs. 77.16 crore were outstanding as on 31 March 2008 as detailed below:

(Rupees in crore)

Year	Amount in arrears
Prior to 2003-04	29.15
2003-04	5.68
2004-05	6.77
2005-06	7.07
2006-07	10.82
2007-08	17.67
<b>Total</b>	<b>77.16</b>

Above table indicates that Rs. 29.15 crore has been outstanding for more than five years. Accumulation of arrears showed a steady increase with Rs 17.67 crores being added to the arrears during 2007-08. The Government accepted (September 2009) the facts. The Secretary, PHED stated during the exit conference (14 September 2009), that revenue realisation had not been a priority for the department and assured that effective monitoring would be done to recover the arrears.

### 6.2.7.2 Non-inclusion of outstanding demands of Nagar Nigams/Nagar Palikas in the position of outstanding revenue

It was noticed in 10 divisions<sup>2</sup> that Rs 85.76 crore were outstanding against Nagar Palikas/Nagar Nigams for water supply through Public Stand Post (PSP) but this amount was not included in the position of outstanding revenue.

**Audit observed that there was no system of periodical monitoring in the department to assess the correct position of arrears.**

The age-wise and money-wise analysis of outstanding revenue is as under:

(Rupees in crore)	
Year	Amount outstanding
Prior to 2003-04	57.27
2003-04	6.60
2004-05	5.54
2005-06	4.98
2006-07	5.81
2007-08	5.56
<b>Total</b>	<b>85.76</b>

Non-inclusion of the above amount renders the outstanding arrears maintained by the department as incorrect. As the department is not keeping track of the actual amount of outstanding arrears, the question of its recovery remains uncertain.

The Secretary, PHED stated during the exit conference that efforts would be made to assess the correct position of arrears.

**The Government may consider instituting a periodical monitoring system in the department to assess the correctness of arrears.**

### 6.2.7.3 No provision for levy of interest on late deposits by collecting agency

As per memorandum of understanding (MOU) between Integrated Citizen Services Centre (ICSC) (now *e-mitra*) and the PHED, the *e-mitra* shall accept the payments of bills and demand notes issued by PHED and would transfer the amount due towards PHED within one day after entry of same in *e-mitra*'s account. In case of holidays, the amount would be transferred on next working day. **No provision for levy of interest on late deposit was made in the MOU.**

Audit scrutiny of deposited challans revealed that out of total revenue collected during April 2003 to March 2008 by *e-mitra* from consumers of four divisions<sup>3</sup>, Rs. 3.15 crore were deposited late for the different periods ranging upto 55 days in 243 cases. In the absence of the provision, interest could not be levied for late deposits.

Though the late deposit of revenue was in the knowledge of the department, no action was taken by the department. Besides, in Revenue Division Kota, it

<sup>2</sup> Revenue (North) Jaipur, Revenue Ajmer, Revenue Jodhpur, Balotra, Beawer, Nagaur (RIGEP), Nagaur, Churu, Revenue Bikaner and Sriganganagar.

<sup>3</sup> Revenue (South) Jaipur, Revenue (North) Jaipur, Sriganganagar and Jhalawar.

was noticed from *e-mitra* records that revenue collected by *e-mitra* during February 2008 and March 2008 amounting to Rs. 17.17 lakh from consumers had not been deposited (January 2009) in the Government Account.

After this was pointed out, the Government accepted the facts and assured that necessary amendment in the MOU will be carried out.

**The Government may consider a provision for levy of interest on late deposit of revenue by collecting agency.**

#### **6.2.7.4 Meter Management**

Rule 269 of Public Works Financial and Accounts Rules (PWF & AR) provides that departmental officers will exercise check on measurement of water reading for water supply to ensure that there is no loss or leakage of revenue. Further as per Appendix II of Water Supply Rules 1967, Assistant Engineer shall cause all meters to be tested at least once in a year. **Audit observed that meter management was inadequate and assessments were not based on actual consumption.**

It was observed from the departmental records and information supplied by the department that in 22 divisions<sup>4</sup>, an average of 57 *per cent* meters were defective out of total meters installed during 2003-2004 to 2007-08. Further, it was noticed that defective meters were not replaced and bills were raised against the consumers on average basis. Audit also observed that the department is not maintaining any record of meter inspection.

The Government accepted the facts and assured that action will be taken to replace the faulty meters.

**The Government may consider to take effective steps to replace defective water meters.**

#### **6.2.7.5 Non-fixation of user charges**

Eleventh Finance Commission (EFC) recommended 25 *per cent* step up per year over the base year (1999-2000) in all cases of users charges. The Government has, however, not revised water charges since May 1998.

While agreeing with this observation, the Secretary, PHED stated during the exit conference that fixation of user charge was a political decision.

### **6.2.8 Internal control**

#### **6.2.8.1 Lack of monitoring**

As per rule 760 of PWF&AR Part I, the Divisional Officer (DO) should review the registers, books and accounts maintained in the divisional and sub-divisional offices and a record of such review will be kept in all cases in the Memo of Review in the prescribed form.

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<sup>4</sup> Revenue (South) Jaipur, Revenue (North) Jaipur, Revenue Ajmer, District Ajmer, Bhilwara, Pratapgarh, Salumber, Rajasmand, Tonk, Bundi, Revenue Kota, Jhalawar, Revenue Jodhpur, Balotra, Beawer, Nagaur, Churu, Sriganganagar, Suratgarh, Revenue Bikaner, Sojat city and Jhunjhunu.

It was revealed in audit that no Memo of Review was maintained in the divisions. Under these circumstances, the efficacy of monitoring at divisional office level could not be assessed in audit.

After this was pointed out, the Government agreed during the exit conference to issue necessary instructions to the concerned officers.

### 6.2.8.2 Working of internal audit

Audit observed that at the end of the March 2008, 5,084 internal audit reports (IAR) with 47,749 paras were outstanding which indicated lack of attention to issues raised by the internal audit.

After this was pointed out, the Government accepted the facts and stated that a special campaign will be launched soon to settle the outstanding paras.

Position of units due for audit and audited during 2003-04 to 2007-08 was as under:

Year	Arrears <sup>5</sup> of units brought forward	Units due during the year	Total units due for audit	Units audited during the year	Percentage of units audited
2003-04	2,356	598	2,954	914	31
2004-05	2,040	598	2,638	1,284	49
2005-06	1,354	598	1,952	744	38
2006-07	1,208	640	1,848	726	39
2007-08	1,122	640	1,762	774	44

The above table indicates that as against the units due for audit, percentage of units audited ranged between 31 and 49. Department replied (April, 2009) that finance department had been requested to increase the number of audit parties.

**The Government may consider strengthening of internal control system for better financial management.**

**The Government should effectively use internal audit to ensure that the various wings of the department are functioning efficiently for optimum collection of revenue.**

### 6.2.9 Compliance deficiencies

#### 6.2.9.1 Non-levy of interest on outstanding demands

The State Government vide notification 13 October 1976 provided that penal interest at the rate of 12 *per cent per annum* would be charged on water supply bills which remained unpaid for two months or more from the due date indicated in the bill.

Test check of the records of 15 divisions<sup>6</sup> revealed that heavy amounts were outstanding against Railways, Nagar Nigams, Nagar Palikas *etc.* but penal interest amounting to Rs. 55.15 crore (up to March 2009) on outstanding amount was not demanded.

<sup>5</sup> Arrears of units were arrived by multiplying the units with years from which audit was due.

<sup>6</sup> Revenue Ajmer, Pratapgarh, Bundi, Revenue Kota, Jaipur (North), Jhalawar, Revenue Jodhpur, Balotra, Beawer, Nagaur(RIGEP), Nagaur, Churu, Sriganganager, Revenue Bikaner and Jhunjhunu.

After this was pointed out, the Government assured that the department will look into the issue of non-levy of interest on outstanding revenue against Railways, Nagar Nigams, Nagar Palikas *etc.*

#### **6.2.9.2 Non-assessment of water charges against Nagar Nigam Jodhpur**

Test check of the records of revenue division Jodhpur revealed that department was supplying water through 2,410 Public Stand Posts (PSP) of Jodhpur at the rate of Rs 538 per PSP per month but the division had not assessed water charges for water supplied from October 2006 to March 2008. This resulted in non recovery of Rs. 2.35 crore.

The division stated that as per decision taken by the Policy Making Samati in October 2006, the raising of bills has been kept pending. The fact, however, remains that even after more than two years the matter of levy of water charges has not been finalised. The Government accepted the facts and stated that department will raise the demand.

**The Government may consider taking effective action to ensure speedy recovery of arrears.**

#### **6.2.9.3 Loss due to abnormal leakage of water**

Para 10.10.2 (a) of the Manual on Water and Treatment provides that loss of water above 10 *per cent* in case of 24 hours water supply and above 20 *per cent* in case of intermittent water supply would require remedial measures.

Test check of the records of six division<sup>7</sup> for the period from 2003-04 to 2007-08 revealed that loss of water due to leakage between quantity of water drawn and water received at the consumers end in excess of maximum permissible limit of loss ranged between 5 *per cent* and 52 *per cent* (**Annexure 'F'**) resulting in loss of revenue amounting to Rs. 234.43 crore calculated at the cost of production.

After this was pointed out the Government accepted the facts and stated that bulk water meters would be installed to measure actual production and loss of water, old pipe lines would be replaced and a policy would be framed for reducing loss of water due to theft, illegal water connection *etc.*

#### **6.2.9.4 Non-levy of penalty on illegal water connections**

As per PHED notification 29 May 1998 a penalty at the rate of Rs 500 per connection, for taking illegal water connection, is leviable.

Test check of the records in four divisions<sup>8</sup> and information supplied by the department revealed that 3,178 illegal water connections were taken from main distribution line. Despite the fact that all these cases of illegal connection were detected by the departmental officers during inspection, penalty at the

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<sup>7</sup> Revenue (South) Jaipur, Revenue (North) Jaipur, Revenue Ajmer, Revenue Kota, Revenue Jodhpur and Sriganganager.

<sup>8</sup> Revenue (South) Jaipur, Revenue (North) Jaipur, Revenue Jodhpur and Revenue Bikaner.

prescribed rate of Rs. 500 per illegal connection was not levied. This resulted in non-levy of penalty amounting to Rs. 15.90 lakh.

After this was pointed out, the Government agreed during the exit conference to recover the penalty. They further stated that an amount of Rs 30 lakh has been recovered from 3000 illegal connections in Jaipur Circle.

#### **6.2.9.5 Short realisation of stamp duty**

As per article 5 of the schedule under section 3 to the Rajasthan Stamp Act 1998, stamp duty of Rs. 100 is leviable in case of an ordinary agreement.

It was noticed in 10 divisions<sup>9</sup> that 97,311 agreements were executed between April 2003 and March 2008. However test check of these agreements revealed that either stamp duty was not levied or levied at the rate of Rs. 10 per agreement while their execution. This resulted in minimum short realisation of stamp duty of Rs. 87.58 lakh.

#### **6.2.9.6 Non-levy of supervision charges**

Rule 146 of PWF&AR, provides that in addition to book value supervision charges are to be levied as fixed charges (10 *per cent*) in respect of stock sold to public to cover the charges on account of supervision of stores. Audit observed in four divisions<sup>10</sup> that 39,577 water meters were sold to consumers by the department, however, supervision charges amounting to Rs. 17.33 lakh were not levied.

The department stated during the exit conference that matter will be re-examined.

#### **6.2.9.7 Irregular transfer of percentage charges under Head 2215 Water Supply and Sanitation**

Utilisation of departmental receipts for meeting departmental expenditure is against budgetary control and tentamounts to bypassing the legislative authority of the state. In addition, it also affects the accounting of expenditure out of these receipts.

Audit observed in 18 divisions<sup>11</sup> that these divisions were allotted operation and maintenance charges *i.e.* percentage charges on plan works under Accelerated Rural Water Supply Programme. These charges amounting to Rs 43.83 crore were irregularly credited to 'Head 2215 Water Supply and Sanitation' instead of crediting it to revenue.

The department agreed during the exit conference to these facts and stated that this was done as per policy of the Finance Department.

<sup>9</sup> Revenue (South) Jaipur, Revenue (North) Jaipur, Pratapgarh, Salumber, Tonk, Bundi, Jhalawar, Nagaur, Sojat City and Jhunjhunu.

<sup>10</sup> Revenue (South) Jaipur, Revenue (North) Jaipur, Revenue Jodhpur and Jhunjhunu.

<sup>11</sup> District Ajmer, Bhilwara, Pratapgarh, Salumber, Rajasmand, Tonk, Bundi, Jhalawar, District III Jodhpur, Balotra, Barmer (North), Beawer, Nagaur (RIGEP), Nagaur, Churu, Suratgarh, Sojat City and Jhunjhunu.

### **6.2.9.8 Non-crediting of percentage charges to revenue**

As per rule 7(1)(b) of Appendix V of Part II of PWF&AR, recoveries on establishment charges related to work done for other Government, Local bodies, Private parties *etc.*, will be made on percentage basis and credited to revenue head. As per rule 615 of Part I of PWF&AR, such percentage leviable will be adjusted month by month as the work expenditure is incurred.

Test check of the records of three divisions<sup>12</sup> revealed that deposit works were undertaken by the department for other Government, Local bodies *etc.*, but percentage charges leviable amounting to Rs. 26.58 lakh in 14 cases were not credited to revenue.

The Department agreed during the exit conference to rectify this irregularity.

### **6.2.10 Conclusion**

The performance audit revealed that effective action was not taken for recovery of arrears, resulting in steady accumulation of arrears. Non functioning of water meters affected assessment of revenue of the State Government. Water tariff has not been revised since May 1998. Remedial action required to reduce water loss has not been taken and internal control system was not adequate for ensuring better financial management by the department.

### **6.2.11 Summary of recommendations**

**The Government may consider:**

- **prescribing a periodical monitoring system in the department to assess the correctness of arrears and ensure speedy recovery of arrears;**
- **prescribing a provision for levy of interest on late deposit of revenue by collecting agency;**
- **taking effective steps to replace defective water meters; and**
- **strengthening the internal control system for better financial management by the department.**

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<sup>12</sup> P&D (South) Jaipur, District Ajmer and Revenue Bikaner.

## **B. Mines, Geology and Petroleum Department**

### **6.3 Audit observations**

*Test check of the records of Mines, Geology and Petroleum Department revealed several cases of non-observance of the provisions of Act/Rules, non-adherence to the Government orders/procedure and other irregularities in the cases as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on a test-check carried out in audit. Such omissions on the part of Mining Engineers/Asstt. Mining Engineers were pointed out in audit each year, however not only the irregularities persist, these remain undetected till an audit is conducted. There is need for the Government to improve their internal control system.*

### **6.4 Non-observance of the provisions of Acts/Rules**

*The Mines and Minerals (Development and Regulation) Act, 1957 (MMDR); Mineral Concession Rules, 1960 (MCR); Mineral Conservation and Development Rules, 1988 (MCDR) and Rajasthan Minor Mineral Concession Rule, 1986 (RMMCR) provide for:*

- (i) levy of royalty at prescribed rates;*
- (ii) levy of cost of minerals illegally excavated/despached;*
- (iii) levy of interest on delayed payments;*
- (iv) grant of lease and*
- (v) conservation of minerals.*

*The Mining Engineer/Assistant Mining Engineers did not observe the provisions of the Act/Rules in the cases mentioned in paragraphs 6.4.1 to 6.4.13. This resulted in non/short realisation of royalty, non/short realisation of cost of mineral and non-levy of interest of Rs. 41.03 crore.*

#### **6.4.1 Short raising of demand of royalty**

Under section 9 of the MMDR Act, the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the rate for time being specified in the second schedule of the MMDR Act in respect of that mineral.

As per the State Government's instruction issued in April 2000, the competent authorities were required to calculate royalty in respect of mineral dispatched on monthly basis, raise demand and initiate action for its recovery.

Test check of the records of Mining Engineer, Udaipur revealed (February 2009) that a mining lease for the minerals Lead, Zinc and Silver was effective in favour of a company. The lessee paid royalty on metal contained in ore of Zinc and Lead dispatched up to September 2005 as envisaged in second schedule of the Act whereas the royalty was paid on metal contained in the concentrate of the mineral instead of metal contained in the ore produced from October 2005. During the period from October 2005 to March 2008, the lessee

paid Rs. 76.12 crore on account of royalty on mineral Zinc and Lead as against payable royalty of Rs. 89.68 crore. The failure on the part of department to levy royalty resulted in short recovery of Rs. 13.56 crore.

After this was pointed out, the Mining Engineer, Udaipur stated (February 2009) that the assessment for this period was pending and the demand would be raised at the time of assessment. However, the fact remains that the royalty on the mineral dispatched was required to be calculated on monthly basis. Further, the royalty had to be levied on the metal contained in the ore of the mineral.

The matter was brought to the notice of the Government and department in March 2009, their replies have not been received (October 2009).

#### **6.4.2 Irregular allowance of handling and processing loss**

Test check of the records of Mining Engineer (ME), Udaipur revealed (February 2009) that a mining lease for mineral rock phosphate was effective in favour of a lessee. The royalty assessments for the period 1997-98 to 2002-03 were finalised in April 2004 and January 2005 on the basis of final figures of production allowing three *per cent* handling and processing loss of 1,58,061.26 MT. There is no provision in MMDR Act or MCR for allowing handling and processing loss. This resulted in short recovery of royalty of Rs. 3.24 crore.

After this was pointed out, the ME, Udaipur stated (February 2009) that while the rebate on losses was given as per rule, facts would be verified from records of the lessee and action would be taken under intimation to audit. The fact remains that there is no provision in Acts/Rules for allowing handling and processing loss.

The matter was brought into the notice of department and the Government (March 2009); their replies have not been received (October 2009).

#### **6.4.3 Short recovery of royalty on mineral gypsum**

Section 9 of the MMDR Act provides that the holder of a mining lease shall pay royalty on any mineral removed or consumed from the leased area at the rate for the time being specified in the Act. Further rule 64 D of the MCR provides that state-wise average price for different individual minerals as published by Indian Bureau of Mines (IBM) shall be the benchmark for computation of royalty in respect of any mineral produced during the month. For the purpose of computation of the royalty, the State Government shall add 20 *per cent* to this benchmark value. This value shall be reckoned to be the sale price for the purpose of computation of royalty. The rate of royalty on mineral gypsum was 20 per cent of sale price.

Test check of the records of the Assistant Mining Engineers, Jaisalmer and Sriganganagar revealed (March 2009) that as per IBM publication sale price for the mineral Gypsum was Rs. 210 per MT, on which sale value worked out to Rs. 252 per MT. Royalty at this rate worked out to as Rs. 50.40 per MT. However, it was noticed that the lessee paid royalty at the rate of Rs. 44.40 per MT instead of Rs. 50.40 per MT on mineral Gypsum despatched during the

period June 2007 to March 2008 resulting in short recovery of royalty of Rs. 44.92 lakh.

After this was pointed out (March 2009), the Department/Government stated (June 2009) that Rs. 39.94 lakh had been recovered in respect of Jaisalmer lessee. Reply in respect of Sriganganagar has not been received (October 2009).

#### **6.4.4 Non-recovery of excess royalty and interest thereon**

As per provision of section 9 of MMDR Act and the Government's instructions April 2000, the lessee shall pay the excess royalty amount on the mineral dispatched during the month and demand shall be raised on monthly basis and under provision of rule 64A of the MCR, simple interest at the rate of 24 *per cent* per annum shall be leviable on delayed payments for the default period commencing from the 60<sup>th</sup> day from the due date.

Test check of the records of ME, Bharatpur, revealed (October 2008) that on royalty assessments (May 2007 to December 2007) of the three lessees for the period November 2002 to January 2006, an excess royalty amounting to Rs. 22.11 lakh was recoverable but was not realised. Besides, interest of Rs. 15.87 lakh (upto September 2008) was also leviable.

The matter was reported (November 2008) to the Government and department, their replies have not been received (October 2009).

#### **6.4.5 Short recovery of royalty due to incorrect application of rate**

As per schedule II of the MMDR Act, the royalty rate of Limestone (LD grade), which contains 1.5 *per cent* silica content, was Rs. 55 per MT with effect from 14 October 2004.

Test check of the records of Assistant Mining Engineer (AME), Jaisalmer revealed (March 2008 and February 2009) that RSMML had paid royalty of Rs. 45 per MT instead of Rs. 55 per MT on Limestone (LD grade 10-30 mm gitties) despatched during the years 2006-07 and 2007-08 resulting in short recovery of royalty of Rs. 29.23 lakh.

After this was pointed out (March 2009), the Department/Government stated (June 2009) that company had been asked to deposit the amount. Further progress has not been received (October 2009).

#### **6.4.6 Short realisation of royalty from defaulting lessees**

The MMDR Act or rules made thereunder do not provide any time limit for finalisation of assessment by the assessing authority in the Mines Department. The competent authority can terminate the lease for breach of any condition of the lease agreement.

Test check of the records of Mining Engineer, Sojatcity, revealed (August 2008) that three mining leases of limestone were cancelled in March 2006 for non-payment of dead rent, non-submission of returns *etc.* Royalty amounting to Rs. 52.10 lakh were payable by these lessees for the period from 2002-03 to 2006-07. The lessees had paid only Rs. 42.37 lakh resulting in short realisation of royalty of Rs. 9.73 lakh.

After this was pointed out (September/November 2008) the Department/Government stated (June 2009) that recovery would be made after assessment. Further progress has not been received (October 2009).

#### **6.4.7 Non-recovery of royalty**

Sub-section 21(5) of the MMDR Act provides that whenever any person raises without any lawful authority any mineral from any land, the state Government may recover from such person the mineral so raised or where such mineral has already been disposed of, the price thereof. The Government may also recover from such person royalty for the mineral.

Test check of the records of Mining Engineer, Bharatpur revealed (October 2008) that during inspection conducted by Surveyor on 25 January 2005, an unauthorised excavation of mineral 'Silica sand' from the Government land was noticed. A demand of Rs. 2.59 crore was raised on cost of 1,61,700 MT mineral unauthorisedly removed (10 October 2008) but the demand of royalty at the rate Rs. 20 per MT amounting to Rs. 32.34 lakh was not raised.

After this was pointed out (November 2008) the Department stated (August 2009) that the demand of royalty of Rs. 32.34 lakh had been raised. Report on recovery has not been received.

Matter was reported to the Government in November 2008, their reply has not been received (October 2009).

#### **6.4.8 Non-recovery of cost of mineral unauthorisedly excavated**

Rule 48 of RMMC Rules provides that whenever any person raises any mineral from any land and where mineral so raised has already been despatched or consumed without any lawful authority, he shall be liable to pay the cost of mineral so excavated. The cost of mineral is computed as 10 times of the royalty payable at the prevalent rates.

Test check of the records of five Assistant Mining Engineer/Mining Engineer offices revealed, between June 2008 and October 2008, that in eight cases the lessees unauthorisedly excavated/dispached minerals resulting in non/short recovery of cost of minerals aggregating to Rs. 13.48 crore as mentioned below:

Sl. no.	Name of the office (Number of cases)	Name of mineral	Quantity of mineral illegally excavated and despatched (in MT)	Recoverable cost of mineral (Rupees in crore)	Nature of observation
1	2	3	4	5	6
1.	ME Alwar (1)	Marble Khandas	1,64,425.275	8.22	In a survey conducted in August 2007, it was found that the lessee had unauthorisedly excavated and dispatched marble khanda 1,64,425.275 MT out of the sanctioned lease area.

1	2	3	4	5	6
<p>After this was pointed out the ME, Alwar stated (September 2008) that show cause notice has been issued to lessee. The demand has not been raised (19 August 2009) even after lapse of one year.</p> <p>The matter was pointed out (February 2009) to the Government and department, their replies have not been received (October 2009).</p>					
2.	ME Nagaur (2)	Lime stone	87,763	3.95	Two mining lease (No. 23/95 and 2/95) holders excavated and despatched mineral lime stone 87763 MT unauthorisedly without rawanna and payment of royalty.
<p>After this was pointed out the ME, Nagaur stated (June 2008) that the proposals for cancellation of leases had been sent to the competent authority. However, the fact remains that action for recovery of the cost of mineral was not taken.</p> <p>The matter was pointed out to the department in July 2008, and reported to the Government in November 2008; their replies have not been received (October 2009).</p>					
3.	AME Barmer (3)	Granite	5,030	0.75	Geological and technical reports of prospecting works done were submitted by the applicants. Audit scrutiny revealed that 5138 MT granite was despatched by the applicants during the prospecting period against which the department assessed (January - February 2008) for 108 MT.
<p>After this was pointed out (September 2008), the AME Barmer stated in December 2008 that lessees had been asked (November 2008) to submit records and explain the actual position of the matter.</p> <p>The matter was pointed out to the department (October 2008) and reported to the Government (November 2008); their replies have not been received (October 2009).</p>					
4.	ME Bharatpur (1)	Masonry Stone	35,280	0.46	Site inspection reports revealed that the contractor had unauthorisedly excavated 35280 MT masonry stone outside the area authorised in the short term permit.
<p>After this was pointed out, the ME, Bharatpur stated (October 2008) that the cost would be recovered after re-verification of the quantity actually used unauthorisedly.</p> <p>Matter was pointed out to the department and the Government (November 2008); their replies have not been received (October 2009).</p>					
5.	AME Jalore (1)	Granite	1,872	0.10	A mining lease holder excavated 1872 MT granite mineral unauthorisedly outside his sanctioned lease area.
<p>After this was pointed out (August 2008), the AME Jalore stated (August 2008) that action would be taken as per rule. Further progress was awaited (October 2009).</p> <p>The matter was pointed out to the department in September 2008 and reported to the Government in November 2008; their replies have not been received (October 2009).</p>					
<b>Total</b>				<b>13.48</b>	

#### **6.4.9 Unauthorised excavation of mineral by contractors**

Rule 63 of the RMMC Rules read with the Government order dated 3 October 2001, provides that works contractor shall have to obtain short term permit (STP) in advance from the concerned Mining Engineer/Assistant Mining Engineer in support of minerals to be used for their works. If a permit holder has excavated and carried out a quantity more than 25 *per cent* of the quantity sanctioned in the STP, the entire quantity excavated and removed over and above the quantity sanctioned in the permit, the permit holder shall be liable to pay the cost of such excess mineral excavated and removed which will be 10 times of the royalty at the prevalent rates as prescribed under rule 48 *ibid*.

Test check of the records of 6 ME/AME offices<sup>13</sup> conducted between July 2008 and February 2009 revealed that the 10 work contractors excavated/consumed mineral either without STP or more than 25 *per cent* of the quantity permitted in the STPs. The cost of mineral amounting to Rs. 4.80 crore though recoverable was not recovered.

After this was pointed out (September 2008 to March 2009), the ME/AME Alwar, Balesar, Barmer and Kotputli accepted the audit observation. However, replies from ME, Bundi-II and Sirohi were not received (October 2009).

#### **6.4.10 Non-realisation of cost of mineral despatched without *rawanna***

As per rule 18(9)(c) of the RMMC Rules, the lessee or any other person shall not remove or utilise the mineral from mines and quarry without a *rawanna*<sup>14</sup> which is duly sealed by the Mining department. According to the agreement of the Excess Royalty Collection Contract (ERCC) executed under rule 37 (2) of rules *ibid*, the contractor shall collect the royalty amount only from such vehicles having valid *rawannas* issued by the lessee. In cases of vehicles carrying mineral without *rawanna*, the ERC contractor shall hand over these vehicles to the Mining Engineer/Assistant Mining Engineer concerned who has the right to recover the cost of mineral, 10 times of the royalty payable at the prevalent rates, treating it as unauthorised removal.

Test check of the records of AME, Barmer revealed (September 2008) that an ERCC of mineral Bentonite despatched from effective mining leases was awarded in March 2006 to a contractor for the period 1 April 2006 to 31 March 2008. The contractor collected royalty amounting to Rs. 14.87 lakh on 24,791.65 MT minerals Bentonite despatched/cleared without *rawannas* during the period April 2006 to October 2006 instead of handing over these vehicles to the department for collecting the cost of mineral. This resulted in non-realisation of revenue of Rs. 1.49 crore being 10 times of royalty.

After this was pointed out (September 2008) the AME, Barmer stated (January 2009) that the matter had been referred to DMG for their direction. Further progress has not been received (October 2009).

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<sup>13</sup> Alwar, Balesar, Barmer, Bundi -II, Kotputli and Sirohi.

<sup>14</sup> '*Rawanna*' means a delivery challan for removal or despatch of mineral from mines.

The matter was pointed out to the department in October 2008 and reported to the Government in November 2008; their replies have not been received (October 2009).

#### 6.4.11 Non-raising of demand for interest

**6.4.11.1** Section 9(2) of the MMDR Act provides that the holder of a mining lease shall pay royalty at the prevailing rate in respect of any mineral recovered or consumed. Further rule 64 A of the MCR provides that the lessee shall be liable to pay interest at the rate of 24 *per cent* per annum on the delayed payment for the period of delay computing from 60th day of due date.

During the Test check of the records of three Mining Engineer/Assistant Mining Engineer offices, it was noticed (between September 2008 and March 2009) that in five cases the lessees deposited the amount of development charges, Government dues, excess royalty amount, difference amount of royalty and premium charges late as detailed below resulting in non-levy of interest of Rs. 1.32 crore:

Sl. no.	Name of ME/AME office	No. of cases	Nature of amount deposited late	Amount of interest due (Rs. in lakh)	Nature of observation
1.	Barmer	1	Development charges upto 12/05	61.83	Difference amount of development charges for the period June 1990 to March 2005 were deposited late by RSMML.
2.	Barmer	2	Government dues	8.52	Government dues pertaining to the period August 2000 to March 2005 were deposited late by two lessees between August 2005 and March 2008.
3.	Bhilwara	1	Excess royalty amount	56.11	Balance of excess royalty amount of Rs. 80.02 lakh pertaining to the period May 2001 to May 2006 was deposited late by a lessee during 2007-08.
4.	Sriganganagar	1	Difference amount of royalty and premium charges	5.47	Difference amount of royalty and premium charges pertaining to the period May 2007 to April 2008 were deposited late in July 2008.
<b>Total</b>		<b>5</b>		<b>131.93</b>	

The AME, Barmer replied (January 2009) that in case of Sl. No. 1 above Rajasthan State Mines and Mineral Limited (RSMML) being a Government undertaking, interest was not recoverable. However, no such exemption is provided in the rules. For case at Sl. No. 3, ME, Bhilwara stated (December 2008) that the lessee has deposited the amount of excess royalty after assessment of royalty, therefore, recovery of interest was not appropriate. However, as per rules, royalty is to be paid at the time of removal of mineral. In respect of the case at Sl. No. 4, the AME Sriganganagar stated (June 2009) that a demand of Rs. 5.47 lakh has been raised.

The matter was reported to the Government/department between October 2008 and April 2009, their replies (except Bhilwara and Sriganganagar) have not been received (October 2009).

**6.4.11.2** As per terms and conditions of the ERCC agreement executed under rule 37(2) of RMMC Rules, the contractor has to pay the instalments of contract money by 10<sup>th</sup> of the each month in advance. Interest amount is to be paid on delayed deposit at the rate of 15 *per cent* per annum for the period of delay.

(i) Test check of the records of Mining Engineer Division-I, Rajasamand revealed (January 2009) that an ERCC was sanctioned in March 2007 in favour of a contractor for the period from April 2007 to March 2009 at an annual contract amount of Rs. 58.31crore. The annual contract amount was revised to Rs. 61 crore with effect from 1 April 2007 by Hon'ble Supreme Court's order dated 6 August 2007. The difference amount of instalments Rs. 67.63 lakh was deposited by the contractor on 29 May 2008, but the demand of interest on delayed payment for the period from September 2007 to May 2008 worked out to Rs. 7.53 lakh was not raised.

After this was pointed out, the Mining Engineer Division-I, Rajsamand stated (January 2009) that the demand for the difference amount of instalments was raised on 31 March 2008 and the contractor deposited the amount on 29 May 2008, therefore, interest amount is not leviable. However, the fact remains that the ME asked the contractor on 1 September 2007 to deposit the differential amount within 7 days.

The matter was reported (March 2009) to the Government and the department, their replies have not been received (October 2009).

(ii) Test check of the records of Mining Engineer, Alwar revealed (September 2008) that an ERCC for the mineral marble was sanctioned in favour of a contractor for the period from 1 April 2007 to 31 March 2009. The contractor failed to deposit instalments of contractual amount on due dates. The amount of interest Rs. 5.13 lakh was not levied on the delayed payment of instalments.

After this was pointed out, the Mining Engineer, Alwar stated (September 2008) that demand of interest had been raised in September 2008 but recovery is pending. Further, report has not been received (October 2009).

The matter was reported (February 2009) to the Government and department, their replies have not been received (October 2009).

#### **6.4.12 Undue benefit to a lessee**

Rule 11(2) of the RMMCR provides that maximum number of mining leases for a particular mineral or associated group of minerals to a person within direct jurisdiction of any Mining Engineer/Assistant Mining Engineer shall be restricted to two. In cases where an applicant dies before the orders granting mining lease is passed, the application for grant of a mining lease shall be deemed to have been made by his legal representative. Further, no mining lease, quarry licence, short term permit or any other permit shall be granted

otherwise in accordance with the provisions of these rules and if granted, shall be deemed to be null and void.

Test check of the records of Mining Engineer, Karauli revealed (November 2008) that a mining lease (No. 9/04) for mineral sand stone was granted on 12 January 2005 in favour of an applicant. As the applicant died on 30 May 2004, the mining lease agreement was executed by his wife who was already possessing two mining leases (number 1/99 and 36/01) of mineral sand stone in the jurisdiction of the ME, Karauli. Thus, execution of agreement for third mining lease was in violation of the rule 11 and 74 of RMMCR and became null and void *abinitio* as per provisions of the rule 72 *ibid*. The allottee worked in the area and despatched 3060 MT of mineral sand stone up to 31 March 2008. The mining activity carried out in the existing area was unlawful, the department extended undue benefit to person equal to cost of sand stone of Rs. 13.46 lakh despatched.

The matter was brought to the notice of the department in December 2008 and the Government in January 2009; their replies have not been received (October 2009).

#### **6.4.13 Loss of revenue due to non-observance of conservation rules**

Rule 27(i)(n) of MCR provides that the lessee shall store properly unutilised or non-saleable sub-grade ores or minerals for future beneficiation.

Test check of the records of Mining Engineer Nagaur, revealed (June 2008) that a lease of mineral lignite was effective in favour of a company. During the mining operation of lignite, minerals bentonite and fullers earth had also been simultaneously obtained, which were scrapped and mixed with overburden and other waste materials. The same company was also having a mineral lignite lease in jurisdiction of Mining Engineer, Bikaner where it was stacking up mineral fullers earth separately. The quantity of fullers earth, as work out by audit on the basis of mining plan and site inspection reports, was 2,68,808 MT. The scraping and mixing of mineral fullers earth with overburden and waste materials resulted in loss of Rs. 1.34 crore of royalty because there is no possibility of retrieving the mineral.

After this was pointed out, the Mining Engineer, Nagaur stated (June 2008) that necessary action would be taken after ascertaining the industrial use of the mineral. However, the fact remains that the stacking of fullers earth and other minerals was to be done separately as provided in the rules. Further, the Superintending Geologist of the department has considered (3 April 2008) this as an industrial mineral.

After this was pointed out (July 2008), the department stated (September 2009) that a demand of Rs. 1.34 crore has been raised. Report on recovery has not been received (October 2009).

The matter was reported to the Government in November 2008; reply has not been received (October 2009).

## **6.5 Non-adherence to the Government orders**

*The Government orders provide for:*

- (i) *proper scrutiny of refunds of revenue;*
- (ii) *levy of premium charges on mineral gypsum;*
- (iii) *for waiver of interest under amnesty scheme on depositing old dues; and*
- (iv) *assessment, accounting and recovery of all Government dues.*

*The Mining Engineer/Assistant Mining Engineer in the cases mentioned in the paragraph 6.5.1 to 6.5.5, did not observe some of the Government orders which resulted in non-recovery of licence fee/premium charges and irregular waiver of interest of Rs. 10.97 crore.*

### **6.5.1 Non-raising and recovery of demand of licence fee**

As per provisions of the Manual of Department of Mines and Geology, the Government of Rajasthan, the Mining Engineer concerned shall, after necessary scrutiny of his records, forward cases of refunds of revenue to the Director Mines and Geology (DMG), clearly bringing out the amount due from the applicant.

Test check of the records of the DMG revealed (November 2007) that an amount of Rs. 9.85 crore of licence fee for the period from 1993-94 to 2005-06 was outstanding against a company. The company deposited licence fee and development charges Rs. 32.50 crore out of which a sum of Rs. 10.62 crore on account of licence fee was refunded on 30 March 2007. However, neither was the outstanding amount of licence fee adjusted from the amount refunded nor was demand raised and posted in the Demand and Collection Register (DCR)

After this was pointed out (November 2007), the ME, Udaipur accepted the audit observation and raised (7 May 2008) a demand of Rs. 9.85 crore. The department further intimated (August 2009) that an amount of Rs. 9.42 crore has been recovered.

The matter was reported (April 2008) to the Government, their reply has not been received (October 2009).

### **6.5.2 Non-recovery of premium charges**

The State Government in April 2005 appointed RSMML and Fertiliser Corporation of India Limited (FCIL) as agents for excavation and despatch of gypsum. The agents were required to produce and despatch a minimum quantity of 2,000 MT gypsum per month from each area failing which minimum premium charges of Rs. 40,000 per month for each area were payable by the agents to the concerned ME / AME.

Test check of the records of AME, Sriganaganagar in March 2009 and ME Bikaner, in June 2008 revealed that the agent companies failed to produce and despatch the required minimum quantity of 2000 MT of gypsum per month

from the allotted areas. The demand for Rs. 69.20 lakh, towards minimum premium charges, was neither raised nor recovered by the Mining department.

After this was pointed out, the department stated (August 2008 and July 2009) that a demand of Rs. 69.20 lakh has been raised in both the cases. Report on recovery has not been received (October 2009).

The matter was reported to the Government in April 2009; their reply has not been received (October 2009).

### **6.5.3 Irregular waiver of interest under amnesty scheme**

Amnesty scheme 2007-08, introduced vide the State Government order dated 2 February 2008, was applicable to all outstanding demands of royalty/excess royalty and other departmental revenue for the period prior to 1 April 2005 for which demand were raised before or on after 1 April 2005. The scheme did not cover the cases of demands, which were outstanding against effective mining leases and royalty collection contracts/excess royalty collection contracts (RCC/ERCC).

**6.5.3.1** Test check of the records of Mining Engineer, Dholpur revealed (November 2008) that a lease of mineral sand stone was effective in favour of a company since January 1949. Rs. 9.78 lakh of dead rent for the period 1 May 1980 to 3 May 1994 and interest thereon was outstanding against the company. The lessee deposited (March 2008) the principal outstanding amount of Rs. 9.78 lakh and applied for waiver of interest amount due Rs. 35.21 lakh, which was allowed by the ME, Dholpur. The waiver of interest was not as per provisions of the amnesty scheme as the lease was effective.

After this was pointed out in November 2008, the ME, Dholpur stated that waiver of interest was allowed as per decision of the Superintending Mining Engineer, Bharatpur. The action was irregular as there was no provision for waiver of interest for effective mining lease in the amnesty scheme.

**6.5.3.2** Test check of the records of DMG, Udaipur revealed (December 2008) that in five ME/AME offices<sup>15</sup>, a total amount of Rs. 7.48 lakh of interest due on RCC/ERCC was waived in contravention of the provisions of the amnesty scheme.

After this was pointed out (December 2008), DMG stated (January 2009) that information was being called from the concerned ME/AME offices.

The matter was reported to the Government (April 2009); their reply has not been received (October 2009).

### **6.5.4 Non-recovery of revenue due to non-posting of demand in the DCR**

Rule 278 of General Financial and Accounts Rules envisaged that all Government dues should be assessed, accounted and recovered.

Test check of the records of the Assistant Mining Engineer, Jalore revealed (August 2008) that in 31 cases royalty assessments were finalised between 24 June 2000 and 26 December 2007, and a sum of Rs. 8.79 lakh was recoverable

<sup>15</sup> Balesar, Bhilwara, Dholpur, Jhalawar and Kota.

but neither the demand was raised nor posted in the DCR<sup>16</sup> resulting in non-recovery of Rs. 8.79 lakh.

After this was pointed out (September/November 2008), the department/Government stated (June 2009) that demand had been raised and posted in the DCR. Report on recovery has not been received (October 2009).

#### **6.5.5 Lacunae in rules**

Rule 63 of the RMMC Rules read with the Government order dated 3 October 2001, provides that works contractor shall have to obtain short term permit (STP) in advance from the concerned Mining Engineer/Assistant Mining Engineer in support of minerals to be used in their works. If a permit holder has excavated and carried mineral to the extent of 10 *per cent* over and above the quantity specified in the permit within the stipulated time of the permit, only a single charge of royalty will be recovered from the permit holder for the excess quantity of excavated mineral. In case, a permit holder has excavated and carried a quantity more than 25 *per cent* of the quantity sanctioned in STP, the entire quantity excavated and removed, over and above the quantity sanctioned in the permit, shall be treated as unauthorised excavation and the permit holder shall be liable to pay the cost of such excess mineral excavated and removed, which will be 10 times of the royalty at the prevalent rates as prescribed in rule 48 of RMMC Rules. However, the rule 63 is silent about the recovery of cost of mineral excavated and removed to the extent between 10 to 25 *per cent*, over and above the quantity sanctioned in the permit.

Test check of the records of ME, Bharatpur revealed (October 2008) that a road work was allotted to a contractor on 30 July 2005. The contractor used masonry stone 62,554.71 MT in the work against the authorised quantity of 51,585 MT in STP *i.e* 10,969.71 MT (21.26 *per cent*) masonry stone was used more than specified in STP. The ME, Bharatpur recovered royalty of Rs. 10.01 lakh as against the recoverable amount of Rs. 18.38 lakh resulting in a short recovery of cost of mineral Rs. 8.37 lakh due to lacunae in rules.

After this was pointed out, ME, Bharatpur stated (October 2008) that single royalty was recovered as per rules. However, the fact remains that the cost of mineral was to be recovered for quantity of mineral masonry stone used in excess of 10 *per cent* of permissible quantity in STP.

The matter was reported to the Government and the department (November 2008); their replies have not been received (October 2009).

### **C. Urban Development Department**

#### **6.6 Audit observations**

*In order to assess whether the lease money is collected and deposited in the Government account by Rajasthan Housing Board (RHB) and Urban Improvement Trusts (UIT), records of various Deputy Housing Commissioners (DHC) and UIT, were scrutinised. Test check of the records revealed several cases of non compliance of the provisions of the Rajasthan Housing Board*

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<sup>16</sup> Demand and Collection Register.

*Principles of Costing (1993-Revised), the Rajasthan Urban Improvement Trust (Disposal of Urban Land) Rule, 1974 and the Government instructions 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. These remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that occurrence of such cases can be avoided.*

## **6.7 Non-compliance of the provisions of the rules**

*The provisions of the Rajasthan Housing Board Principles of Costing (1993-Revised) and the Rajasthan Urban Improvement Trust (Disposal of Urban Land) Rules, 1974 require:*

- (i) *in case of RHB and UIT, lease or ground rent to be credited to the consolidated fund of the State;*
- (ii) *collection of lease or ground rent from lessee;*
- (iii) *correct valuation of property; and*
- (iv) *fixation of ground rent at prescribed rates.*

*The DHC/UIT did not observe some of the above provisions in cases mentioned in the paragraphs 6.7.1 to 6.7.7. This resulted in non/short transfer/recovery of the amount of lease or ground rent of Rs. 61.74 crore.*

### **6.7.1 Non-remittance/short remittance of lease money in the Government account**

**6.7.1.1** Test check of the records of eight DHC, Circles<sup>17</sup> revealed that lease money Rs. 43.22 crore recovered on behalf of the Government during the period from 2003-2004 to 2007-2008 was not credited/ transferred to the Consolidated Fund of the State.

After this was pointed out, the DHCs stated between August 2008 and March 2009 that collected amount of lease money was not transferred to the Government at circle level but lease money is kept in account of Nodal Bank, maintained in the jurisdiction of the Commissioner, RHB, Jaipur and action in this regard would be taken at their level.

The matter was pointed out to the Commissioner, RHB and reported to the Government in July 2008; their replies have not been received (October 2009).

**6.7.1.2** Test check of the records of UIT, Ajmer revealed that a sum of Rs. 2.20 crore being the Government's share of lease money as on 31.3.2003 was not transferred to the Government account. Besides this, Test check of the records of 4 UITs<sup>18</sup> revealed that the lease money and interest amounting to Rs. 63.00 crore was recovered during 2003-04 to 2007-08. Out of this, an amount of Rs. 37.80 crore being 60 per cent of total collection was required to

<sup>17</sup> Alwar, Bikaner, Jaipur-I, II, III, Jodhpur, Kota and Udaipur.

<sup>18</sup> Ajmer, Jodhpur, Kota and Udaipur.

be transferred to the Government account. However, the UITs transferred only Rs. 28.42 crore. Thus, a total amount of lease money of Rs. 11.58 crore was not transferred to the Government account.

After this was pointed out (August 2008 to March 2009) the Government stated (October 2009) that the difference amount of lease money in respect of UIT Ajmer and Udaipur amounting to Rs. 1.78 crore had been deposited into the Government account. Reply in respect of remaining cases has not been received (October 2009).

### **6.7.2 Non-raising of demands / recovery of lease money and interest**

**6.7.2.1** Instructions were issued by the State Government vide circular dated 1.10.2002 to recover the amount of lease money on priority basis. Further instructions were issued by RHB, Jaipur vide circular dated 27.2.2001 to all the DHCs to maintain individual accounts of lease holders with immediate effect.

Test check of the records of seven RHB circles<sup>19</sup> revealed that in 73 cases the demands of lease money and interest amounting to Rs. 5.29 crore (**Annexure 'G'**) as worked out by audit were neither raised nor recovered.

After this was pointed out to the respective DHCs between August 2008 and March 2009, all the DHCs stated (September 2009) that demand notices had been issued in all the cases, out of which in three cases, one each in DHC Alwar, Jaipur-I and Udaipur, Rs. 7.56 lakh had been recovered.

**6.7.2.2** Instructions were issued to the all UITs and RHB by the State Government vide circular dated 1.10.2002 to recover the outstanding amount of lease money on priority basis.

Test check of the records of 6 UITs<sup>20</sup> revealed that demands of lease money were neither raised nor were the recoveries made in 38 cases amounting to Rs. 86.63 lakh.

After this was pointed out between August 2008 and March 2009, the Government stated (October 2009) that out of 23 cases of UIT, Ajmer and Udaipur, in two cases of Ajmer and three cases of Udaipur an amount of Rs. 31.83 lakh had been recovered and in remaining cases demand notices had been issued. Report on recovery and reply in remaining UITs have not been received (October 2009).

### **6.7.3 Short levy of lease money by RHB due to undervaluation of property**

Under rule 34 of Disposal of Property Regulations, 1970, Property Allotment Committee (PAC) is empowered for selection of applicants for allotment of property. The allotment would be made on approved prevailing reserve rates.

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<sup>19</sup> Alwar, Jaipur I, II, III, Jodhpur, Kota and Udaipur.

<sup>20</sup> Ajmer, Alwar, Bikaner, Jodhpur, Kota and Udaipur.

Test check of the records, of DHC Circle-I, Jaipur revealed that due to undervaluation of property lease money of Rs. 7.50 lakh only was recovered as against leviable amount of Rs. 11.67 lakh. This resulted in short levy of Rs. 4.17 lakh in three cases.

The matter was pointed out to the Board (August 2008); their reply has not been received (October 2009).

**6.7.4 Short levy of lease money from Rajasthan State Road Transport Corporation due to application of lower rate**

Test check of the records of DHC Circle- I, Jaipur revealed that land admeasuring 15,550 sq. metre in sector-10 of Pratap Nagar, Jaipur was allotted to Rajasthan State Road Transport Corporation (RSRTC) vide allotment order No. 6 dated 3.1.1994 (effective from 19.7.1993) for construction of depot with the annual lease money of Rs. 0.31 lakh at residential rate. RSRTC being a commercial concern, lease money was recoverable at commercial rate of 5 *per cent* of cost of land for the period 7/94 to 6/08. But the Board neither raised the demand nor recovered the amount of lease money and interest from RSRTC. This resulted in short levy of Rs. 19.09 lakh.

After this was pointed out, the DHC circle I, Jaipur stated (August 2008) that progress would be intimated after examination of this case.

**6.7.5 Short levy of lease money from institutions due to working out of lease money at concessional reserve rates**

As per office Order dated 26.9.1992, the lease money is required to be recovered at one time on total cost of land worked out at original reserve rate irrespective of allotment made to institutions at half of reserve rate or less than that.

Test check of the records of the DHC, Jodhpur revealed that lease money was recovered from institutions on total cost of land worked out at concessional reserve rate instead of original reserve rate. This resulted in short levy of lease money and interest amounting to Rs. 45.30 lakh in seven cases.

The matter was reported to the RHB (November 2008); their reply has not been received (October 2009).

**6.7.6 Non-remittances of the Government share of interest recovered on lease money by UIT, Ajmer**

Under Rule 7 (5) of the Rajasthan Urban Improvement Trust (Disposal of Urban Land) Rules, 1974, interest on late payment of urban assessment (ground rent) shall be charged at prescribed rate.

Test check of the records of UIT Ajmer revealed that interest receipt on every type of late payment was kept under one account without classification and segregation of interest received on lease money. Further from the challans of

lease money deposited, it was noticed that in the year 2007-08 an amount Rs. 116.37 lakh received by UIT as interest, of which Rs. 16.23 lakh was on account of interest on lease money. Out of this, Rs. 9.74 lakh (60 per cent) was required to be credited into the Government account. Further, interest on lease money is also required to be calculated in above manner and credited to the Government account for the year 2003-04 to 2006-07.

After this was pointed out the UIT, Ajmer stated (September 2008) that the amount would be deposited as per rules.

#### **6.7.7 Non-maintenance of individual account of lease holders by RHB/UIT**

The concerned institutions had to maintain individual accounts of each lease holder so that position of the total demands, collection and outstanding balances of lease money, could be ascertained at a glance.

Test check of the records of six UITs<sup>21</sup> and eight circles of RHB<sup>22</sup> revealed that individual accounts of lease holders were not being maintained. In the absence of individual accounts, total amount of demands, collections and outstanding balances of lease money could not be worked out.

After this was pointed out between August 2008 and March 2009, the concerned offices confirmed the non-maintenance of records. The DHC Circle Jaipur-II, III, and Kota while accepting the facts also stated that new Computer Software was being prepared for maintenance of the individual accounts of lease holders.

The above observations were brought to the notice of the Government and the department (May 2009), their reply has not been received (October 2009).

### **D. Home (Police) Department**

#### **6.8 Non-raising of demand**

Under provisions of section 13 of the Police Act, 1861, police officials can be deployed on an application of any person showing the necessity thereof. Such deployment shall be at the charge of the persons making the applications.

Test check of records of Superintendent of Police office, Jaipur City (South) revealed that the police forces were deployed during the cricket matches of ICC-Champion Trophy 2006 on the request made by Rajasthan Cricket Association (RCA) from 11 October 2006 to 2 November 2006 in SMS Stadium, Jaipur. However, no action was initiated by the department for raising the demand of police cost of Rs. 84.98 lakh on account of deployment of police forces at the request of RCA Jaipur.

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<sup>21</sup> Ajmer, Alwar, Bikaner, Jodhpur, Kota and Udaipur.

<sup>22</sup> Alwar, Bikaner, Jaipur-I, II, III, Jodhpur, Kota and Udaipur.

After this was pointed out in May 2008, the Government intimated (July 2009) that a demand of Rs. 1.15 crore had been raised against RCA. Further report of recovery has not been received (October 2009).

**JAIPUR**  
**The**

**(MEERA SWARUP)**  
**Accountant General**  
**(Commercial & Receipt Audit), Rajasthan**

**Countersigned**

**NEW DELHI**  
**The**

**(VINOD RAI)**  
**Comptroller and Auditor General of India**