

CHAPTER VI OTHER TAX AND NON-TAX RECEIPTS

6.1 Results of audit

Test check of the records of the following departments conducted during the year 2006-07 revealed underassessments and loss of revenue amounting to Rs. 44.97 crore in 112 cases as indicated below:

(Rupees in crore)			
Sl. No.	Nature of irregularity	No. of cases	Amount
I	HOME DEPARTMENT		
1.	Receipts of Police Department – (A Review)	1	26.38
II	REVENUE DEPARTMENT		
	Commercial Taxes		
	A. Professions Tax		
1.	Non/short levy of tax on vehicles	4	5.05
2.	Non/short levy of tax	29	0.88
	B. Entertainments tax and Betting tax		
1.	Non/short levy of show tax and entertainments tax	10	0.25
2.	Non-levy of interest/penalty	1	0.21
3.	Other irregularities	9	0.01
	C. Rural Development cess		
1.	Non/short levy of tax	3	0.29
	D. State Excise		
1.	Arrears of revenue	1	4.38
2.	Non/short collection of toddy rentals/license fee	6	0.04
3.	Non/short levy of penal interest	7	0.01
4.	Other irregularities	6	0.02
III	INDUSTRIES AND COMMERCE DEPARTMENT		
	Mines and Minerals		
1.	Non-realisation/remittance of seigniorage fee	12	5.86
IV	AGRICULTURE AND CO-OPERATION DEPARTMENT		
1.	Arrears in collection of annual return fee	1	0.01
V	FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT		
1.	Non-disposal of 6-A cases and non-remittance of lapsed security deposits	2	0.02
VI	ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY DEPARTMENT		
1.	Loss of revenue	20	1.56
	TOTAL	112	44.97

During the year 2006-07, the departments concerned accepted underassessments and other deficiencies of Rs. 3.37 crore in 53 cases, of which three cases involving Rs. 1.48 crore were pointed out during the year 2006-07 and the rest in the earlier years. An amount of Rs. 84.57 lakh in six cases was realised during the year.

A few illustrative cases involving Rs. 9.01 crore and a review of “**Receipts of Police Department**” involving Rs. 26.38 crore are mentioned in the following paragraphs.

A. HOME DEPARTMENT

6.2 “Receipts of Police Department”

Highlights

- Non-maintenance of the prescribed register as well as non-prescribing of a return to monitor the payment of dues resulted in non-realisation of Rs. 45.19 crore.

(Paragraph 6.2.7)

- Failure of the inspecting officers to detect less remittance of police cost resulted in non-credit of Rs. 2.12 crore to the concerned receipt head out of which Rs. 73.26 lakh were utilised for departmental purposes without any lawful authority.

(Paragraph 6.2.8)

- Absence of a provision to charge interest resulted in non-levy of interest on the outstanding amount of Rs. 76.87 crore.

(Paragraph 6.2.9)

- Compounding fee of Rs. 52.52 crore collected under the Motor Vehicles Act was incorrectly remitted to deposit/police head of account out of which Rs. 27.94 crore was utilised for departmental expenditure.

(Paragraph 6.2.11)

- Deployment of police force without terms and conditions coupled with absence of records for deployment of police guard resulted in non-realisation of Rs. 3.18 crore.

(Paragraph 6.2.13)

- Loss of revenue of Rs. 1.66 crore due to non-collection of rent, water and electricity charges from unauthorised occupants of Police quarters.

(Paragraph 6.2.14)

6.2.1 Introduction

The Andhra Pradesh Police Manual (APPM), 1959, Andhra Pradesh Police Standing Orders (PSO) and Hyderabad City Police Act, 1348-Fasli, govern the assessment and collection of the police receipts. The receipts of the Police Department mainly comprise recovery of the cost of police personnel provided to the Central Government, public undertakings, banks or other bodies. Incidence of recovery from other State Governments also arises for discharging the agency functions when so undertaken at the request of those Governments. In addition, fees and fines collected for granting annual police licence to hotels, restaurants, renewal of licences under the Indian Arms Act, 1959, and miscellaneous receipts due to recovery of electricity consumption charges, water charges etc. also form part of the police receipts.

A review of the receipts of the Police Department was conducted by audit. It revealed a number of system and compliance deficiencies which are discussed in the following paragraphs.

6.2.2 Organisational set up

The assessment, levy and collection of police cost are administered by the Director General and Inspector General of Police (DG & IGP), Hyderabad and Director General, Special Protection Force (DG-SPF). DG & IGP is incharge of the AP Police, while the DG-SPF is the principal administrator of the special protection force. Both are under the administrative control of the Principal Secretary, Home Department. The DG & IGP is assisted by additional directors general of police (ADGP), inspectors general, deputy inspectors general (DIG) incharge of ranges, commissioners of police (CP), superintendents of police (SP) and deputy superintendents of police at district level. DG-SPF is assisted by DIG, commandants and assistant commandants. DG & IGP nominates officers for conducting internal audit of subordinate offices. These officers are also responsible for watching realisation of police receipts of the department and are called inspecting officers.

6.2.3 Scope and methodology of audit

The review covered 9¹ out of 23 districts in the State selected on the basis of proportionate geographical coverage. The records for the period from 2001-02 to 2005-06 in 12² out of 28 offices were examined between September 2006 and March 2007.

6.2.4 Audit objectives

The review was conducted to ascertain whether:

- the rules and regulations governing realisation of police receipts, especially the cost of police deployment were complied with;
- system for effective and timely pursuance of demands have been laid down in the APPM and PSO;
- follow up action in case of default has been adequate so as to ensure that such instances are pursued to their logical conclusion; and
- internal controls have been so devised to gather and utilise all the necessary information for proper assessment and collection of police receipts.

¹ Krishna, Nellore, Visakhapatnam and West Godavari in Andhra Region
Hyderabad, Medak and Warangal in Telangana Region
Chittoor and Kurnool in Rayalaseema Region

² DG & IGP, DG-SPF, ADGP, Railways, Hyderabad, CP, Hyderabad, CP, Vijayawada, CP, Visakhapatnam, SP, Medak, SP, Kurnool, SP, Chittoor, SP, West Godavari, SP, Warangal and SP, Nellore

6.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Home Department in providing necessary information and records for audit. At the outset an entry conference was held in January 2007 with the Principal Secretary, Home, and other departmental officers in which the objectives of the review and the audit methodology were explained. The draft review report was forwarded to the Government and department in June 2007 and discussed in the Audit Review Committee meeting held in October 2007. Deputy Secretary to the Government, Home Department represented the Government while ADGP represented the Police department. Views of the Government/department have been incorporated in the review.

Audit findings

6.2.6 Trend of revenue

The Andhra Pradesh Budget Manual stipulates that the estimates should take into account only such receipts including arrears which are expected to be actually realised during the budget year.

The budget estimates (BE), actual realisation of revenue, variations in actual receipts over the BE and percentage of variation for the years 2001-02 to 2005-06 are as mentioned below:

(Rupees in crore)

Year	BE	Actuals	Variation of actuals over BE	Percentage of variation
2001-02	21.78	45.84	(+) 24.06	110.47
2002-03	22.76	51.48	(+) 28.72	126.17
2003-04	40.93	59.05	(+) 18.12	44.27
2004-05	58.48	50.15	(-) 8.33	(-) 14.24
2005-06	65.00	62.93	(-) 2.07	(-) 3.18

The very high order of deviations between the estimated and actual receipts in all years except 2005-06 indicates the need for a closer look at the budgeting process, which appears to be flawed. The department attributed the reason to non-projection of receipts accurately on account of introduction of user charges. The reply is not tenable as user charges started getting recovered from 2001-02 and the department could take these into account in the subsequent years.

System deficiencies

6.2.7 Non-raising/short realisation of demand for cost of police force deputed to other States

As per the provisions of the APPM, deployment of police force on a request received from borrowing State Government/organisation etc., is subject to payment of cost. The charges are calculated based on the average cost. **No return has been prescribed by the Government for monitoring the**

collection of the charges. No register was maintained in the office to watch the timely assessment, raising and collection of the demand. This resulted in non-raising/short realisation of the cost of police force as mentioned in the following paragraphs.

6.2.7.1 Police force deputed to other States

The DG & IGP, AP, Hyderabad, informed (October 2006) that police force had been deputed to four States for conduct of assembly elections during the period April 2001 to November 2005 for which Rs. 1.14 crore towards guard charges was recoverable from the borrowing States as mentioned below:

(Rupees in crore)

Sl. No.	Name of the borrowing State	Period of deployment	No. of days	Amount of guard charges to be levied and collected
1.	Tamil Nadu	28.04.01 to 06.05.01	9	0.24
2.	Maharashtra	05.10.04 to 15.10.05	11	0.18
3.	Jharkhand	31.01.05 to 18.2.05	19	0.13
4.	Bihar	23.10.05 to 21.11.05	30	0.59
Total				1.14

The DG & IGP had not raised any demand for the above amount. This resulted in non-realisation of Rs. 1.14 crore. In the absence of a return, the payment of the dues was also not monitored at the Government level.

After the case was pointed out, the Government stated in October 2007 that the concerned States have been addressed in June 2007 for reimbursing the cost of deployment but their replies have not been received.

6.2.7.2 Short realisation from Railways

Audit noticed that no system was prescribed by the Government to monitor the amount due from Railways. Absence of the system resulted in heavy pendency of police cost.

Audit scrutiny revealed that the department had raised demands aggregating Rs. 52.97 crore towards cost of police force supplied to Railways for the period from 2001-02 to 2005-06. Of this amount, the Railways had paid only Rs. 23.89 crore as mentioned below leaving a balance of Rs. 29.08 crore.

(Rupees in crore)

Year	Amount demanded	Payment made
2001-02	9.46	7.19
2002-03	9.35	3.79
2003-04	10.31	4.91
2004-05	10.77	5.03
2005-06	13.08	2.97
Total	52.97	23.89

Further scrutiny revealed that an additional amount of Rs. 14.97 crore pertaining to periods prior to 2001-02 was outstanding since 31 March 2001. Thus, the total pending dues were Rs. 44.05 crore. Out of this, Rs. 19.02 crore was unilaterally adjusted by the Railways against the dues of local bodies and other state departments. Though the adjustment was irregular, it was not brought to the notice of the Government at any stage by the department so that the matter could be taken up with the Railways. No reasons for making part payments were found on record. This matter also was never brought to the notice of the Government.

After the case was pointed out, the Government replied in October 2007 that the matter was being taken up with the Railways.

The Government may ensure the maintenance of a register wherein details of assessments, collection etc., are entered to watch the timely collection of the outstanding amounts. It may also consider prescribing a return for ascertaining the prompt levy and collection of police receipts.

6.2.8 Unauthorised utilisation of the departmental receipts

Under Section 39 (1) (b) of the Hyderabad City Police Act 1348-F, all unclaimed properties found in any street of Hyderabad and seized by the police can be released by collecting the compounding fee. Further, as per the Treasury Rule, all moneys received by or tendered to Government servants in their official capacity shall, without delay, be paid in full into the treasury or into the banks. **Money received as aforesaid shall not be appropriated to meet departmental expenditure, or kept outside the Government account. Audit noticed that the police receipts were not credited to the concerned receipt head; instead, these were kept in banks and were utilised for departmental purposes without any lawful authority. The inspecting officers had failed to detect the lapses in their internal audit. In the absence of a return to monitor the results of the inspections conducted by the inspecting officers, the DG & IGP also remained unaware of the irregularities. A few illustrative cases are mentioned in the following paragraphs.**

6.2.8.1 Scrutiny of the records in the office of the CP, Hyderabad revealed that Rs. 1.13 crore was collected towards compounding fee during the year 2001-02 to 2005-06. The amount so collected was to be credited to the head "0055-Police Receipts". However, it was deposited in a savings bank account at the State Bank of Hyderabad (SBH), Gunfoundry. An amount of Rs. 73.26 lakh was withdrawn and utilised for purchase of air coolers, furniture, farewell parties, feeding charges etc. **The inspecting officers failed to detect the less remittance of the receipts into the concerned receipt head.**

6.2.8.2 Government land admeasuring 2,500 sq. yards situated at Goshamahal Stadium Road, Hyderabad was leased to M/s Indian Oil Corporation (IOC) in July 1967, initially for a period of 10 years and the lease was extended from time to time upto 2011. Arrears of rent for the period from April 1988 to December 2001 amounting to Rs. 51.26 lakh received in March 2002 from

M/s IOC was required to be remitted into Government account. However, it was credited to the City Police Welfare Fund account (a non-government account) opened with SBH, Gunfoundry, Hyderabad. In addition, regular monthly rent for the period from January 2002 to September 2003 amounting to Rs. 34.36 lakh was also deposited into this account.

6.2.8.3 The Government in January 2004 ordered³ collection of Rs. 100 per application in cash for processing passport application. Of this, the concerned SP was authorised to spend Rs. 25 (Rs. 5 for stationery, Rs. 15 for postage and Rs. 5 for consumable for computers) per application handled. The balance amount of Rs. 75 per application received was to be credited to the departmental receipt head of account.

Scrutiny of the records relating to SP Warangal revealed that 18,337 passport applications were received during the period from February 2004 to February 2007 and service charges amounting to Rs. 18.34 lakh were collected. Out of this, Rs. 13.75 lakh being 75 per cent was to be remitted into Government account under the receipt head of the department. **However, the entire amount was kept in S.B. Account⁴.**

After the cases were pointed out, the Government stated in October 2007 that in case of Hyderabad, special instructions have been issued to CP Hyderabad to remit the receipts into the Government account while in case of SP Warangal an internal audit party would be sent to check the position.

The Government may consider prescribing a return to monitor the inspections conducted by the inspecting officers. It also needs to be investigated the reasons for flouting of its orders and take appropriate action against those responsible.

6.2.9 Absence of provisions of interest

There is no provision in the Police Manual for levy of interest on the uncollected Government receipts. Large amounts are outstanding against various organisations/departments on account of police cost in the absence of any deterrent measure. An illustrative case involving blocking of Rs. 76.87 crore is discussed in the following paragraph.

Scrutiny of the records of the SP, Chittoor, revealed that the Tirumala Tirupati Devasthanams (TTD) had requested the Government to provide police protection to its properties, regulate and provide necessary security to the devotees visiting the holy places at Tirupati and Tirumala. Accordingly, in three separate Government orders⁵, 618 additional posts of police personnel of various cadres were created subject to the recovery of the cost of establishment/guard charges. The department claimed Rs. 72.63 crore, upto March 2004 against which TTD paid Rs. 12.14 crore upto August 2001

³ G.O.Ms.No.4 Home (Passport-C) Department dated 5.1.2004

⁴ A/c No I/29 of Kakatiya Grameena Bank, Hanamkonda, Warangal

⁵ 1. G.O.Ms.No.339 Revenue (Endts.-II) Dept., dated 20.2.1979 (2) G.O.Ms.No.624 Home (Police-D) Dept., dated 8.10.1986 (3) G.O.Ms.No.431 Home (Police-D) Dept., dated 20.7.1991

leaving a balance of Rs. 60.49 crore. The TTD did not pay any further amounts and disputed the correctness of the claims preferred. The department did not raise the demand of Rs. 16.38 crore for the period April 2004 to March 2006. Thus, Rs. 76.87 crore had not been realised upto March 2006. Absence of a provision to charge interest on unpaid balance has resulted in further loss of revenue to Government.

After the case was pointed out in April 2007, the Government stated (October 2007) that a meeting was being convened with the TTD and Home Ministry for payment of dues on instalment basis.

The Government may consider including a provision in the Police Manual for levy of interest which may act as a deterrent for delayed payment of dues.

6.2.10 Non-maintenance of records

PSO No 339-A provides for maintenance of a register called the 'Register of Recoveries', for watching the recovery of the police cost for the services rendered by the Police Department. This register ensures prompt realisation of the amounts and their credit to the Government. Inspecting officers⁶ are required to check this register during their inspection and report cases of non-recoveries to the DG & IGP. **Audit noticed that departmental offices had failed to maintain the prescribed register. In the absence of this register, the department was not aware of the total amount due to the Government on account of police cost.**

It was noticed in audit that out of the 12 offices test checked, nine⁷ offices did not maintain the prescribed registers. **The inspecting officers also did not report non-maintenance of these registers in their reports.** As per information collected from the records of nine offices test checked by audit, amounts aggregating Rs. 68.02 crore were outstanding as on 31 March 2006. The arrears pertained to the year 1980-81 onwards. The year-wise details were not made available by the department despite being requested. **In the absence of these vital registers, audit was unable to ascertain the correctness of the amounts due to the Government in the offices test checked.**

During the scrutiny of the records of SP, Medak, it was noticed that the Microwave Repeater Station at Yellareddypet, Medak district, belonging to the Department of Telecom, Government of India (now BSNL) was provided with armed guard of two head constables (HCs) and eight police constables (PCs) during the period from April 1993 to March 1999. The department did not raise the demand periodically. Instead, the guard charges amounting to Rs. 49.64 lakh was demanded belatedly for the entire period in February 2003 from the Divisional Engineer, Microwave maintenance, BSNL, Hyderabad. BSNL refused to pay the dues in February 2003 and August 2005 stating that

⁶ These officers are nominated by the DG & IGP for conducting internal audit of the subordinate offices

⁷ CP, Hyderabad, Vijayawada and Visakhapatnam, SPs, Chittoor, Kurnool, Medak, Nellore, Warangal and West Godavari

it had not made any request for armed guard at any time and the station did not fall under 'X' category of vital installation. The department could not produce any record to justify the deployment of police force to BSNL. No requisition for deployment of police force was also available with the department. In the absence of such records, the department could not substantiate the demand raised. This resulted in non-realisation of dues aggregating to Rs. 49.64 lakh. **The inspecting officers had never reported absence/non-maintenance of these registers in their reports.**

After this was pointed out, the department stated in October 2007 that necessary ratification orders would be obtained from the Government.

The Government may ensure that the prescribed register is maintained and the inspections are made effective. It may also investigate the reasons for the non-maintenance of the register by the offices and also the circumstances under which such a major deficiency was not pointed out during inspections and take appropriate administrative action against those responsible.

Compliance deficiencies

6.2.11 Incorrect remittance of compounding fee collected under Motor Vehicles Act

As per Section 200 of Motor Vehicles Act, 1988 (Central Act 59 of 1988), any offence, punishable under certain sections of the Act, may either before or after the institution of the proceedings, be compounded by such officers or authorities and for such amount as may be specified by the State Government by notification in the official gazette. As per Government orders⁸ issued from time to time, the compounding fee⁹ collected by the police and transport department officials shall be remitted into treasury by challan under the head of account "0041-Taxes on Vehicles-101 Receipts under Motor Vehicles Act, 1988". Fees and fines etc., collected under the MV Act are not to be classified as user charges and cannot be used for departmental purposes. **In contravention of these orders, the DG&IGP in a circular memorandum dated February 2002¹⁰ stated that fees, fines and forfeiture include traffic fines for the purpose of user charges.**

It was noticed during the test check of the records of CPs and SPs¹¹, that an amount of Rs. 52.52 crore collected during April 2001 to March 2006 towards compounding fee was credited to the deposit head and police receipt head of accounts (8443 and 0055) and was treated as user charges. Of this, Rs. 27.94 crore was withdrawn and utilised to meet expenditure on purchase of computer stationery, fax rolls, minor repairs, cost of fuel and other office expenditure. Thus, non-compliance of the provisions of the Act to credit the

⁸ (1) G.O.Ms.No.54 TR&B Dept dated 31.3.95 (2) G.O.Ms.No.69 TR&B Dept dated 16.5.2001 (3) G.O.Ms.No.138 TR&B Dept dated 31.10.2001 (4) G.O.Ms.No.54 TR&B Dept dated 28.3.2006

⁹ Compounding fee is the fee collectable in lieu of prosecution

¹⁰ No.B2/101/202 dated 27.2.2002

¹¹ CPs Hyderabad, Vijayawada and Visakhapatnam, SPs Chittoor, Kurnool, Medak, Nellore Warangal and West Godavari

receipts to their relevant head not only resulted in inflation of the Government revenue under Police receipts but also enabled the department to irregularly utilise these receipts for departmental expenditure.

After the case was pointed out, the Government stated (October 2007) that orders were issued in July 2007 to delink the fines, penalties and compounding fee from the purview of user charges and they are to be treated as normal receipts of Government.

6.2.12 Non-collection/short levy of guard charges

According to PSO No 339 (i) read with the provisions of Andhra Pradesh Special Protection Force Act 1991, guard charges¹² are to be collected in advance from the borrowing organisations/departments/private parties/banks. The Government issued orders¹³ to collect guard charges in the beginning of the financial year itself and for withdrawal of forces in case of defaulting units.

6.2.12.1 Scrutiny of the records of the DG-SPF, Hyderabad revealed that the police force was deployed in 10 borrowing organisations from 1992. The police cost recoverable from these units was not demanded in advance. Five of the units against whom Rs. 3.12 crore was outstanding, closed their business. An amount of Rs. 83 lakh is recoverable from the remaining five units. Thus, non-compliance with the codal provisions resulted in non-realisation of police cost amounting to Rs. 3.95 crore as on 31 March 2006 out of which Rs. 3.29 crore pertains to the last five years.

After the case was pointed out, the Government stated in September 2007 that Rs. 56 lakh had been collected and the balance dues of Rs. 3.39 crore were yet to be collected.

6.2.12.2 Scrutiny of the records of DG-SPF, Hyderabad, CP, Hyderabad, Visakhapatnam and SP, West Godavari revealed that in 62 cases, while demanding guard charges, the revised pay of police personnel, hike in allowances etc., were not taken into consideration. This resulted in short levy of guard charges amounting to Rs. 33.02 lakh.

After the case was pointed out, the Government accepted (October 2007) the audit observation and stated that the amount would be collected from the borrowing organisations to the extent of Rs. 17.78 lakh. As regards short levy of guard charges relating to DG-SPF personnel, the Government replied that guard charges were raised based on the average pay of each individual cadre and not on the scale of pay of the individual deployed. The reply is not tenable as this is in contravention of the orders of the Government¹⁴ which stipulate that calculation of the police cost shall be on the basis of the scale of pay to which the Government servants deputed are entitled. This calculation should be revised with every change of incumbent.

¹² Guard charges are to be calculated based on the average cost and all the admissible allowances including leave salary and pension contributions

¹³ G.O.Rt.No.1328 Home (Police) Department dated 6.6.1996

¹⁴ PSO No.339 (2)(d)(vi)

6.2.13 Deployment of police force without fixing terms and conditions

As per F.R.127 of the Andhra Pradesh Fundamental Rules and Subsidiary Rules, an addition to a regular establishment is to be made on the condition that its cost or a definite portion of its cost shall be recovered from the persons for whose benefit the additional establishment is created. The amount to be recovered shall be the gross sanctioned cost of the service including leave.

The Government sanctioned in November 1981 and March 1995, additional staff for deployment at Tirupati airport at Renigunta and Vijayawada airport at Gannavaram at the request of the Civil Aviation Ministry of the GOI. It was stipulated in the Government orders that the Police Department shall meet the total cost of additional establishment initially and claim reimbursement from the Civil Aviation Ministry every year. **However, no agreement was executed with the borrowing agency stipulating the terms and conditions for providing security at these airports. This resulted in non-realisation of Rs. 3.18 crore.**

- At Tirupati airport, police was deployed from 15 November 1981 and was withdrawn on 7 July 2003. An amount of Rs. 1 crore was paid by the Airport Authority of India (AAI) against the demanded amount of Rs. 3.23 crore. Out of the outstanding amount of Rs. 2.23 crore, Rs. 90 lakh pertained to the period 2001-02 to 2005-06.
- Police force was deployed at Vijayawada airport from March 1987 and Rs. 95 lakh for the period 2001-02 to 2005-06 was outstanding against the AAI.

The Civil Aviation Ministry contended that the police cost has been paid in accordance with the standards and sanctioned strength fixed by the Bureau of Civil Aviation Security norms on the minimum pay basis. This is contrary to the orders¹⁵ of the Government which stipulates that calculation of the police cost shall be on the basis of the scale of pay to which the Government servant deputed is entitled. Thus, absence of an agreement resulted in non-realisation of the amount.

The department did not apprise the Government of this position so that it could take up the matter with the Civil Aviation Ministry to ensure that the payment is made in accordance with the prescribed norms.

6.2.14 Non-collection of rent, water and electricity charges

In terms of PSO No 331 (6) (b), standard rent as defined in FR 45-A-III or 10 *per cent* of monthly emoluments which ever is less, is recoverable from the occupants of Government police quarters. Besides rent, charges towards consumption of water and electricity is to be borne by the occupants separately. The occupants are required to vacate the quarters on their retirement/transfer as stipulated in the rules. On failure to do so, rent and penal rent is to be paid/recovered. There is no provision to recover such dues under the Andhra Pradesh Revenue Recovery Act (APRR Act), 1864.

¹⁵ PSO No. 339 (2)(d)(vi)

During the scrutiny of the records of the office of CP, Hyderabad relating to allotment of Government police quarters at Petlaburj, Hyderabad, it was observed that 306 quarters were allotted to the police personnel of various ranks. All the 306 occupants continued to occupy the quarters beyond their dates of retirements/transfers and approached courts of law claiming ownership. The Supreme Court in its judgment of September 2004, ordered the occupants to vacate the quarters and also to clear the dues within eight weeks. Though the occupants vacated the quarters, the Government dues towards rent, penal rent, water and electricity charges amounting to Rs. 1.66 crore were not recovered from the occupants inspite of clear direction from the Supreme Court.

After the case was pointed out, the Government stated (October 2007) that write off orders are to be issued as most of the allottees have expired. The reply is silent on why the dues cannot be recovered from those defaulters who are still alive and also whether the Supreme Court has been informed about the reasons for its orders not being complied with.

6.2.15 Conclusion

The review revealed that the internal controls in the department were very weak which led to a number of deficiencies not being highlighted. No return has been prescribed by the Government for monitoring the collection of the charges. No register was maintained in the office to watch the timely assessment, raising and collection of the demand. This resulted in non-raising/short realisation of the cost of police force. The inspecting officers failed to detect non/less remittance of the police receipts to the concerned receipt head. These were kept in banks and were utilised for departmental purposes without any lawful authority. They also failed to point out the non-maintenance of the register of recoveries by the departmental offices. In the absence of this, the department was not aware of the total amount due to the Government on account of police cost.

6.2.16 Summary of recommendations

The Government may consider implementation of the following recommendations for rectifying the system and compliance issues:

- prescribing a return for ascertaining the prompt levy and collection of police receipts;
- prescribing a return to monitor the inspections conducted by the inspecting officers;
- including a provision in the Police Manual for levy of interest which may act as a deterrent for delayed payment of dues; and
- ensuring that the prescribed register is maintained and the inspections are made effective.

B. REVENUE DEPARTMENT

Commercial Taxes

6.3 Non-levy and collection of professions tax

Under Section 4 of the Andhra Pradesh Tax on Professions, Trades, Callings and Employments Act, 1987, the Government issued orders¹⁶ dated July 2003 appointing the Transport Commissioner as collecting agent for collection of professions tax from the owners of transport vehicles on road (other than auto rickshaws) at Rs. 750 per vehicle per annum. In response to a clarification sought by some district officers for collection of tax, the Transport Commissioner in November 2006 directed the district officers not to collect professions tax till a decision regarding filling up of existing vacancies and providing additional staff required for discharging collection activities was taken by the Government.

During the course of the audit of the office of the Deputy Transport Commissioner, Visakhapatnam and three¹⁷ regional transport offices (RTOs) for the year 2005-06 conducted between April and May 2006, it was noticed that professions tax amounting to Rs. 4.99 crore from the owners of 66,545 vehicles on road was not collected. Thus, despite the orders of the Government, the Transport Commissioner failed to realise the professions tax amounting to Rs. 4.99 crore for the period 2005-06.

The matter was referred to the department in March 2007 and the Government in April 2007; their response has not been received (December 2007).

6.4 Non-remittance of the rural development (RD) cess

Under Section 7 of the RD Act, cess shall be levied and collected at the rate of five *per cent ad valorem* on the quantum of the first purchase of paddy. In case of paddy sold to the Food Corporation of India (FCI), it pays the cess component to the rice millers who in turn pay it to the Commercial Taxes Department.

During the course of the audit of two¹⁸ circles between January and September 2006, it was noticed that in six cases, five dealers received RD cess of Rs. 29.24 lakh from the FCI during 2001-02 to 2002-03. Out of these, three dealers received Rs. 27.47 lakh but remitted only Rs. 19.91 lakh. The remaining amount of Rs. 1.77 lakh collected by two dealers was not remitted to the Government. This resulted in non/short realisation of revenue of Rs. 9.33 lakh.

¹⁶ G.O.Ms.No.801 Revenue (CT-II) Department dated 18 July 2003

¹⁷ Anakapalli, Bhimavaram and Rajahmundry

¹⁸ Akiveedu and Peddapuram

After the cases were pointed out, the Government replied between September and December 2007 that in respect of four dealers, the demand of Rs. 6.22 lakh had already been taken into the demand collection and balance (DCB) register and action under Revenue Recovery Act had been initiated for recovering the dues and in respect of another dealer, notice was issued for production of account books.

C. INDUSTRIES AND COMMERCE DEPARTMENT

Director of Sugar and Cane Commissioner

6.5 Non-levy of penalty

Under the Andhra Pradesh Sugarcane (Regulation of Supply and Purchase) Act 1961, and the rules made thereunder, an occupier of a sugar factory or owner of a *khandasari* sugar unit shall not remove or cause to be removed sugar produced in a factory or *khandasari* unit, until purchase tax on sugarcane due to the Government is paid. In case of default, the owner of factory/*khandasari* unit shall also be liable to pay penalty not exceeding 100 *per cent* of the tax payable.

Audit of the office of the Assistant Cane Commissioner, Nellore in November 2005, revealed that sugar was removed without paying purchase tax incentive to cane growers amounting to Rs. 2.30 crore by a sugar factory during the crushing seasons 2003-04 and 2004-05. However, the department did not levy penalty of Rs. 2.30 crore for removal of sugar without payment of purchase tax.

After the case was pointed out, the Assistant Cane Commissioner, Nellore replied that the Government had waived the penalty vide order No.296 dated 13 October 2003. The reply is not tenable, as the waiver order 296 covered the period upto 2000-01 and not the crushing seasons of 2003-04 and 2004-05.

The above matter was referred to the department in October 2006 and the Government in March 2007; their reply has not been received (December 2007).

Mines and Minerals

6.6 Non-remittance of seigniorage fee

The Industries and Commerce Department ordered¹⁹ that seigniorage fee collected on minerals under the provisions of the Mines and Minerals (Regulation and Development) Act, 1957, be credited to the consolidated fund of the State and then transferred to the local bodies separately at the rates prescribed.

¹⁹ G.O.Ms.No.404 Industries and Commerce dated 5 October 1994

During the course of the audit of five²⁰ offices of the Assistant Directors of Mines and Geology (ADMG) between July 2006 and February 2007, it was noticed that Rs. 1.16 crore recovered towards seigniorage fee from the bills of contractors for the year 2005-06 by four local bodies and Tirumala Tirupati Devasthanams in respect of material used in the works was not remitted to the Government account.

After the cases were pointed out between July 2006 and February 2007, ADMGs stated that action would be taken to collect the seigniorage fee.

The above matter was referred to the Government in April 2007; their response has not been received (December 2007).

6.7 Non/short recovery of seigniorage fee

As per Rule 10 of Andhra Pradesh Minor Mineral Concession Rules, 1966, seigniorage fee shall be charged on all minor minerals despatched or consumed from the land at the rates specified in the schedules to the rules. The Government in October 2004²¹ revised the rates of seigniorage fee on minor minerals.

During the course of the audit of two²² offices of ADMG and Visakhapatnam Urban Development Authority (VUDA), Visakhapatnam conducted between February and September 2006, it was noticed that seigniorage fee was either not collected or was collected at pre-revised rates in respect of the earth consumed in works executed between 2001-02 to 2005-06. This resulted in non/short recovery of seigniorage fee of Rs. 16.71 lakh.

After the cases were pointed out, Government replied (September 2007) that in respect of VUDA, Visakhapatnam earth was not purchased from anywhere and only conveyance charges were allowed. Hence, seigniorage fee was not payable. The reply is not tenable, as earth is a minor mineral and in this case it had been brought and consumed. Seigniorage fee was, therefore leviable. Reply in the remaining cases has not been received (December 2007).

D. IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT

IRRIGATION WING

6.8 Short levy of royalty

The Government in April 2002²³ revised the rates of royalty for water drawn by mini hydel project for industrial purpose and fixed it at 1.5 paise per 1,000

²⁰ Chittoor, Eluru, Guntur, Rajahmundry and Vijayawada

²¹ G.O.Ms.No.217 Industries and Commerce Department dated 29 September 2004

²² Chittoor and Eluru

²³ G.O.Ms.No.39, I&CAD, dated 2 April 2002

gallons for non-consumptive use upto five years, from the date of commissioning. Prior to this, the rates of royalty were based on the effective capacity of the horse power of the power plant.

During the course of the audit of the office of the Executive Engineer, Yeleru Reservoir Project Division, Yeleswaram, East Godavari district in January 2006, it was noticed that the department had levied royalty of Rs. 6.73 lakh on a mini hydel project for the period from April 2002 to December 2005 at pre-revised rates instead of Rs. 35.65 lakh at the revised rates. This resulted in short levy of royalty by Rs. 28.92 lakh.

After the case was pointed out, the Government replied (December 2007) that the firm was requested to pay the amount.

Hyderabad
The

(P.J. Mathew)
Accountant General
(Commercial & Receipt Audit)
Andhra Pradesh

Countersigned

New Delhi
The

(Vinod Rai)
Comptroller and Auditor General of India