

## CHAPTER-VI: NON-TAX RECEIPTS

### 6.1 Results of audit

Test check of the records in departmental offices relating to Finance, Urban Development, Mines and Geology, Co-operation, Public Works {Public Health (Water Services and Sanitation), Irrigation and Buildings and Roads} Forest, Food and Supplies, Agriculture and Industries conducted in audit during the year 2009-10, revealed underassessments of tax and loss of revenue amounting to ` 348.76 crore in 2,208 cases which fall under the following categories:

(` in crore)

Sl. No.	Category	Number of cases	Amount
<b>A: Finance</b>			
1.	Receipts from guarantee fee (A review)	1	194.33
<b>Total</b>		<b>1</b>	<b>194.33</b>
<b>B: Urban Development</b>			
1	Non-collection of external development charges/infrastructure development charges and interest thereon	14	73.00
2.	Short recovery of license fee and conversion charges	12	11.00
3.	Miscellaneous irregularities	9	57.00
<b>Total</b>		<b>35</b>	<b>141.00</b>
<b>C: Mines and Geology</b>			
1.	Non-recovery of royalty and interest	185	0.36
2.	Non-recovery of interest on late deposit of contract money	46	5.00
3.	Miscellaneous irregularities	26	0.06
<b>Total</b>		<b>257</b>	<b>5.42</b>
<b>D: Co-operation</b>			
1.	Non/short recovery of dividend on share capital	33	2.38
2.	Non/short recovery of audit fees	140	0.10
<b>Total</b>		<b>173</b>	<b>2.48</b>

Sl. No.	Category	Number of cases	Amount
<b>E: Public Works Department</b>			
<b>(i) Water services and sanitation</b>			
1.	Loss due to non-levy of charges on un-metered supply of water to industrial institutions/commercial connections	417	1.33
2.	Miscellaneous irregularities	602	0.72
<b>Total</b>		<b>1,019</b>	<b>2.05</b>
<b>(ii) Irrigation and Buildings and Roads</b>			
1.	Miscellaneous irregularities	162	0.23
<b>F: Forest</b>			
1.	Miscellaneous irregularities	395	2.02
<b>G: Food and Supplies</b>			
1.	Miscellaneous irregularities	67	1.22
<b>H: Agriculture and Industries</b>			
1.	Miscellaneous irregularities	99	0.01
<b>Grand total</b>		<b>2,208</b>	<b>348.76</b>

During the year 2009-10, the department accepted underassessment and other deficiencies of ` 132.13 crore involved in 452 cases of which 427 cases involving ` 130.64 crore had been pointed out during 2009-10 and the remaining in the earlier years. The Departments recovered ` 2.51 crore in 27 cases during the year 2009-10, of which two cases involving ` 1.02 crore related to the year 2009-10 and balance to the earlier years.

After the issue of draft paragraphs and review the department further recovered ` 81.35 lakh in four cases (including two cases of review: ` 72.45 lakh).

A review of “**Receipts from guarantee fee**” involving ` 193.61 crore and a few illustrative audit observations involving ` 3.57 crore are mentioned in the succeeding paragraphs.

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## FINANCE DEPARTMENT

### 6.2 Receipts from guarantee fee

#### 6.2.1 Highlights

- State Government do not have reliable data base regarding guarantees given. The information about guarantee fee to be collected is neither available with the Finance Department (FD) nor with the respective administrative departments.

**(Paragraph 6.2.8)**

- Power Department had issued letters of comfort for loans raised by Power Utilities amounting to ` 10,813.75 crore during the period 2004-05 to 2008-09 which deprived the Government of guarantee fee of ` 216.28 crore.

**(Paragraph 6.2.9)**

- Guarantee fee of ` 181.15 crore for the years 2004-05 to 2008-09 was short deposited by four food procuring units due to application of incorrect rate.

**(Paragraph 6.2.10)**

- Non-raising of demand in respect of the Haryana State Co-operative Agriculture and Rural Development Bank Limited, Panchkula resulted in short realisation of guarantee fee of ` 12.46 crore.

**(Paragraph 6.2.11)**

#### 6.2.2 Introduction

Article 293 of the Constitution of India empowers the State Government to give guarantee on the security of the Consolidated Fund of the State within such limits as may be fixed by the State Legislature. No law has been passed by the State Legislature laying down the limit within which the Government may give guarantee on the security of the Consolidated Fund of the State. Haryana Government enacted the Haryana Fiscal Responsibility and Budget Management Act, 2005 (HFRBM Act). It lays down a reform agenda through a fiscal correction path in the medium term with the long term goal of securing growth with stability for its economy. As per HFRBM Act, total debt including contingent liabilities should not exceed 28 *per cent* of the estimated Gross State Domestic Product (GSDP) for the year. "Total liability" as defined in the HFRBM Act, means the liabilities under the Consolidated Fund of the State and Public Accounts of the State and also includes borrowings by public sector undertakings (PSUs) and other equivalent instruments including guarantees where principal and/or interest are to be serviced out of the State budgets. Guarantee fee is payable at the prescribed rates in lump sum on drawal of first instalment of loan in case the guarantee is sought for a single loan which is proposed to be drawn in one or more instalments in one financial year. In case the loan is to be drawn in tranches spread over a period of more than one financial year, guarantee fee is chargeable on drawal of first

instalment of loan in the respective financial year. Guarantees are contingent liabilities on the Consolidated Fund of the State in cases of default by borrowers for whom the guarantees have been extended.

**We undertook a performance audit with a view to ascertain the efficacy of the system and procedure relating to the computation, collection and accounting of guarantee fee. The review revealed a number of system and compliance deficiencies which are discussed in the following paragraphs.**

### **6.2.3 Organisational set up**

Proposals for raising loans and extending of guarantees by the State Government are processed by the borrowing institutions/bodies and forwarded to the respective Administrative Department for issue of sanction orders after obtaining the approval and concurrence of the FD. The Administrative Departments are responsible for maintenance of the record of guarantees availed and guarantee fee deposited/to be deposited. The Administrative Departments shall provide information to the Resources Cell {Economic Research Analysis and Monitoring Unit (ERAMU) established in April 2003} under FD for maintaining the overall records/data of the State guarantees for proper monitoring.

### **6.2.4 Audit objectives**

The review was conducted with a view to ascertain whether:

- the budget estimates (BEs) have been framed as per the provisions of budget manual and correct account of the guarantee fee;
- loans were raised against letters of comfort or cash credit limits etc.;
- the amounts of the guarantee fee were correctly assessed and promptly recovered; and
- internal control exists to monitor the levy and collection of the guarantee fee.

### **6.2.5 Scope of audit and methodology**

The review covered the period from 2004-05 to 2008-09 and was conducted from May to November 2009 with reference to the records available in the offices of the FD, six<sup>1</sup> administrative departments and five<sup>2</sup> heads of departments. Since the FD, administrative departments and heads of departments were not maintaining records relating to guarantees extended for

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<sup>1</sup> Financial Commissioner and Principal Secretaries to Government Haryana, Departments of Co-operation, Food and Supplies, Industries and Commerce, Power, Urban Local Bodies and Welfare of Scheduled Castes and Backward Classes.

<sup>2</sup> Registrar, Co-operative Societies, Director, Food and Supplies, Director, Industries and Commerce, Director, Urban Development and Director, Welfare of Scheduled Castes and Backward Classes.

the loans raised by the PSUs, Co-operatives and Rural banks etc., the information from 13 beneficiary<sup>3</sup> institutions, who had raised loans against Government guarantees during the aforesaid period, was collected and scrutinised for the review.

### 6.2.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the FD and other concerned administrative departments in providing the necessary information and records for audit. An entry conference was held in August 2009 which was attended by the Deputy Director and Research Officer of the FD. The audit objectives, methodology and selection of units were explained and agreed to. We forwarded the draft review report to the Government in April 2010. An exit conference was held on 23 June 2010, with the Financial Commissioner and Principal Secretary, Finance Department. During the exit conference, the findings of the review and recommendations were discussed. The replies furnished by the department have been suitably incorporated in the respective paragraphs.

### 6.2.7 Trend of revenue

Under Para 3.2 of the Punjab Budget Manual, as applicable to the State of Haryana, BE of the revenue receipts for the ensuing year should be based on original BE of the year just closed; actuals of two years preceding the year that just closed; actual of previous year for last six months and actuals of current year for first six months to make the estimates more realistic.

As per the Finance Accounts, BEs of guarantee fee for the years 2004-05 to 2008-09 as against the actuals under the head of account '0075-Micellaneous General Services-108-Guarantee fee' are as mentioned below:

(` in crore)

Year	BEs	Actuals	Variation (-) shortfall	Percentage of variation
2004-05	20.00	6.86	(-) 13.14	(-) 65.70
2005-06	15.00	4.88	(-) 10.12	(-) 67.47
2006-07	7.20	0.51	(-) 6.69	(-) 92.92

<sup>3</sup> Haryana Power Generation Corporation Limited, Panchkula (HPGCL), Haryana Vidyut Prasaran Nigam Limited, Panchkula (HVPNL), Uttar Haryana Bijli Vitran Nigam Limited, Panchkula (UHBVNL), Haryana Financial Corporation, Chandigarh (HFC), National Scheduled Caste Finance and Development Corporation, Chandigarh, Haryana Backward Classes and Economical Weaker Section Kalyan Nigam, Chandigarh (Kalyan Nigam), Haryana State Co-operative Supply and Marketing Federation Limited, Panchkula (HAFED), Haryana Warehousing Corporation, Panchkula (HWC), Haryana Agro Industries Corporation Limited, Chandigarh (HAIC), Haryana State Federation of Consumers Co-operative Wholesales Stores Limited, Chandigarh (CONFED), Urban Local Bodies, Chandigarh, The Haryana State Co-operative Agriculture and Rural Development Bank Limited, Panchkula and Haryana Dairy Development Federation, Panchkula.

Year	BEs	Actuals	Variation (-) shortfall	Percentage of variation
2007-08	5.12	Negligible	(-) 5.12	(-) 100.00
2008-09	5.12	0.19	(-) 4.93	(-) 96.29

The variations between BEs and actuals ranged between 66 and 100 *per cent* during the years 2004-05 to 2008-09. Thus, the department had not followed the prescribed provisions of the Budget Manual.

The Department stated in February 2010 that the BEs were made by adopting some norms. The BE for the year 2004-05 was made on the basis of trends of previous year. Thereafter, amount of State guarantee started decreasing year after year and State guarantee could not be exactly estimated because it depended upon the requirement of funds by State PSUs against State Government guarantee. The provisions in the BEs for next year were made by taking five *per cent* growth on revised estimates. The reply of the FD is not in consonance with the provisions of the Budget Manual as the BEs have not been prepared as per the norms laid down in the Budget Manual and even the BEs prepared were not as per the formula stated by the FD.

Further, we conducted a cross verification of records and noticed that there was huge variation in the guarantee fee received as shown in the Finance Accounts, Memorandum Explanatory on the budget and guarantee fee compiled by audit on the basis of information supplied by the twelve loanee units as per details given below:-

(` in crore)

Year	Finance Accounts	Memorandum Explanatory on the budget	Compiled by audit
2004-05	6.86	12.08	5.82
2005-06	4.88	9.14	1.59
2006-07	0.51	2.60	2.51
2007-08	-	9.40	3.63
2008-09	0.19	Nil	2.70
<b>Total</b>	<b>12.44</b>	<b>33.22</b>	<b>16.25</b>

We observed that the information available in Finance Accounts and those supplied in memorandum explanatory on the budget differed hugely. Even the information given by the loanee units did not match with the Finance Accounts.

This indicates that there was no effective internal control and monitoring in the departments due to non-maintenance of register of guarantee fee and non-prescribing a periodical return for monitoring the correctness of guarantee fee due and deposited.

### 6.2.8 Absence of database of guarantee given

The FD issued sanction orders for granting guarantee on loans/funds raised by PSUs, co-operative institutions, local bodies, statutory boards and corporations etc., from financial institutions and open market. Beneficiaries of the Government guarantees are required to pay guarantee fee. As per the instructions issued by the FD from time to time, the administrative departments which provide the Government guarantee should maintain a register for recording all the transactions relating to the guarantees given and the guarantee fee. They should raise demand of the guarantee fee and ensure timely payment. The FD had not prescribed any periodical reports/returns to monitor the computation, levy and collection of guarantee fee by the FD, administrative departments and heads of the departments. A reliable database of the guarantees given and outstanding is, therefore, a pre-requisite to provide guarantee for informed decision making.

During test check of the records of the FD and all the six administrative departments and heads of departments, **we noticed that the FD was neither aware of the amount of guarantees given/guarantee fee to be collected nor was collecting the requisite information as a controlling department from the concerned Administrative Heads of the departments.** Consequently, these departments/ERAMU could not provide the information relating to amounts of guarantee given/outstanding, the amounts of guarantee fee due/charged/outstanding during the years 2004-05 to 2008-09 and the data was collected from the beneficiary institutions.

We also observed that guarantees of ` 4,401.82 crore were outstanding as on 31 March 2008 as per Finance Accounts whereas it was ` 4,283.09 crore as per Memorandum Explanatory<sup>4</sup> on the Budget. There was thus a difference of ` 118.73 crore due to non-reconciliation of figures of guarantees given by the Government and non-maintenance of centralised database by the FD. This indicated that there was no effective control and monitoring of the guarantees given by the State Government.

**The Government may establish a system to watch the guarantees given and consider issuing directions for the maintenance of a centralised database of guarantees given and guarantee fees to be collected for effective monitoring.**

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<sup>4</sup> Memorandum Explanatory on the Budget is prepared by the State Government under Article 202 of the Constitution in respect of every financial year relating to the estimated receipts and expenditure of the State for that year.

### 6.2.9 Loans raised against letters of comfort

FD authorised (July 2002) the Power Department to issue the requisite administrative sanctions for raising the loans from the financial institutions which do not require the State guarantees and directed that such cases need not be referred to the FD for approval. The Power Department had issued letters of comfort in favour of the four Power utilities<sup>5</sup>. As per the letters of comfort, the State Government stands committed to enable the concerned utilities to repay the dues against loans raised from the financial institutions. We collected the information from the office of the Financial Commissioner and Principal Secretary, Power Department, Chandigarh and noticed that the Power Department authorised the four power utilities to raise loans amounting to ` 10,813.75 crore from the financial institutions during the period 2004-05 to 2008-09 against letters of comfort.

The Public Account Committee (PAC), in their Sixty Third Report presented in the Legislature in February 2009, observed that a system should be put in place to ensure that no Government guarantee was extended without conditions for the levy and collection of guarantee fee.

**However, we observed that the Power Department, in the name of letters of comfort had been extending guarantees only for the repayment of the loans raised by the four power utilities without the proper approval of the Government. Thus, the Power Department had been violating the authorisation given in July 2002 by the FD. This resulted in evasion of the guarantee fee chargeable amounting to ` 216.28 crore as per the details given under:-**

(` in crore)

Year	HPGCL	HVPNL	DHBVNL	UHBVNL	Total
2004-05	175	525	120	280	1,100
2005-06	295	150	350	350	1,145
2006-07	994.25	395	295	675	2,359.25
2007-08	550	100	500	1,125	2,275
2008-09	752	400	983.50	1,799	3,934.50
<b>Total</b>	<b>2,766.25</b>	<b>1,570</b>	<b>2,248.50</b>	<b>4,229</b>	<b>10,813.75</b>

**The Government may collect details of such assurances given and take remedial measures to avoid risk of payment of such liabilities created in the name of letters of comfort and ensure that no such guarantee is given without payment of guarantee fee.**

<sup>5</sup> Haryana Power Generation Corporation Limited, Panchkula, Haryana Vidyut Parsaran Nigam Limited, Panchkula, Uttar Haryana Bijli Vitran Nigam Limited, Panchkula and Dakshin Haryana Bijli Vitran Nigam Limited, Panchkula (DHBVNL).



### 6.2.10 Short deposit of guarantee fee

As per instructions issued by the FD in November 2001, the State Government decided to levy a guarantee fee at the rate of two *per cent* from August 2001 on all borrowings of PSUs, Co-operative institutions, local bodies and other concerns to be raised from the financial institutions against the State Government guarantee. In case the guarantee is sought for a single loan which is proposed to be drawn in one or more instalments in one financial year, then the entire guarantee fee is to be charged from the beneficiary institutions at the time of drawal of the first instalment. In case the loan is to be drawn in tranches spread over a period of more than one financial year, the guarantee fee chargeable for the tranches to be drawn in a financial year will be paid by the beneficiary institutions at the time of first drawal of loans in the given financial year.

We collected the information from the offices of the four beneficiary institutions under the administrative control of the Food and Supplies Department and noticed that these four beneficiary institutions raised cash credit limits amounting to ` 9,472.23 crore during the years 2004-05 to 2008-09 against the guarantees provided by the Government. The guarantee fee at the rate of two *per cent* of the amount of loans raised was to be charged. We observed that there were mistakes in computing the guarantee fee, since these agencies had deposited guarantee fee of ` 8.30 crore only as against guarantee fee due amounting to ` 189.45 crore. **Since the administrative department was not maintaining the prescribed records/registers and returns, short deposit of ` 181.15 crore could not be detected and demanded.** This resulted in short deposit of guarantee fee of ` 181.15 crore as mentioned below:

(` in crore)

Sl. No.	Name of Unit	Cash Credit Limit availed from 1 April 2004 to 31 March 2009	Guarantee fee		
			Due	Paid	Short paid
1.	HAFED	4,858.13	97.17	5.75	91.42
2.	HWC	1,500.92	30.01	0.88	29.13
3.	HAIC	1,229.95	24.60	0.22	24.38
4.	CONFED	1,883.23	37.67	1.45	36.22
<b>Total</b>		<b>9,472.23</b>	<b>189.45</b>	<b>8.30</b>	<b>181.15</b>

After we pointed out this case in May 2009, guarantee fee of ` one crore had been deposited by the HAFED in July 2009.

**The Government may consider prescribing a periodical return to be submitted to the FD for monitoring the correctness of the guarantee fee due and deposited and may take steps to recover the balance dues.**

### 6.2.11 Non-raising of demand of guarantee fee

As per the Co-operative Department instructions dated 11 March 2003, the guarantee fee is chargeable from the Haryana State Co-operative Agriculture and Rural Development Bank Limited, Panchkula at the rate of 0.1 *per cent* from August 2001 to March 2007 and thereafter at the rate of two *per cent* of the amount of loans/funds raised.

**During the course of review we observed that no system was adopted in the Co-operative Department to monitor the deposit of guarantee fee by the loanee. The FD had no centralised monitoring mechanism to ensure timely recovery and deposit of the guarantee fee.**

We collected the information from the office of the Managing Director, Haryana State Co-operative Agriculture and Rural Development Bank Limited, Panchkula, in June 2009 and noticed that the Government guaranteed loans of ` 1,478.24 crore during the years 2004-05 to 2008-09. Failure of the Co-operative Department to maintain the relevant registers of the guarantees given and the guarantee fee etc. resulted in non-raising/realisation of demand of the guarantee fee of ` 12.46 crore from the bank as per details given below:-

(` in crore)

Year	Date of issue of sanction order (Between)	Amount of loan drawn	Amount of guarantee fee due but not deposited
2004-05	June 2004 to February 2005	448.35	0.45
2005-06	April 2005 to January 2006	233.88	0.23
2006-07	June 2006 to January 2007	218.14	0.22
2007-08	October 2007 to March 2008	229.06	4.58
2008-09	July 2008 to March 2009	348.81	6.98
<b>Total</b>		<b>1,478.24</b>	<b>12.46</b>

After we pointed out, the Financial Commissioner and Principal Secretary, Co-operation Department, Chandigarh stated in March 2010 that the Managing Director, Haryana State Co-operative Agriculture and Rural Development Bank Limited, Panchkula, was directed to deposit the guarantee fee of ` 12.46 crore at the earliest.

**The Government may direct the administrative departments to maintain the prescribed register properly to ensure timely assessment and demand of guarantee fee.**

### 6.2.12 Lack of internal control and monitoring

FD/administrative departments which provide the Government guarantees should maintain the Guarantee Register, Demand and Collection Register and Treasury Remittance Register for recording all the transactions relating to the guarantee fee. These registers were important tools for monitoring the receipt of guarantee fee.

A mention of “Failure of internal control in the department” was earlier made in paragraph 6.2.7 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 (Revenue Receipts) – Government of Haryana. The FD, in their reply submitted to the PAC, stated that the concerned administrative departments were responsible for maintaining the guarantee register. However, with effect from 1 April 2008, FD/ERAMU would also maintain a guarantee register for monitoring and cross checking etc. We noticed that the requisite registers had neither been maintained by the FD/ERAMU nor by the administrative heads of departments (August 2010).

We had made a recommendation in the review on Receipts from the guarantee fee in the Report of the Comptroller and Auditor General of India (Revenue Receipt) for the year ended 31 March 2003 that a strong internal control system was required to be developed for levy and collection of guarantee fee. This would also include submission of returns from field offices to higher offices. The PAC in their Sixty Third Report presented in the Legislature in February 2009, observed that the recommendations made by the Accountant General are valid and the same be implemented in letter and spirit.

During the course of review, we noticed that no records of guarantees extended and guarantee fee collected/to be collected were maintained. No system was developed for levy and collection of guarantee fee and submission of returns from field offices to controlling offices. Hence recommendations made by the PAC have not been followed.

#### **6.2.13 Conclusion**

Audit noticed that the State Government had no systematic provisions for the levy and collection of guarantee fee. Neither the FD nor the concerned administrative departments which provide guarantees to the various beneficiary institutions were maintaining the relevant records relating to the guarantees given. The State Government had no knowledge of liabilities created in the name of letters of comfort. Failure of the administrative departments to enforce the internal control systems to ensure prompt levy and collection of guarantee fee resulted in non/short raising/realisation of demand of fee.

#### **6.2.14 Recommendations**

Apart from the recommendations given under the paragraphs, the Government may also consider taking following steps for effective collection of the guarantee fee and monitoring the guarantees given:

- State Government may consider introducing an Act regarding ceiling on guarantees extended and levy and collection of guarantee fee. The Government may also consider levying of guarantee fee each year on the outstanding amount as well as interest on non/delayed payment of guarantee fee and to prescribe periodical returns/reports to monitor the levy and collection of guarantee fee and to prepare centralised database in the FD and concerned Administrative Departments;

- a system should be put in place to ensure that no Government guarantee is extended without conditions for levy and collection of guarantee fee; and
- a strong internal control system may be developed for prompt levy, assessment and collection of guarantee fee.

### 6.3 Other audit observations

*During scrutiny of records in departmental offices relating to Town and Country Planning, Public Works Department (Public Health), Mines and Geology, Co-operation and other departments, we noticed several cases of non-observance of provisions of Government order, non-compliance of provisions of the Haryana Development and Regulation of Urban Areas (HDRUA) Act/Rules, Punjab Minor Mineral Concession Rules 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. There is a need for the Government to improve the internal control system so that such instances/omissions can be detected, corrected and avoided.*

## TOWN AND COUNTRY PLANNING DEPARTMENT

### 6.4 Non-recovery/realisation of licence fee

*Non-compliance of provisions of the HDRUA Act/Rules, by the Director Town and Country Planning, Haryana (DTCP) in some cases resulted in non-recovery/realisation of licence fee of ` 2.72 crore.*

**6.4.1** Under Rule 12 of the HDRUA Rules, 1976, the licence granted shall be valid for a period of two years from the date of its grant during which period all development works in the colony shall be completed and certificate of completion obtained from the Director. In case a coloniser<sup>6</sup> fails to complete the development works within the specified period for reasons beyond his control, he may apply to the Director for renewal of licence at least thirty days before the expiry of the licence on payment of renewal fee at the rate of 10 per cent of prescribed license fee. Further Rule 18 of the Rules *ibid* provides that the Director can cancel the license, in case the execution of the layout plans and the construction or other works is not proceeding according to the licence granted under Rule 12 or is below specification or is in violation of the provisions of this Rule or any of law or rules for the time being in force, after giving reasonable opportunity.

During test check of the records of the DTCP in November 2008, we noticed that the Director granted licences to two colonisers in January 2006 for the development of areas (9.718 acre) in Gurgaon and Sonipat for the period of two years and colonisers paid licence fee of ` 13.55 crore. These colonisers had not completed the development works upto January 2008. Neither the colonisers had applied for renewal of licences nor did the department initiate any action i.e. to issue notices or cancel the licences under the provisions of the Rules. The omission to do so resulted in non-recovery of licence fee for renewal of licence of ` 1.36 crore (10 per cent of licence fee of ` 13.55 crore).

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<sup>6</sup> 'Coloniser' means an individual, company or association, body of individuals, whether incorporated or not, owning or acquiring or agreeing, land for converting it into a colony and to whom a licence has been granted under the HDRUA Act, 1975.

After we pointed out this case in November 2008, the Director stated in January 2010 that licence of Gurgaon coloniser was renewed in November 2009 and the licensee deposited ` 1.80 crore (including interest of ` 33.34 lakh) against licence fee of ` 1.22 crore pointed out in audit. The coloniser of Sonipat had not applied for renewal of licence fee and notice was being issued. We have not received further report in this case (August 2010).

**6.4.2** Under Section 3 (1) of the HDRUA Act, 1975 read with Rule 3 of the HDRUA Rules, 1976, any owner of land desiring to convert his land into a colony may apply to the Director for the grant of licence to develop a colony in the prescribed form and pay for it such fee and conversion charges as may be prescribed. The Government revised the rates of licence fee in respect of residential (plotted), residential (group housing) and commercial colonies, in April 2008.

During test check of the records of DTCP in August 2009, we noticed that five owners of land applied (between December 2006 and January 2008) for conversion of their land in Faridabad and Gurgaon. The colonisers paid licence fee amounting to ` 54.32 crore between December 2007 and April 2008. The department had proposed to revise the licence fee in November 2007 which, after approval in December 2007, was notified in April 2008. The department issued letter of intents (LOIs) to the colonisers between 13 December 2007 and 2 April 2008 without inserting a condition for payment of differential amount of licence fee as revision of rates was under consideration before or at the time of grant of licence. However, the department granted approval for licences in May and July 2008 on the basis of licence fee received at pre revised rates along with the applications though the revised rates have been applicable from April 2008. The negligence on the part of the Department to insert a clause in the LOI to recover the differential amount of the licence fee as a result of revision of the rates deprived the Government of revenue of ` 1.36 crore.

After we pointed out this case in August 2009, the department stated in January 2010 that though the licences were granted in May and July 2008 but the licensees had made the compliance of LOI within prescribed period and deposited the fee and charges as per the terms and conditions of the LOI. Thus, licence fee as applicable on the date of issue of LOI was charged correctly. The fact remains that though the department was aware of the revision in the rates of the licence fee, it failed to protect the Government revenue.

We pointed out the matter to the department in November and December 2009 and reported to the Government in May 2010; we are yet to receive their reply (August 2010).

## PUBLIC HEALTH DEPARTMENT

### 6.5 Non-recovery of water charges

*The Department did not observe the provisions of Government order of November 2006 in 224 cases which resulted in non-recovery of water charges of ` 56.54 lakh.*

As per Haryana Government, Urban Development Department order dated 10 November 2006, all the existing water supply un-metered connections in commercial, institutional or industrial establishment shall be converted into metered connections by the occupants in a period of three months from the date of order otherwise the rate charged shall be minimum of ` 1,000 per month and as assessed by the concerned Executive Engineer of the Public Health department.

During test check of records of the offices of four<sup>7</sup> Executive Engineer of Public Health Engineering Division for the years from 2006-07 to 2008-09 in August 2009, we noticed that there were 224 un-metered water supply connections of commercial, institutional and industrial establishments as of 10 November 2006. All these existing un-metered connections were required to be converted into metered connections by the occupants of these establishments by 10 February 2007. Neither the occupants of these establishments had got their un-metered connections converted into metered connections even up to March 2009 nor the department had taken efforts for installing meters. Further, the department had not raised water charges at the prescribed minimum rate. This resulted in non-recovery of water charges at minimum rate, aggregated to ` 56.54 lakh for the period between December 2006 and March 2009.

After we pointed out these cases in August 2009, the Executive Engineer, Public Health Division No. 2, Sirsa stated in January 2010 that ` 26,154 had been recovered and final notices were being issued to recover the balance amount of ` 33.84 lakh. The Executive Engineers, Public Health Engineering Division, Charkhi Dadri, Rewari and Tosham (Bhiwani) stated in January 2010 that notices had been issued to the concerned parties to recover the outstanding amount of ` 22.44 lakh. We have not received further report on recovery in these cases (August 2010).

We pointed out the matter to the Chief Engineer, Public Health Department in September 2009 and reported to the Government in March 2010; we are yet to receive their reply (August 2010).

<sup>7</sup> Executive Engineer, Public Health Engineering Division, Charkhi Dadri; Executive Engineer, Public Health Engineering Division, Rewari; Executive Engineer, Public Health Engineering Division No. 2, Sirsa and Executive Engineer, Public Health Engineering Division, Tosham (Bhiwani).

## **MINES AND GEOLOGY DEPARTMENT**

### **6.6 Non-recovery of royalty and interest**

*The Mines and Minerals (Development and Regulation) Act and Punjab Minor Mineral Concession Rules provide for levy of royalty on mineral removed from leasehold area and levy of interest on belated payment of royalty.*

*We noticed that the Department did not observe the provisions of the above Rules in 133 cases which resulted in non-realisation of royalty/interest of ` 29.08 lakh.*

Rule 24 of the Punjab Minor Mineral Concession Rules, 1964, as applicable to the State of Haryana, provides that brick kiln owners shall pay annual amount of royalty at the prescribed rate in advance by 30<sup>th</sup> April of every year. State Government revised the rates of fixed royalty of various categories of brick kiln owners from June 2005. In case of default, interest at the rate of 24 per cent per annum is chargeable for the period of default. Brick kiln owners register is maintained at each mining office for levy and collection of royalty. The permits of such brick kiln owners are required to be cancelled by the department who do not pay royalty by giving one month's notice and any sum due from the permit holders on account of royalty and interest thereon is recoverable as arrears of land revenue. The Assistant Mining Engineers/Mining Officers are responsible for monitoring recovery of outstanding dues.

During test check of records of five<sup>8</sup> offices of Assistant Mining Engineer/Mining Officer between November 2008 and November 2009, we noticed that 133 brick kiln owners were issued permits between April 2006 and April 2007 for the period of two years. The brick kiln owners were required to pay royalty for the years 2007-08 and 2008-09 by 30 April 2007 and 30 April 2008 respectively. Though a period ranging between 18 and 33 months had elapsed upto December 2009, yet royalty of ` 19.44 lakh was neither paid by the brick kiln owners nor was it demanded by the Assistant Mining Engineers/Mining Officers. No action to cancel the permits and/or to recover the dues as arrears of land revenue was taken. Lack of action on the part of the department resulted in non-realisation of revenue of ` 29.08 lakh (including interest<sup>9</sup> of ` 9.64 lakh).

After we pointed out these cases between November 2008 and November 2009, the Assistant Mining Engineers/Mining Officers<sup>8</sup> stated between August 2009 and January 2010 that royalty of ` 2.32 lakh (including interest of ` 70,240) had been recovered in 11 cases between December 2008 and December 2009 and notices had been issued or efforts were being made to recover the balance amount of ` 26.76 lakh from the brick kiln owners. We have not received further progress of recovery in these cases (August 2010).

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<sup>8</sup> Assistant Mining Engineers: Faridabad and Sonipat; Mining Officers: Ambala, Jind and Rohtak.

<sup>9</sup> Interest calculated upto December 2009.



We pointed out the matter to the Director, Mines and Geology Department between December 2008 and December 2009 and reported to the Government in March 2010; we are yet to receive their reply (August 2010).

**Chandigarh  
The**

**(SUSHAMA V. DABAK)  
Principal Accountant General (Audit) Haryana**

**Countersigned**

**New Delhi  
The**

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