

CHAPTER-VII

OTHER NON-TAX RECEIPTS

EXECUTIVE SUMMARY

Marginal increase in tax collection	<p>In 2010-11, the collection of forest receipts increased by 33.33 <i>per cent</i> over the previous year which was attributed by the Department to recovery of dues and other receipts from seized forest produce and imposition of penalties.</p>
Internal audit not conducted	<p>The internal audit wing in the Department has not been set up and no internal audit was conducted by the Finance Department during 2010-11.</p>
Results of audits conducted by us in 2010-11	<p>In 2010-11, we test checked the records of 17 units relating to forest receipts and 10 units of irrigation receipts solely for the purpose of review. We found cases of non/short raising of demand/non-disposal of forest produce/non-achievement of target of irrigation and other deficiencies of ₹ 601.27 crore in 826 cases.</p> <p>The Department accepted non/short raising of demand/non-disposal of forest produce and other deficiencies of ₹ 524.03 crore in 619 cases pointed out by us during 2010-11.</p>
What we have highlighted in this Chapter	<p>In this Chapter we present a review on “Receipts from Major and Medium Irrigation Projects” conducted during test check of records where we found cases of non-achievement of target in irrigation, non-preparation of <i>Sudkar</i>, non-raising of demand, usage of water for industrial purposes without any agreement, etc., having financial implication of ₹ 519.15 crore. We have also highlighted illustrative cases of ₹ 17.44 lakh selected from observations noticed during our test check of records relating to forest receipts, where we found that the provisions of the Acts/ Rules were not observed.</p> <p>It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the departments have not taken corrective measures. We are also concerned that though these omissions were apparent from the records which were made available to us, the concerned authorities were unable to detect these mistakes.</p>
Our conclusion	<p>The Department needs to improve the internal control system including setting up an internal audit wing so that weaknesses in the system are addressed and omissions of the nature detected by us are avoided in future.</p> <p>It also needs to initiate immediate action to recover the non-realisation, undercharge of tax, etc pointed out by us, more so in those cases where it has accepted our contention.</p>

CHAPTER-VII: OTHER NON-TAX RECEIPTS

FOREST RECEIPTS

7.1 Tax administration

Forest receipts, a source of non-tax receipts, are largely derived from sale proceeds of major and minor forest produce, royalty, compensation, fee, fines etc. imposed under the Indian Forest (IF) Act, 1927 and other Acts and Rules made thereunder. After creation of the State of Jharkhand, the existing Act, Rules and executive instructions of the State of Bihar were being followed by the State of Jharkhand. The Secretary is the head of the Forest and Environment Department at the Government level in the State. There are three Principal Chief Conservators of Forest (PCCF) who are technical advisors to the State Government and are assisted by three Additional Principal Chief Conservators of Forests, Chief Conservators of Forest (CCsF), Regional Chief Conservators of Forest and Conservators of Forest. Divisional Forest Officers are in-charge of Forest Division. A forest division is sub-divided into Ranges which are headed by Range Forest Officers. A Range is divided into Beats which are headed by the Foresters and a Beat is further divided into Sub-Beats under Forest Guards.

7.2 Trend of receipts

Actual receipts from 'Forest Receipts' against budget estimates (BEs) during the period from 2006-07 to 2010-11 along with the total non-tax receipts during the same period is exhibited in the following table:

(₹ in crore)

Year	Budget estimates (BEs)	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total non-tax receipts of the State	Percentage of actual receipts to total non-tax receipts of the State
2006-07	25.00	3.68	(-) 21.32	(-) 85	1,250.40	0.29
2007-08	28.38	4.06	(-) 24.32	(-) 86	1,601.40	0.25
2008-09	50.00	7.20	(-) 42.80	(-) 86	1,951.74	0.37
2009-10	60.00	3.57	(-) 56.43	(-) 94	2,254.15	0.16
2010-11	11.79	4.76	(-) 7.03	(-) 60	2,802.89	0.17

During 2006-07 to 2010-11, the Department could not achieve the BEs in any of the years. The shortfall compared to the budget estimates ranged between 60 and 94 per cent. The reasons for variation during 2010-11 was attributed by the Department to non-implementation of *Sawai Ghas Yojana* (₹ 5.41 crore out of ₹ 11.79 crore) which was part of the budget estimates. This indicated poor planning by the Department and shows that the BEs were not prepared on realistic basis.

We recommend that the Government may issue suitable instructions to the Department for preparing the BEs on a realistic and scientific basis to ensure that these are close to the actuals.

7.3 Working of internal audit wing

The Department informed us that neither was an Internal Audit Wing operational in the Department nor was any audit conducted by the Finance Department during 2010-11. Information for audit conducted in the previous years was not furnished.

The Government may consider setting up an internal audit wing so as to ensure effective implementation of the Acts/Rules for prompt and correct realisation of revenues.

7.4 Analysis of arrears of revenue

Arrears of revenue have not been furnished by the Department though called for (September 2011).

7.5 Results of audit

In 2010-11, we test checked the records of 17 units relating to forest receipts. We also checked 10 units of irrigation receipts solely for the purpose of the review on Irrigation receipts. We found cases of non-disposal of forest produce, non/short levy of water rates and other irregularities involving ₹ 601.27 crore in 826 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
Water Rates			
1	Receipts from Major and Medium Irrigation Projects (A Review)	1	519.15
Total		1	519.15
Forest Receipts			
1	Loss of revenue due to departmental lapses	64	1.68
2	Short raising of demand	11	67.09
3	Loss of revenue due to delay in initiation of certificate cases	68	0.20
4	Non-disposal of forest produce	236	1.82
5	Non-eviction of encroached forest land	135	1.87
6	Other cases	311	9.46
Total		825	82.12
Grand Total		826	601.27

During the course of the year, the Department accepted audit observations of ₹ 524.03 crore in 619 cases pointed out by us during 2010-11.

In this Chapter we present a review on “**Receipts from Major and Medium Irrigation Projects**” along with a few illustrative cases relating to forest receipts having recoverable financial implication of ₹ 125 crore and ₹ 394.32 crore was avoidable notional loss to the Government due to non-observance of the provisions of Acts/Rules, which are discussed in the succeeding paragraphs:

A. WATER RATES

7.6 Receipts from Major and Medium Irrigation Projects

Highlights

- Non-achievement of targets of irrigation resulted in non-irrigation of 3.59 lakh hectares and 8,943 hectares of *Kharif* and *Rabi* crops respectively during 2005-10 and loss of revenue amounting to ₹ 6.34 crore.
(Paragraph 7.6.8)
- Though irrigation was provided, *Sudkar* was not prepared in respect of 1.54 lakh hectares of *Kharif* and 37,142 hectares of *Rabi* crops during 2005-10 resulting in non-realisation of revenue of ₹ 3.21 crore.
(Paragraph 7.6.9)
- The establishment expenditure on collection of per rupee of water rates for irrigation ranged between ₹ 9.13 to ₹ 35.31 during the period 2005-10.
(Paragraph 7.6.10)
- Due to poor realisation of demand, the Government could not realise the amount of ₹ 384.77 crore from the users. Moreover, no certificate case under Bihar & Orissa Public Demand Recovery Act, 1914 was filed except in the case of M/s South Eastern Railway, Hatia, Ranchi of ₹ 1.01 crore.
(Paragraph 7.6.11.1)
- User agencies were drawing water for commercial and domestic purposes either without agreement or in excess of the agreed volume of water for which no demand was raised by the divisions resulted in non/short raising of demand of ₹ 124.84 crore.
(Paragraph 7.6.14)

7.6.1 Introduction

The geographic area of the State of Jharkhand is 80 lakh hectares of which 30 lakh hectares (37 *per cent*) is identified as agricultural land. By the end of 2009-10, the Water Resources Department (WRD), Government of Jharkhand had created irrigational capacity of two lakh hectares and five lakh hectares through construction of major/medium and minor¹ irrigational projects respectively. This caters to the irrigation requirements of only 25 *per cent* of the total agricultural land. Thus, the rest 23 lakh hectares of land was solely dependent upon seasonal and erratic rainfall. The draft Water Policy, prepared in 2007, is yet to be approved (May 2011).

The WRD is responsible for estimation of water availability from all sources, enhancement of irrigational command area, preservation and development of underground water resources and its utilisation for drinking water, irrigation and commercial requirements. Besides assessment, levy and collection of water rate, the WRD is also responsible for planning and implementation of irrigation projects and development, construction and maintenance of infrastructure like dams, reservoirs, canals, channels etc.

¹ Includes check dams, lift irrigation etc.

7.6.2 Organisational set up

The Principal Secretary, WRD, Government of Jharkhand, is in overall charge of the Department. He is assisted by the Special Secretary/Joint Secretary (Directorate), the Joint Secretary (Management), the Engineer-in-Chief (Major and Medium Irrigation), the Engineer-in-Chief (Minor Irrigation) and the Superintending Engineer (Project and Planning) at Headquarter.

The only Revenue Division (RD), Ranchi, headed by the Deputy Collector (Revenue), is responsible for realisation of irrigation receipts through eight circle officers² stationed at various places in the State. He reports to the Principal Secretary through the Joint/Special Secretary. Besides, there are 18 Waterways/Irrigation Divisions³, headed by the Executive Engineers (EEs), responsible for the survey of irrigated land, preparation of demand (*Khatiyani*) and its submission to the Deputy Collector for realisation of the demand. The revenue receipts, for supply of water to industrial/commercial usage, are assessed, levied and collected by the EEs of the concerned Waterways/Irrigation Divisions.

7.6.3 Audit objectives

The main objectives of the review were to ascertain whether:

- the system prescribed for assessment, levy and collection of water rates in respect of the major and medium irrigation projects was adequate;
- water rates for consumption of water by the commercial entities viz. industries, power plants and Drinking Water & Sanitation (DW&S) Department etc., was properly assessed, collected and deposited into the treasury; and
- the internal control mechanism in the Department was adequate and effective to check the leakage of revenue.

7.6.4 Scope of audit

The review on “Receipts from Major and Medium Irrigation Projects” for the period 2005-06 to 2009-10 was conducted between January and May 2011. The findings are suitably incorporated in the subsequent paragraphs.

7.6.5 Audit criteria and methodology

The main audit criteria used in the review were the Bihar Irrigation (BI) Act 1997, Bengal Irrigation (BI) Act, 1876, Bihar Public Irrigation Works Act, 1939, Bihar and Orrisa Public Demand Recovery (BOPDR) Act, 1914, Sakri Canals Irrigation Rules, 1952 and Bihar Lift Irrigation Rules, 1978, as adopted by the Government of Jharkhand. Besides, relevant executive orders and notifications issued from time to time by the competent authorities were also taken into consideration.

² Chaibasa, Daltonganj, Gharwa, Godda, Hazaribag, Lohardaga, Rengalia (Dumka) and Tamar.
³ Barhi, Bundu, Chaibasa, Chandil, Chakardharpur, Dumka, Deoghar, Garhwa, Godda, Gumla, Hazaribag, Ichagarh Galudih, Khunti, Medininagar, Ranchi, Simdega, Sikatia and Tenughat.

Out of 18 Waterways Divisions (WWDs)/Irrigation Divisions (IDs), 10 Divisions⁴ were selected, on the basis of risk analysis of auditable units depending on their revenue resources, for detailed scrutiny besides the Headquarters office of WRD and the office of the Deputy Collector (RD). On the basis of the scrutiny of the documents and interaction with concerned officials, audit observations were issued and the responses were called for. The replies of the concerned officials of the WRD were suitably incorporated in the report, wherever received.

7.6.6 Acknowledgement

We acknowledge the co-operation of the WRD in providing necessary information and records to audit. We held an entry conference in March 2011 with the Principal Secretary and Engineer-in-Chief of the Department, in which the audit objectives, criteria and scope were discussed. The exit conference was held on 14 October 2011 with Special Secretary, Engineer-in-Chief of Water Resources Department and Deputy Collector (RD), Government of Jharkhand in which the findings of review were discussed. The views of the Government/Department have been incorporated in the relevant paragraphs.

Audit findings

7.6.7 Trend of revenue

According to the provisions of the Bihar Budget Procedure, as adopted by the Government of Jharkhand, the estimates of revenue receipts should show the amount expected to be realised in the financial year. The arrear and current demand should be shown separately and reasons may be given, if full realisation could not be effected. In case of fluctuating revenue, the estimates should be based upon a comparison of the last three years receipts.

A comparison of the demand in respect of receipt of water rates for irrigation and industrial supply from the major and medium irrigation projects for the period 2005-06 to 2009-10 *vis-a-vis* budget estimates (BEs) and actual receipts (ARs) is shown in the

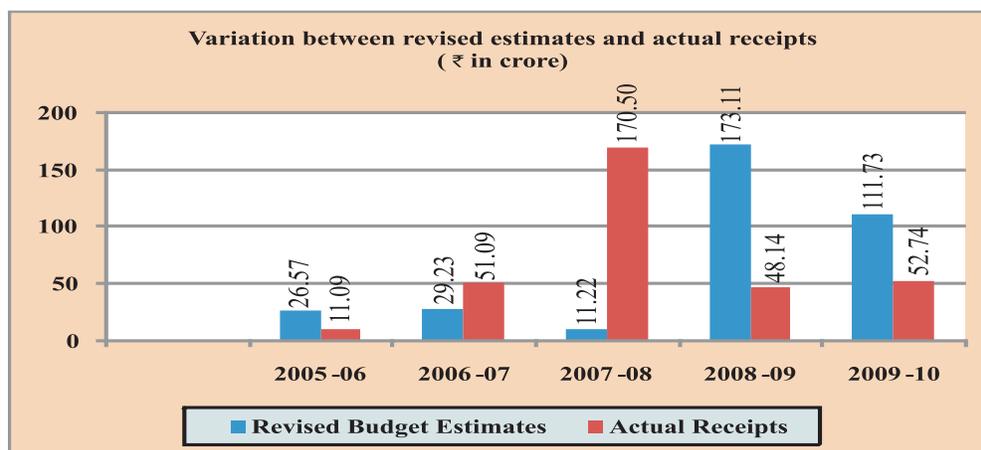
following table and chart:

(₹ in crore)

Year	Revised Budget Estimates (BEs)	Actual Receipts (ARs)	(-) Shortfall (+) Surplus (3-2)	Percentage variation between revised BE and actual
1	2	3	4	5
2005-06	26.57	11.09	(-) 15.48	(-) 58
2006-07	29.23	51.09	(+) 21.86	(+) 75
2007-08	11.22	170.50	(+) 159.28	(+) 1,420
2008-09	173.11	48.14	(-) 124.97	(-) 72
2009-10	111.73	52.74	(-) 58.99	(-) 53

(Source: Budget documents and Finance Accounts of the Government of Jharkhand)

⁴ Chaibasa, Chandil, Deoghar, Dumka, Gumla, Hazaribag, Ichagarh Galudih, Medininagar, Ranchi and Tenughat.



The above table showed that the variation between BEs and actuals ranged between (-) 72 per cent and 1,420 per cent. One of the reasons for this was the preparation of unrealistic budget estimates as the same was not drawn up on the basis of previous year's receipts.

The Government in its reply (October 2011) stated that the huge increase in actual receipt for 2007-08 of ₹ 170.50 crore is due to receipt of share from the Orissa Government on construction of Swarnarekha Project and arrears received from M/s Tata Steel Limited. The BEs for receipts was traditionally prepared by the Finance Department without taking inputs from WRD. However, it was assured that appropriate steps would be taken so that the BEs could be prepared on a scientific basis and accordingly inputs would be provided to the Finance Department.

System Deficiencies

7.6.8 Shortfall in achievement of target of irrigation

According to the information furnished by the Planning & Monitoring Wing, WRD, Ranchi, the table below indicates the non-achievement of target of irrigation which resulted in non-irrigation of 3.59 lakh hectares and 8,943 hectares of *Kharif* and *Rabi* crops respectively during the period 2005-06 to 2009-10 and the Government suffered a loss of revenue amounting to ₹ 6.34 crore⁵.

Table showing year-wise target and achievement of irrigation

(Area in hectare)

Year	Available Irrigation Potential	Kharif Crop				Rabi Crop			Percentage
		Target	Achievement	Shortfall (3-4)	Percentage	Target	Achievement	Short fall/ Excess (7-8)	
1	2	3	4	5	6	7	8	9	10
2005-06	2,34,140	1,52,302	78,388	73,914	49	N/A	4,316	-	-
2006-07	2,34,140	1,60,784	98,580	62,204	39	15,449	13,321	2,128	14
2007-08	2,34,140	1,56,205	93,948	62,257	40	1,470	9,526	-	-
2008-09	2,34,140	1,54,720	88,561	66,159	43	10,148	9,169	979	10
2009-10	2,34,140	1,58,155	63,569	94,586	60	15,356	9,520	5,836	38
Total		7,82,166	4,23,046	3,59,120		42,423	45,852	8,943	

(Source: Planning & Monitoring, Water Resources Department, Ranchi.)

⁵ *Kharif*: 3,59,120 hectare = 8,87,026.40 acre @ ₹ 70/acre = ₹ 6.21 crore.

Rabi: 8,943 hectare = 22,089.21 acre @ ₹ 60/acre = ₹ 13 lakh.

The Government in its reply stated (October 2011) that targets were fixed on the basis of availability of water. Since most of the canals/reservoirs were very old, it needs special repair and maintenance. It was also stated that efforts were being made to renovate such canals to achieve the irrigation target.

7.6.9 Shortfall in preparation of *Sudkar/Khatiyani*

Under the Bengal Irrigation Act and rules made thereunder, water rates are recoverable from the beneficiaries as per prescribed rate of ₹ 70 and ₹ 60 per acre for *Kharif* and *Rabi* crops respectively. Preparation of the statement of land irrigated (*Sudkar*), cultivator-wise measurement (*Khesra*) and demand statement (*Khatiyani*) are to be prepared and completed by 30 November for *Kharif* and 30 April for *Rabi* crops, each year by Waterways and Irrigation Divisions for recovery of water rates from the beneficiaries and sent to the Deputy Collector, RD for recovery of the water rates.

During the test check of the records/statements furnished by the Planning and Monitoring Wing, WRD, Ranchi, it was noticed that '*Sudkar*' was not prepared by Waterways and Irrigation divisions in respect of the entire irrigated area during the period of review as detailed in the following table:

Table showing year-wise details of irrigation '*Sudkar*' prepared
(Area in hectare)

Year	Irrigation achieved		<i>Sudkar</i> prepared		<i>Sudkar</i> not prepared			
	<i>Kharif</i>	<i>Rabi</i>	<i>Kharif</i>	<i>Rabi</i>	<i>Kharif</i>	Percentage	<i>Rabi</i>	Percentage
2005-06	78,388	4,316	59,656	1,167	18,732	24	3,149	73
2006-07	98,580	13,321	79,800	8,158	18,779	19	5,163	39
2007-08	93,948	9,526	74,871	1,670	19,077	20	7,856	82
2008-09	88,561	9,169	44,995	619	43,566	49	8,550	93
2009-10	79,870	12,424	26,463	0.00	53,408	67	12,424	100
Total	4,39,347	48,756	2,85,785	11,614	1,53,562	36	37,142	77

It was noticed that though land had been irrigated, '*Sudkar*' was not prepared in respect of 1.54 lakh hectares (36 per cent) of *Kharif* and 37,142 hectares (77 per cent) of *Rabi* crops during the year 2005-06 to 2009-10 as a result of which the *Khatiyani* for that period could not be prepared and water rate could not be realised. This resulted in short realisation of revenue amounting to ₹ 3.21 crore⁶.

The Government in its reply stated (October 2011) that the reason for not preparing *Sudkar* was due to huge shortage of staff. However, it was assured that preparation of *Sudkar* for the entire irrigation would be achieved by appointing *Amin*/Patrol *Moharir* on contractual/daily wages basis.

⁶ *Kharif*: 1,53,562 hectare = 3,79,298.14 acre @ ₹ 70/acre = ₹ 2.66 crore.

Rabi: 37,142 hectare = 91,740.74 acre @ ₹ 60/acre = ₹ 55.04 lakh.

7.6.10 Very high cost of collection of irrigation water charges

The sanctioned strength *vis-à-vis* men in position of the office of the Dy. Collector Revenue Division, Ranchi including revenue collection circle offices, is given in the following table:

Name of the Post	Sanctioned Strength	Men-in- Position				
		2005-06	2006-07	2007-08	2008-09	2009-10
Dy. Collector/ Assistant Revenue Officer	2	0	0	0	0	0
Circle Officer (Irrigation)	8	4	4	2	2	2
<i>Muharir</i>	32	12	10	8	7	3
<i>Amin</i>	16	3	3	3	2	1
<i>Sangrahak</i>	248	20	19	18	14	9
Others (Clerk, Driver, Peon etc.)	80	55	52	42	41	36
Total	386	94	88	73	66	51

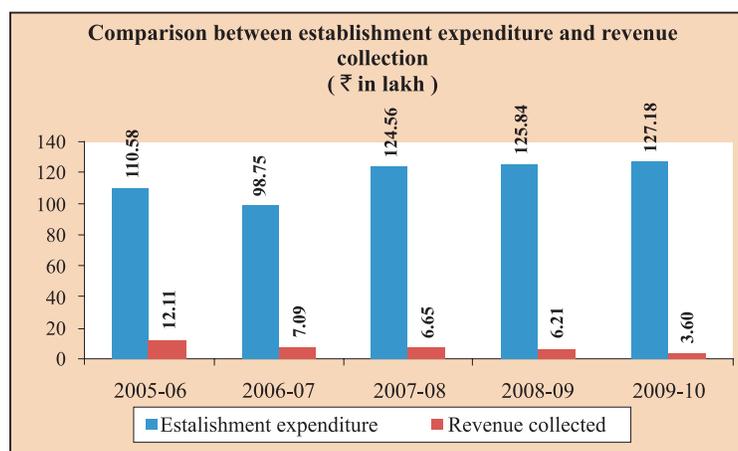
From the table it is evident that against the sanctioned strength of 386, actual men in position ranged between 94 and 51 during 2005-06 to 2009-10. The strength of *Sangrahaks*⁷, who played a vital role in collection of revenue, was reduced from 20 in 2005-06 to nine in 2009-10.

Despite the decreasing trend of manpower employed, the cost of collection per rupee of revenue earned (water rates) for irrigation increased from ₹ 9.13 in 2005-06 to ₹ 35.31 in 2009-10 as shown in the following table and chart:

Table showing year-wise establishment expenditure of the Revenue Division, Ranchi and revenue collection circle office *vis-a-vis* revenue collection:

(₹ in lakh)

Year	Establishment expenditure ⁸	Revenue collected	Expenditure on collection of one rupee as revenue
2005-06	110.58	12.11	9.13
2006-07	98.75	7.09	13.92
2007-08	124.56	6.65	18.71
2008-09	125.84	6.21	20.25
2009-10	127.18	3.60	35.31
Total	586.91	35.66	



⁷ Official responsible to collect the water rates from cultivators.

⁸ Pay and allowances, TA, LTC, office expenditure etc.

The above was not inclusive of expenditure incurred on construction, repair and maintenance of the reservoir, dam, canal etc.

The Government in its reply stated (October 2011) that due to lack of staff, revenue collection decreased. Further, due to the Sixth Pay Commission, the pay and allowances of the employees had increased resulting in increase in the collection charges. However, it was assured that necessary steps would be taken to minimise the cost of collection of revenue.

7.6.11 Revenue recovery mechanism

Under the Bihar Financial Rules (BFR), it is the duty of the controlling officer to ensure that the Government dues are correctly and promptly assessed, collected and remitted into the treasury.

The BOPDR Act, 1914 provides that the amount due to the Government is required to be paid within the prescribed period. In case of default, the recovery is to be made as arrears of land revenue and accordingly the dues

remaining unpaid and declared as arrear must be recovered by filing certificate case with the approval of the Requiring Officer⁹ (RO) to the Certificate Officer¹⁰ (CO). As per the instructions of the Board of Revenue under the BOPDR Act, the RO and the CO are jointly responsible for the speedy disposal of the certificate cases.

7.6.11.1 Shortfall in collection of revenue

(A) Irrigation revenue

We noticed during test check of the records of the RD, Ranchi that though the demands including outstanding cumulative dues/arrears stood between ₹ 5.86 crore and ₹ 7.12 crore during 2005-06 to 2009-10, the annual target of revenue collection was fixed at ₹ one crore only invariably for each year. It was further noticed that the actual annual collection during the same period was exceptionally low ranging between ₹ 3.60 lakh and ₹ 12.11 lakh only and there was an outstanding demand of ₹ 7.09 crore up to end of the year 2009-10 as shown in the table and graph below:

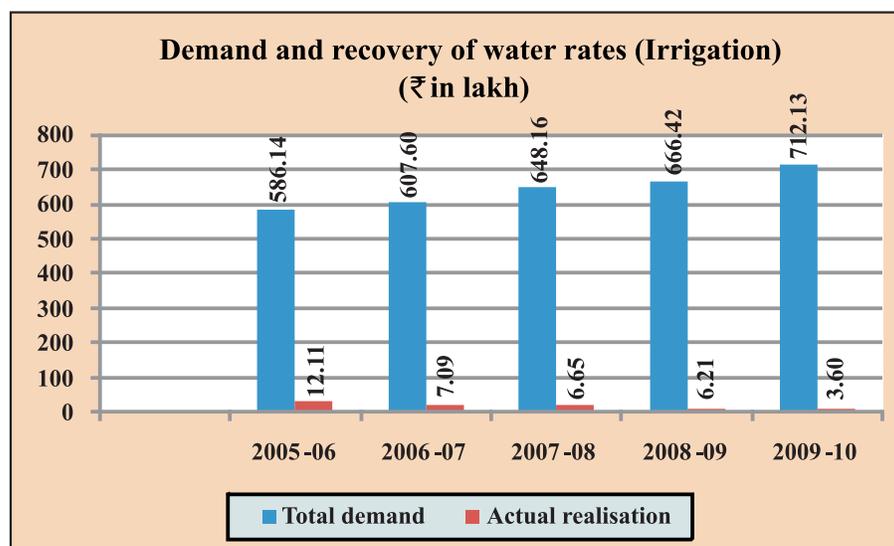
Table showing year-wise detail of demand and recovery of water charges for irrigation purpose.

(₹ in lakh)

Period	Previous cumulative outstanding	Current demand	Total demand (2+3)	Actual realisation	Outstanding demand (4-5)	Percentage realisation (5/4*100)
1	2	3	4	5	6	7
2005-06	578.03	8.12	586.14	12.11	574.04	2.06
2006-07	574.04	33.56	607.60	7.09	600.51	1.16
2007-08	600.51	47.66	648.16	6.65	641.51	1.02
2008-09	641.51	24.91	666.42	6.21	660.20	0.93
2009-10	660.21	51.93	712.13	3.60	708.53	0.50

⁹ Requiring Officer: A Collector, a Sub-Divisional or any officer appointed by Collector with the permission of Commissioner.

¹⁰ Certificate Officer: An officer primarily responsible for systematic application for certificate cases.



The above table showed that the actual realisation of the revenue to the total outstanding and current demand was in the range of 0.5 per cent to 2.06 per cent only.

The Government in its reply stated (October 2011) that due to shortage of staff the revenue collection was very low. However, efforts were being made to appoint *Amin/Patrol Moharirs* on contractual/daily wages basis.

- The statement of collections and remittances of water rates furnished by the Dy. Collector, RD, Ranchi and Circle Officer, Tamar were verified with the treasury schedule. The results of the verification are as under:

(Amount in ₹)

Period	Collection as per statement furnished	Remittance as per remittance register	Statement of remittance as furnished by CO	Remittance as per treasury schedule
1	2	3	4	5
2005-06	3,32,159	1,34,833	3,30,163	3,11,537
2006-07	1,18,000	5,33,271	1,20,000	1,10,834
2007-08	51,574	89,352	51,690	64,940
2008-09	37,550	51,690	37,550	44,042
2009-10	20,032	41,655	20,032	20,032

From the above it could be seen that the figures of collections and remittances in the treasury differ in all the stages, which needs further investigation.

The Dy. Collector, RD, instructed the concerned CO to investigate the matter regarding difference between the treasury figures and the Circle Office figures.

(B) Non-irrigation revenue

According to the provisions of the Bihar Irrigation Act, 1997 and executive order issued vide letter no.1996 dated 19.06.2007, agreements have to be executed with the user agencies for drawing water and water rates shall be levied at the prescribed rates.

The BOPDR Act provides that certificate proceedings should be initiated for realisation of arrears for which the requiring officer sends a proposal to the certificate officer. Further under the Limitation Act, 1963, certificate cases for recovery of arrear must be initiated within 30 years from the date of raising of demand. Thereafter the recovery will be barred by limitation of time.

We scrutinised the statement and records pertaining to arrears furnished by six Waterways and Irrigation (W&I) divisions¹¹ for 52 users and noticed that the arrears of water rates against water supplied for non-irrigation purposes viz., commercial, supply of drinking water up to 2009-10 were ₹ 377.68 crore. This included sub-judice amount of ₹ 55.94 crore of M/s Tata Steel, Jamshedpur and certificate case filed against M/s South Eastern Railway, Hatia, Ranchi for ₹ 1.01 crore. The division-wise arrears of water rates are given below:

Table showing division-wise detail of outstanding arrear of water charges

(₹ in crore)

Sl. No.	Name of the Division	Number of user agencies	Period	Amount of arrear
1	Waterways Division, Ranchi	6	April 1970 to March 2010	83.75
2	Waterways Division, Chaibasa.	1	February 1965 to March 2010	8.14
3	Swarnarekha Canal Division II, Chandil	5	July 1998 to March 2010	104.59
4	Tenughat Dam Division, Bokaro	4	November 1982 to March 2010	129.42
5	Kharkai Canal Division, Adityapur, Jamshedpur	5	December 2007 to March 2010	22.99
6	Waterways Division, Hazaribag	31	April 1956 to March 2009	28.79
Total		52		377.68

Out of the 52 users, the top ten major defaulters are mentioned below:

(₹ in crore)

Sl. No.	Name of the user agencies (M/s)	Name of the Office/ Division	Period	Amount of arrear
1	TTPS, Lalpania	Tenughat Dam Division, Bokaro	08/1996 to 08/1998	126.04
2	PHED, Ranchi	Waterways Division, Ranchi	77-78 to 01-02	76.61
3	Tata Steel Ltd., Jamshedpur	Swarnarekha Canal Division II, Chandil	6.07.98 to 03/10	91.63

¹¹ Chaibasa, Chandil, Hazaribag, Jamshedpur, Ranchi and Tenughat.

(₹ in crore)

Sl. No.	Name of the user agencies (M/s)	Name of the Office/ Division	Period	Amount of arrear
4	South Eastern Railways, Chakradharpur	Kharkai Canal Division, Adityapur, Jamshedpur	Up to March 2010	17.34
5	Tata Steel , Noamundi Iron Mines, Chaibasa	Waterways Division, Chaibasa	02/65 to 03/10	8.14
6	Power House, West Bokaro, Ghato	Waterways Division, Hazaribag	1978-79 to 03/09	4.05
7	R. K. Budhia, Ranchi	Waterways Division, Ranchi	01.09.70 to 31.03.02	3.36
8	Hindalco Industries Ltd, Ranchi	Waterways Division, Ranchi	01.04.85 to 31.03.09	1.58
9	Uranium Corporation of India Ltd.,Jamshedpur	Kharkai Canal Division, Adityapur, Jamshedpur	2007-08 to 2009-10	1.55
10	Rajrappa Colliery	Waterways Division, Hazaribag	1987-88 to 03/09	1.42

By analysing the age-wise pendency of arrears of ₹ 320.73 crore (excluding cases pending in appeal court and under the PDR Act of ₹ 56.95 crore), it was found that out of 52 user agencies, 22 user agencies have pendency of arrears of ₹ 19.32 crore for more than 30 years. The details can be seen in the following table:

Arrear of water rates for non-irrigation				
Sl. No	Age-wise (arrear in years)	No. of the user agency out of the total 52	Period	Amount (₹ in lakh)
1	Upto 5	49	2005-2010	1,854.82
2	6 to 10	42	2000-2005	6,849.15
3	11 to 15	41	1995-2000	17,432.65
4	16 to 20	36	1990-1995	2,409.60
5	21 to 25	28	1985-1990	1,095.43
6	26 to 30	24	1980- 1985	498.54
7	More than 30	22	Before 03/1980	1,932.33
Total				32,072.52

It was noticed that out of 52 cases, agreements for drawing water had been executed in six cases only. The remaining 46 user agencies were drawing water without permission/intimation to the concerned divisions. Moreover, certificate case under BOPDR Act was filed by the EE, Ranchi Division against one user agency i.e., M/s South Eastern Railway, Hatia, Ranchi only in September 2011. This was indicative of slackness on the part of the officials in realisation of Government dues. Due to inaction on the part of the Department, ₹ 384.77¹² crore remained unrealised from the users. Collection of arrears of ₹ 19.32 crore was pending for more than 30 years, realisation of which is not possible now.

After we pointed out the matter (between January and April 2011), the Department stated (October 2011) that demands were being sent regularly to the users but most of them had not executed the agreements. It was further stated that a model agreement had been finalised and would be executed with all users as soon as

¹² ₹ 384.77 crore (₹ 7.09 crore+ ₹ 377.68 crore) Irrigation arrear ₹ 7.09 crore and non- irrigation arrear ₹ 377.68 crore (320.73 + 56.95).

possible. Regarding filing of certificate case against the defaulters, it was stated that the Department would re-look into the legality of the issues. Further reply has not been received (February 2012).

7.6.12 Non-installation of water meters

The BI Act, 1997 provides that water rate may be levied whenever water is supplied, made available or used for the purpose of irrigation, municipal supply, industrial and commercial purposes. Further, as per section 77 of the BI Act, for water to be used for purposes other than irrigation, under such special condition and restriction as to the limitation and control of supply as permitted by the Canal officer (EE) and various executive orders, meters will be installed and maintained at the cost of the user agencies and the same would be under the control of Government authorities.

We noticed during audit scrutiny of seven Waterways divisions¹³ that there was no system to monitor the quantity of water supplied. Industries were drawing water from different sources but only nine¹⁴ out of the 52 test checked user agencies had installed the meters. The Divisions were raising demand on the basis of the water supplied as per the log

books of the pumps installed by the user agencies except M/s Usha Martin Limited, Tatisilway, Ranchi. Thus, the demand raised against these industries/user agencies were purely on an ad-hoc basis and not on the actual consumption of water.

The Government in its reply stated (October 2011) that the process of installation of meters has already been started and many meters have already been installed by the industries.

7.6.13 Internal control

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. They help in prevention of frauds and other irregularities. Internal controls also help in the creation of reliable financial and management information systems for prompt and efficient service and adequate safeguards against evasion of Government revenue.

7.6.13.1 Non-establishment of internal audit

Internal Audit Wing (IAW) of any organisation is a vital component of the internal control mechanism which enables the organisation to assure itself of the degree of compliance with prescribed systems.

As per information furnished by the Department, no internal audit wing had yet been established since formation of the State. Due to absence of an internal audit

¹³ Chaibasa, Chandil, Hazaribag, Jamshedpur, Medininagar, Ranchi and Tenughat.

¹⁴ M/s TISCO, Jamshedpur, M/s Bihar Sponge Iron Ltd., M/s Kohinoor Ltd., M/s Usha Martin Ltd., Jamshedpur, M/s Usha Martin Ltd., Tatisilway, M/s Rungta Mines Ltd., Chaibasa, SE Rly. Ranchi & Hatia, M/s Hindalco, Muri, Ranchi and M/s Bokaro Steel Plant, Bokaro.

mechanism, the Government did not have any means to get an independent assurance about the efficacy of the functioning of the WWDs/IDs.

The Government in its reply stated (October 2011) that internal audit was performed by the State Finance Department whenever required. The reply was not tenable as internal audit was not conducted by the Finance Department during 2005-10.

7.6.13.2 Non-maintenance of records/register

Records for *Chat* land¹⁵

According to the BI Act, 1997, the rules made thereunder and directives issued by the WRD in December 1997, *Chat* land is to be settled on lease basis for nine months for the period from June to March each year, for cultivation to persons belonging to landless, scheduled caste and other poor classes on priority basis. The settlement amount of *Chat* land alongwith the amount of water rate for *Kharif* and *Rabi* are to be collected in advance before signing the lease document.

During test check of the records of 10 divisions¹⁶ and the RD, Ranchi, we noticed that no record was maintained to show the total area of *Chat* land under the control of the respective divisions. Further, no periodic reports/returns were prescribed by the Department regarding usage of *Chat* land, to be

furnished by the divisions to the Dy. Collector, RD, Ranchi/Directorate. Due to non-maintenance of basic records by the divisions and lack of monitoring by the Directorate, the Government/Department was not in a position to assess the available land and ensure its settlement resulting in potential loss of revenue to the Government.

The Government in its reply stated (October 2011) that suitable instructions have already been issued to maintain the records pertaining to *Chat* land. Further reply has not been received (February 2012).

Demand, Collection and Balance Register

According to the Bihar Irrigation Laws, a combined Register called “Demand, Collection and Balance Register” of water rates is required to be maintained by the revenue collecting division to show the position of collection and balance amount of water rates at a glance for a particular period.

We noticed in 10 divisions¹⁷, that demand, collection and balance registers were not being maintained. The demand and collection figures were being watched through files instead of the registers.

¹⁵ Government land which is situated on both sides of the canal.

¹⁶ Chaibasa, Chandil, Deoghar, Dumka, Gumla, Hazaribag, Jamshedpur (Ghatshila and Kharkai Dam Division), Medininagar, Ranchi and Tenughat.

¹⁷ Revenue Division Ranchi, WWD Chaibasa, Chandil, Dumka, Gumla, Hazaribag, Jamshedpur (Kharkai Dam Division-II and Kharkai Canal Division), Medininagar, Ranchi and Tenughat

After we pointed out the matter, the Government accepted the audit observation and stated (October 2011) that necessary instructions would be issued to maintain the register. Further reply has not been received (February 2012).

Certificate of Treasury Remittance Register (CTR)

A CTR is to be obtained monthly and noted in a register to keep watch on the water rates collected and deposited into the treasury. We noticed that the CTR register was not being maintained in any of the divisions/circles except Waterways Division, Ranchi.

After we pointed out the matter, the Government stated (October 2011) that instructions had been issued to maintain the CTR. Further reply has not been received (February 2012).

Compliance deficiencies

7.6.14 Non-raising/Short raising of demand of water rates

Under the BI Act, 1997 all rights in the water of any river, natural stream or natural drainage channel, natural lake or other natural collection of water shall vest in the State Government. Further, under the Bengal Irrigation Act, 1876 and rules made thereunder, the Canal Officer (EE) shall supply water for purposes other than irrigation, on payment of water rates prescribed by the Government from time to time. Further, according to instructions issued by the Chief Engineer, WRD in June 2007, water shall be drawn by any user agency only after executing an agreement and installation of water meter under the control of the Department.

7.6.14.1 We called for the information regarding consumption of water by an user agency, M/s Swarnarekha Hydel Power Project, Ranchi, from Waterways Division, Ranchi. From the information furnished by the divisional authorities, we noticed (January 2011) that the user agency had drawn 86,808.13 crore gallon of water from Getalsud Reservoir for commercial

purposes from 1992-93 to 2009-10. We also noticed that agreement with the user agency has not been executed even after the instructions of the CE of June 2007. The divisional authorities did not raise any demand for realisation of the water rates which worked out to ₹ 355.44 crore¹⁸. Of these, ₹ 82.87 crore pertained to the period 2005-06 to 2009-10. This resulted in non-realisation of water rates of ₹ 355.44 crore.

The Government in its reply during exit conference stated (October 2011) that the process for execution of agreements with the user agencies was in progress at a fast pace in the light of the model agreement approved by the Law Department, Government of Jharkhand.

¹⁸ 1992-93 to 1994-95: 15,68,45,380.96 thousand gallon @ ₹ 3 per thousand gallon.
1995-96 to 1997-98: 23,34,43,923.84 thousand gallon @ ₹ 4 per thousand gallon.
1998-99 to 2009-10: 47,77,92,014.88 thousand gallon @ ₹ 4.50 per thousand gallon.

7.6.14.2 The Drinking Water & Sanitation Divisions (DW&S) deals in supply of water in rural and urban areas and Waterways/Irrigation/Dam division has to raise demand against consumption of water accordingly. We collected information/data from 12 DW&S¹⁹ regarding the water consumed during the period of review from 2005-06 to 2009-10 and cross verified the same with eight Waterways/Irrigation/Dam divisions²⁰ under whose jurisdiction the aforesaid DW&S divisions lie. We noticed that these divisions had not raised any demand for utilisation of natural water of 8,945.31 crore gallon against 12 user agencies. This resulted in non-raising of demand amounting to ₹ 40.27 crore²¹. The Department may review the position for the earlier period.

The Government in its reply stated (October 2011) that it had been notified to realise the revenue from the DW&S divisions. Further reply has not been received (February 2012).

Section 77 of the BI Act provides that on application being made for a supply of water to be used for purposes other than those of irrigation, the Canal officer may give permission for water to be taken for such purposes under such special conditions and restrictions as to the limitation and control of the supply as he shall think proper to impose in each case.

7.6.14.3 We noticed in two waterways/dam divisions that two user agencies²² (industries) were drawing water for commercial purposes in excess of the agreed volume of water for which no demand was raised by the divisions. This resulted in short raising of demand of ₹ 1.70 crore.

The Government in its reply stated (October 2011) that a committee has been constituted to settle the dispute over quantity of water actually consumed by the user agencies and demands would be raised accordingly. Further reply has not been received (February 2012).

We recommend that the Government may consider establishing a mechanism for ensuring co-ordination with other departments/undertakings for cross- verification of information/data.

7.6.15 Conclusion

The review on “Receipts from Major and Medium Irrigation Projects” indicated that there was non-achievement of irrigation targets fixed by the Department. The arrears of revenue of water supplied for irrigation showed an increasing trend during the last five years. The revenue recovery mechanism was found to be weak as evidenced by the low recovery of water rates for irrigation purpose ranging between ₹ 3.60 lakh and ₹ 12.11 lakh only. Various user agencies were drawing water for commercial purposes without executing agreements with the Department or in contravention of

¹⁹ Chaibasa, Chas, Daltonganj, Deoghar, Dumka I & II, Godda, Gumla, Hatia, Hazaribag, Swarnarekha and Tenughat.

²⁰ Chaibasa, Deoghar, Dumka, Gumla, Hazaribag, Medininagar, Tenughat and Ranchi.

²¹ 8,94,53,147 thousand gallon @ ₹ 4.50 per thousand gallon.

²² M/s Tata Steel Ltd., Jamshedpur and M/s ACC Ltd., Chaibasa.

agreements leading to shortfall in assessment and realisation of water rates. There was no time limit prescribed for filing certificate cases for recovery of arrears which resulted in accumulation of huge arrears. No internal audit wing was set up in the Department despite the fact that the internal control mechanism was weak.

7.6.16 Summary of recommendations

The Government may consider:

- issuing suitable instructions to the Water Resources Department for preparing the BEs on a realistic and scientific basis;
- making it mandatory for the divisions for timely preparation of ‘Sudkar’, ‘Khesra’ and ‘Khatiyani’ and timely submission to the revenue division to recover the water rates for irrigation;
- allowing supply of water for commercial purposes only after execution of agreements and installation of water meters. The system of periodical inspection of the meters may be introduced so that demand is based on actual consumption of water; and
- fixing a specific time limit for filing and disposal of certificate cases for early recovery of the arrears of water rates.

B. FOREST RECEIPTS

7.7 Non-disposal of unclaimed seized forest produce

Under the provisions of the Indian Forest Act, 1927, unclaimed forest timber shall vest with the Government. According to an order issued by the PCCF in September 1999, unclaimed seized forest produces are required to be disposed immediately or transferred to the Forest Development Corporation.

We noticed from the offence register, prosecution register and case files in three forest divisions²³ that unclaimed forest produce²⁴, involved in 102 cases, was seized

between 2006-07 and 2009-10. In one case of Deoghar, the value was not assessed by the division. We calculated the value of forest produce on the basis of departmental schedule of rates in the case of Deoghar and as assessed by the divisional forest officers in the rest of the cases, the total value of timber worked out to ₹ 9.52 lakh. The Department neither disposed the forest produce immediately nor transferred it to the Forest Development Corporation. This resulted in non-realisation of revenue of ₹ 9.52 lakh. Further, the forest produce lying in the open, exposed to the vagaries of nature, was likely to deteriorate in terms of quality and value.

²³ Territorial divisions: Deoghar (1), Khunti (27) and Wild Life, Hazaribag (74).

²⁴ 3,647 pieces, 4,276 CuM timber, 50 bags and 48 bundles of kendu leaves, 12 bullock carts and 13 qnts of fuel wood.

After we pointed out the matter between July 2010 and February 2011, the DFOs stated that the action would be taken for speedy disposal of seized forest produce. Further reply has not been received (February 2012).

We reported the matter to the Government in June 2011 followed by a reminder issued in September 2011; their reply has not been received (February 2012).

7.8 Illegal extraction of minerals from forest area

Under the provisions of the IF Act, quarrying stone, burnt lime or charcoal or collection or removal of any forest produce has been prohibited and was punishable. In the interim order of December 1996, the Hon'ble Supreme Court directed* to stop all such ongoing activities, without prior approval of the Central Government. According to an order issued by the Principal Chief Conservator of Forests in September 1999, unclaimed seized/illicit forest produce is required to be disposed immediately by way of auction or transferred to the State Trading Corporation. Prosecution is required to be initiated in claimed cases only.

* TN Godavaram Thirumal Pad Vrs. Union of India & other Working Plan (Civ) No. 202.

We noticed from the offence register, prosecution register and case files in two forest divisions²⁵ that unclaimed minerals, namely boulders, *dhibra* mica, shining stone and *morram* valued at ₹ 7.92 lakh (as assessed by the division) illegally extracted from forest land were seized

between September 2006 and February 2010 and were lying in the division. The DFOs did not dispose the minerals instead the cases were forwarded to the courts. Further, the divisions did not obtain permission from the respective courts for disposal of the minerals. This resulted in blocking of revenue of ₹ 7.92 lakh.

After we pointed out the cases between February and March 2011, the DFO, Giridih stated that action is being taken in this regard and permission of the courts would be taken while DFO, Wild Life, Hazaribag stated that instructions regarding disposal of seized minerals or boulders would be sought from senior officers of the Department. Further reply has not been received (February 2012).

²⁵ Territorial Divisions: Giridih and Wild Life, Hazaribag.

We reported the matter to the Government in June 2011 followed by a reminder issued in September 2011; their reply has not been received (February 2012).

Ranchi
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