

CHAPTER – V

REVENUE RECEIPTS

GENERAL

5.1 Trend of revenue receipts

5.1.1 The total receipts of Government of Arunachal Pradesh for the year 2001-2002 were Rs.1085.30 crore against the budget estimates of Rs.1143.06 crore. The position of revenue raised by the State Government and State's share of divisible Union taxes and grants-in-aid received from Government of India during the year 2001-02 and preceding two years is given below :

Table 5.1

(Rupees in crore)

Sl. No.	Head of revenue	1999-2000	2000-2001	2001-2002
I.	Revenue raised by State Government			
	(a) Tax revenue	13.88	20.63	30.89
	(b) Non-tax revenue	67.01	63.65	70.91
	Total	80.89	84.28	101.80
II.	Receipts from Government of India			
	(a) State's share of divisible Union taxes	340.77	115.67	90.93*
	(b) Grants-in-aid	587.26	761.46	892.57
	Total	928.03	877.13	983.50
III.	Total receipts of State (I + II)	1008.92	961.41	1085.30
IV.	Percentage of (I to III)	8	9	9

* The decline of State share of divisible Union taxes is due to recovery of excess release of State's shares of net proceeds during previous years (2000-2001 and 2001-2002 respectively)

5.2 Tax revenue raised by the State

5.2.1 Receipts from tax revenue constituted 30 per cent of State's own revenue receipts during the year 2001-2002. Details of tax revenue for the year 2001-2002 and those of the preceding two years are given below :

Table 5.2

(Rupees in crore)

Sl. No.	Head of revenue	1999-2000	2000-2001	2001-2002		Percentage of increase (+) / Decrease (-) over	
				Budget estimate	Actual receipts	Receipts of 2000-2001	Budget estimate of 2001-2002
1.	State Excise	10.08	9.02	10.00	10.55	(+)17	(+) 6
2.	Taxes on Vehicles	1.12	1.12	1.40	1.61	(+) 44	(+) 15
3.	Land Revenue	1.36	1.45	1.50	1.00	(-) 31	(-) 33
4.	Other Taxes	0.52	0.60	0.60	0.68	(+) 13	(+) 13
5.	Sales Tax	0.35	8.19	13.00	16.78	(+) 105	(+) 29
6.	Stamps and Registration fees	0.45	0.25	0.45	0.27	(+) 8	(-) 40
7.	Taxes and Duties on Electricity
	Total	13.88	20.63	26.95	30.89	(+) 50	(+) 15

5.2.2 Reasons for variations in receipts (actuals) during 2001-2002 over those of 2000-2001 and with reference to budget estimates under all the above heads of revenue had not been furnished by the State Government (December 2002) though called for.

5.3 Non-tax revenue of the State

Table 5.3

(Rupees in crore)

Sl. No.	Head of revenue	1999-2000	2000-2001	2001-2002		Percentage of increase (+) / Decrease (-) over	
				Budget estimate	Actual receipts	Receipts of 2000-2001	Budget estimate of 2001-2002
1.	2.	3.	4.	5.	6.	7.	8.
1.	Forestry and Wild Life	16.23	13.00	30.00	25.24	(+) 94	(-) 16
2.	Power	7.08	12.08	36.55	11.86	(-) 2	(-) 68
3.	Miscellaneous General Services	4.02	3.27	10.00	3.66	(+) 12	(-) 63
4.	Interest Receipts	4.23	8.99	7.65	6.36	(-) 29	(-) 17
5.	Road Transport	6.07	6.40	9.68	7.22	(+) 13	(-) 25
6.	Public Works	1.76	1.58	2.00	1.77	(+) 12	(-) 12
7.	Others	13.21	9.38	19.56	6.62	(-) 29	(-) 66
8.	Other Administrative Services	6.62	0.78	2.84	0.78	...	(-) 73
9.	Non-Ferrous Mining and Metallurgical Industries	4.32	5.18	6.34	4.48	(-) 14	(-) 29

(Rupees in crore)

1.	2.	3.	4.	5.	6.	7.	8.
10.	Animal Husbandry	0.93	0.73	1.10	0.57	(-) 22	(-) 48
11.	Crop Husbandry	1.62	1.11	1.50	1.26	(+) 14	(-) 16
12.	Village and Small Industries	0.36	0.43	0.65	0.40	(-) 7	(-) 38
13.	Education, Sports, Art and Culture	0.56	0.72	0.65	0.69	(-) 4	(+) 6
	Total	67.01	63.65	128.52	70.91	(+) 11	(-) 45

5.3.1 Reason for increase/decrease in collection of receipts has not been furnished by the State Government (December 2002) though called for.

5.4 Analysis of actual revenue receipts of the State

5.4.1 The trend of revenue receipts of the Government during the period 1997-98 to 2001-2002 is indicated in the following table :

Receipts of the State

Table 5.4

(Rupees in crore)

Year	Budget estimate	Revised estimate	Actual revenue receipts	Increase (+)/ Decrease (-) over the budget estimate	Increase (+)/ Decrease (-) over the revised estimate	Percentage Increase (+)/ Decrease (-) over	
						Budget estimate	Revised estimate
1997-1998	924.94	881.49	835.46	(-) 89.48	(-) 46.04	(-) 9.68	(-) 5.22
1998-1999	871.54	927.34	923.57	(+) 52.03	(-) 3.77	(+) 5.97	(-) 0.41
1999-2000	963.25	1023.94	1008.92	(+) 45.67	(-) 15.02	(+) 4.74	(-) 1.47
2000-2001	997.98	1136.14	961.41	(-) 36.57	(-) 174.73	(-) 3.66	(-) 15.38
2001-2002	1143.06	NA	1085.30	(-) 57.76	NA	(-) 5.05	NA

5.4.2 The actual revenue receipts increased from Rs.835.46 crore in 1997-98 to Rs.1008.92 crore in 1999-2000 but declined to Rs.961.41 crore in 2000-2001 and increased to Rs.1085.30 crore in 2001-2002. The receipts from the Government of India rose from Rs.768.36 crore in 1997-98 to Rs.877.13 crore in 2000-2001. During 2001-2002, receipts from Government of India (Rs.983.50 crore) was 91 *per cent* of the total revenue receipts (Rs.1085.30 crore).

5.4.3 The tax revenue of the State has shown an increase from Rs.9.83 crore in 1997-98 to Rs.30.89 crore in 2001-2002 and in comparison with 2000-2001 tax revenue collection increased by 50 *per cent*. The non-tax revenue collection by the State increased from Rs.57.26 crore in 1997-98 to Rs.70.91 crore in 2001-2002 and in comparison with 2000-2001, the collection of non-tax revenue increased by 11 *per cent* only.

5.4.4 Except in the years 1998-99 and 1999-2000, the actual revenue receipts in the years 1997-98, 2000-2001 and 2001-2002 were less than the budget estimates. It is seen that the budget estimates increased year after year except for the year 1998-99.

5.5 Follow up on Audit Report – summarised position

5.5.1 With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Shakder Committee, appointed to review the response of the State Government to Audit Reports, had recommended (March 1993), *inter alia* that the concerned departments of the State Government should (i) without waiting for the receipt of any notice or call from the Public Accounts Committee (PAC), submit *suo motu* replies on all paragraphs and reviews featuring in the Audit Reports within 3 months and (ii) submit Action Taken Notes (ATN) in respect of recommendations of the PAC within the dates as stipulated by the PAC or within a period of **six months** whichever is earlier.

5.5.2 While accepting the recommendations (1996), the Government specified the time frame of 3 months for submission of *suo motu* replies by the concerned departments. But the time limit for submission of ATN is yet to be fixed.

5.5.3 Review of outstanding ATNs as of 31 August 2001 on paragraphs included in the Reports of the Comptroller and Auditor General of India revealed that :

i) The departments of the State Government had not submitted *suo motu* replies on 52 paragraphs of Audit Reports for the years 1987-88 to 2000-2001 in respect of revenue receipts. The details are given below :

Table 5.6

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/reviews included in the Audit Report (excluding standard paragraph)		Number of Paragraphs/reviews on which suo-motu replies are awaited		Total (5+6)
		Para-graphs	Reviews	Para-graphs	Reviews	
1.	2.	3.	4.	5.	6.	7.
1987-88	18.03.1992	6	-	3	-	3
1988-89	02.12.1992	4	-	4	-	4
1989-90	18.03.1993	3	-	1	-	1

1.	2.	3.	4.	5.	6.	7.
1992-93	27.03.1995	3	-	3	-	3
1993-94	27.06.1995	1	-	1	-	1
1994-95	27.03.1996	2	-	2	-	2
1995-96	05.02.1998	7	-	1	-	1
1996-97	09.11.1998	6	1	5	1	6
1997-98	23.07.1999	5	-	5	-	5
1998-99	24.07.2000	8	1	8	1	9
1999-2000	21.09.2001	8	1	8	1	9
2000-2001	22.08.2002	8	-	8	-	8
Total		61	3	49	3	52

ii) 21 paragraphs have already been discussed by the PAC, pertaining to the years from 1996-97 to 1998-99 but neither the recommendations nor any ATN have been submitted by the PAC/department in respect of these 21 paragraphs. The detailed position is indicated below :

Table 5.7

Year of Audit Report	Number of paragraphs on which recommendations were made by PAC but ATNs are awaited	Particulars of paragraphs	Number of PAC Report in which recommendations were made
1996-97	7	6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9	...
1997-98	5	6.3, 6.4, 6.5, 6.6, 6.7	...
1998-99	9	6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11	...
Total	21		

5.6 Response of the departments to draft paragraphs

5.6.1 The draft paragraphs are forwarded to the Secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their reply within six weeks. The fact that the replies from the departments have not been received are invariably indicated at the end of each such paragraph included in the Audit Report.

5.6.2 9 draft review/paragraphs pertaining to revenue receipts, proposed for inclusion in this Report were forwarded demi-officially to the Secretaries of the respective departments during May-July 2002.

5.6.3 The Secretaries of the departments did not send replies to 7 draft review/paragraphs and these paragraphs have been included in this Report without the response of the departments.

5.7 Results of audit

5.7.1 Test check of the records of Land Revenue Department, Forest Department, Excise Department, Geology and Mining Department and other departmental offices conducted during the year revealed under-assessment/short levy/loss of revenue amounting to Rs.24.45 crore in 92 cases.

5.7.2 This chapter contains 7 paragraphs and 1 review involving financial effect of Rs.900.77 crore of which Rs.9.97 crore was accepted by the Government in reply and action for recovery, wherever possible, was stated to have been taken. Replies in 6 cases involving Rs.890.80 crore have not been received.

SECTION – A - REVIEW

LAND MANAGEMENT DEPARTMENT

5.8 Assessment, levy and collection of land revenue

Highlights

There was a blockage of revenue of Rs.867.14 crore due to lease rent not being assessed.

(Paragraph 5.8.7)

Land value amounting to Rs.7.54 crore for land already allotted to the departments of the Central and State Government remained unrealised.

(Paragraph 5.8.9)

Lease rent of Rs.1.66 crore in 4179 cases and interest of Rs.0.17 crore per year remained unrealised due to inaction on the part of the department.

(Paragraph 5.8.13)

In 1009 cases there was short realisation of lease rent of Rs.0.02 crore.

(Paragraph 5.8.16)

Delay in issue of allotment orders to Central and State Government Departments resulted in loss of Rs.3.57 crore by way of land value remaining unrealised.

(Paragraphs 5.8.19 and 5.8.20)

Failure to comply with Government orders resulted in penalty of Rs.3.28 crore remaining unrealised from 1470 allottees.

(Paragraphs 5.8.24 to 5.8.30)

The discrepancy of Rs.0.37 crore between revenue returns of the directorate and district units, besides further discrepancies of 16,01,515 m² in respect of areas of land allotted to Government departments as per records of the directorate/district units remained unreconciled.

(Paragraphs 5.8.33 to 5.8.39)

There was under-assessment of land revenue of Rs.0.58 crore due to irregular allowance of concessional rate to CAU, Imphal.

(Paragraphs 5.8.47 and 5.8.48)

Introductory

5.8.1 The Land Management Department in the state of Arunachal Pradesh was created in February 1981 to deal with all cases of land acquisition, survey, allotment to Government departments, other local bodies, organisations and individuals for residential and other purposes. The Arunachal Pradesh (Land Settlement and Records) Act, 2000, as approved by the State Legislature was notified on 8.11.2000. Prior to this, the activities of the department were guided by the Arunachal Pradesh Allotment of Government Land Rules, 1988, besides administrative orders issued from time to time. The total area of land in Arunachal Pradesh was reported to be 83,743 sq.km.

Organisational set up

5.8.2 The department is headed by the Director of Land management (LM) and assisted by the Deputy Director (LM), Assistant Director (LM) and Surveyor (LM) under the administrative control of the Secretary (Land Management), Government of Arunachal Pradesh. The provisions of the Act and the Rules are administered at the district level by the Deputy Commissioner (DC) of the district who is assisted by the Extra Assistant Commissioner (Revenue) and Circle Officer (Revenue).

Scope of audit

5.8.3 A review on assessment, levy and collection of land revenue was conducted covering the period from 1996-97 to 2000-01 to examine the effectiveness and adequacy of rules and procedures, *vis-à-vis* assessment, levy and collection of premium, annual lease rent, penalty for unauthorised occupation of land and interest for delayed payment. For this purpose, records of eleven* (out of sixteen) unit offices were test checked between November 2001 to February 2002. The audit findings are discussed in the succeeding paragraphs.

* (1) Director Land management (2) Deputy Commissioner, Itanagar
(3) Deputy Commissioner, Seppa (4) Deputy Commissioner, Pasighat
(5) Deputy Commissioner, Along (6) Deputy Commissioner, Daporijo
(7) Deputy Commissioner, Roing (8) Deputy Commissioner, Tezu
(9) Deputy Commissioner, Khonsa (10) Deputy Commissioner, Changlang
(11) Deputy Commissioner, Yinkiang

Trend of revenue

5.8.4 Land revenue is one of the major sources of revenue of the Government of Arunachal Pradesh. The budget estimates and actuals for the year 1996-97 to 2000-2001 were as under :

Table 5.8**(Rupees in crore)**

Year	Budget Estimates	Actuals receipt	Excess(+)/ Shortfall(-)	Percentage of Excess(+)/ Shortfall (-)
1996-1997	1.06	1.27	(+) 0.21	(+) 20
1997-1998	1.36	1.98	(+) 0.62	(+) 46
1998-1999	2.12	1.33	(-) 0.79	(-) 37
1999-2000	1.48	1.36	(-) 0.09	(-) 8
2000-2001	2.50	1.45	(-) 1.05	(-) 42

5.8.5 The reasons for variation between budget estimates and actuals although called for (November 2001) have not been furnished.

Assessment, levy and collection of land revenue***Unassessed lease rent***

5.8.6 Under the Arunachal Pradesh Allotment of Government Land (APAGL) Rule, 1988, the allottee/lessee shall pay the lease money annually at the rates fixed by the Government from time to time. Further, under the Arunachal Pradesh (Land Settlement and Records) Act, 2000, land revenue shall be payable at such times, in such instalments to such persons and at such places, as may be prescribed by the Government. Any instalment of land revenue or part thereof which is not paid on due date shall become an arrear of land revenue and the person responsible for payment shall become a defaulter. Interest at the rate of 15 *per cent* per annum from commercial allotments would be charged on unpaid amounts of premium and lease rent in terms of APAGL Rules, 1998.

5.8.7 Mention was made in paragraph 8.5.6.1(i) of the Report of the CAG of India for 1998-99 regarding occupation of forest land (867.14 sq.km) by the Arunachal Pradesh Forest Corporation Limited (APFCL) which was incorporated in March 1977. The annual lease rent as recoverable from the APFCL was neither assessed nor was any demand notice issued by the department against the corporation to pay the arrear of land revenue from year to year. As a result, an amount of Rs.867.14 crore payable by the corporation

at prevailing rate of Rs.2 per m² per annum during 5 years ended 31 March 2001 remained un-assessed and hence un-realised.

5.8.8 In reply, the Director, Land Management (LM) stated (August 2002) that as the details of land allotted to the APFCL were not available in the Directorate the same has been called for from the district authorities. The report on further progress of this case has not been received (December 2002).

Government departments

5.8.9 Similarly, during test check of records of 9 districts*, it was noticed that in 188 cases 83,87,451 m² of land was allotted to various departments of the State Government and in 34 cases 50,22,829 m² of land allotted to various departments of the Central Government involving land value of Rs.3.51 crore and Rs.4.03 crore respectively. No action was taken by the concerned Deputy Commissioners for speedy realisation from the allottees the unpaid revenue till date, resulting in revenue of Rs.7.54 crore remaining unrealised.

5.8.10 On this being pointed out, the DC, Tezu stated (July 2002) that demand notices were issued to all Government departments for payment of the dues whereas the DC, Roing intimated (August 2002) that the Government departments failed to pay the dues for want of funds despite demand notices issued. Further report on recovery was awaited (December 2002). The Director (LM) stated (August 2002) that all the DCs had been requested to realise land revenue from the State and the Central Government departments.

Unrealised lease rent

5.8.11 Section 59(i) of the Arunachal Pradesh (Land Settlement and Records) Act provides that any instalment of land revenue or part thereof which is not paid on due date shall become an arrear of land revenue and the person responsible for the payment shall become a defaulter. Further, Section 60 of the Act *ibid* provides that the arrear of land revenue may be recovered by any one of the following processes namely:

- a. by serving a written notice of demand to the defaulter
- b. by restraints and sale of the defaulters moveable property including the produce of the land
- c. by attachment and sale of defaulters immovable property.

5.8.12 Besides an interest at the rate of 10 *per cent* per annum from private allotments would be charged on unpaid amounts of premium and annual lease rent as per Rule 6(ii) of APAGL Rules, 1988.

* Itanagar, Along, Daporijo, Khonsa, Tezu, Roing Seppa, Pasighat and Changlang.

5.8.13 During test check of the records of the Deputy Commissioners (DC) of 9 districts, viz., Tezu, Khonsa, Seppa, Itanagar, Daporijo, Roing, Along, Pasighat and Changlang, it was noticed that land revenue of Rs.1.66 crore payable by the allottees was assessed in 4,179 cases during the period 1982-83 to 2000-2001. The department neither issued demand notices nor initiated penal action contemplated in the Act as above. This resulted in lease rent of Rs.1.66 crore and of interest of Rs.0.17 crore per year remaining unrealised due to inaction on the part of the departments.

5.8.14 In reply, DCs (Tezu, Roing and Changlang) stated (July and August 2002) that demand notices were served (between April and August 2002) on the concerned allottees for payment of the dues. The Director (LM) stated (August 2002) that the concerned district authorities were asked to initiate legal action against the defaulters and to recover the dues immediately. The report on recovery has not been received (December 2002).

Short realisation of lease rent

5.8.15 In July 1994, the Government of Arunachal Pradesh prescribed the rates for realisation of annual lease rents at Re.0.50 per m² and Rs.2 per m² for land allottees for residential and non-residential purposes respectively.

5.8.16 A test check of Land Allotment Register maintained by the Director of Land Management, Itanagar revealed that 1,17,757 m² and 84,788 m² of land were under the occupation of 636 and 373 allottees for residential and commercial purposes respectively in the Ziro district during the period from April 1999 to March 2001. The annual lease rent payable by these allottees during the aforesaid period worked out to Rs.4.57 lakh against which Rs.2.19 lakh was levied and collected by the Deputy Commissioner, Ziro. This resulted in short levy of lease rent of Rs.2.38 lakh.

5.8.17 In reply, the Director (LM) stated (August 2002) that the DC, Ziro was requested to assess the reason of shortfall of land revenue collection in these cases. The action taken report has not been received (December 2002).

Unassessed land value

5.8.18 Under the Arunachal Pradesh Allotment of Government Land Rule, 1988, there is no bar for allotment of land to Central Government Departments and Government undertakings for establishing their offices and residential complexes on assessment of correct requirement of land and its value.

5.8.19 Test check of records of DC, Along revealed that 32,04,414 m² of land was in occupation of Assam Rifles (under the administrative control of the Ministry of Home Affairs) deployed in West and East Siang district since 1958 due to operational reasons. The unit of Assam Rifles approached the Deputy Commissioner, Along in July 1996 to settle all the formalities in regard to survey, demarcation, allotment etc., by issue of gazette notification

thereon. But the district authority had not taken any action towards allotment of the land nor was any demand notice issued so far towards payment of dues. Thus delay in finalisation of allotment etc., had resulted in land value to the tune of Rs.3.21 crore not being assessed.

5.8.20 Similarly, 5,71,433 m² of land in Along, Daporijo, Seppa and Pasighat districts was also under occupation of various departments of Central and State Governments. The Government departments approached the respective Deputy Commissioners between 1989 and 1996 for issuance of allotment orders but no action was taken to regularise the cases till date of audit. Thus, inaction on the part of the DCs concerned to settle these cases by issue of formal allotment orders had resulted in land value of Rs.0.36 crore not being assessed.

5.8.21 On these being pointed out (June 2002) by audit, the Director (LM) stated (August 2002) that the concerned DCs were requested time and again to recover the land revenue from all the State and Central Government Departments. But the reply was silent on allotment of land already under occupation of these departments.

Improprieties on regulation of penalty vis-à-vis illegal occupation of Government lands

5.8.22 Consequent upon the report of large scale unauthorised occupation of Government land by private individuals, the Government of Arunachal Pradesh instructed (25 October 1994) all Deputy Commissioners to regulate such unauthorised occupation of land with the cut off date of 24 July 1994, by realising penalty at the rate of Rs.100 per m² for use of residential purposes and Rs.200 per m² for other in addition to the premium and annual lease rent as per rates prescribed by the State Government from time to time. All such cases of unauthorised occupation prior to the said cut off date were required to be finalised/regularised within a stipulated period of 60 days from the date of issue of the order (25.10.1994). The Government of Arunachal Pradesh (Land Management Department) revoked (30 January 2001) the order of October 1994 and directed all DCs to realise only the premium and annual lease rent without realising any penalty as indicated below:

i) All cases recommended for regularisation, now pending with the Directorate of Land Management, shall be returned to respective DCs/ADCs for resubmission to the Government for reconsideration as fresh cases on merit subject to realisation of premium and arrear lease rent from the date of their actual occupation of respective plots.

ii) In such cases where Government approvals were already accorded but issue of formal allotment orders were pending with DCs/ADCs for non-payment of penalty, allotment order shall be issued by DCs on payment of premium and arrear lease rent with effect from the date of their occupation of respective plots.

5.8.23 The deletion of penal clause diluted the very spirit of administrative control and the very purpose of proper land management. Further, these two orders (October 1994 and January 2001) created discrimination between two categories of dwellers by levying/realisation of penalty from some and exempting others from the same while both the categories being ‘unauthorised and illegal occupants of Government lands’.

5.8.24 Test check of records of Director of Land Management, Itanagar and district unit offices disclosed the following points of irregularities:

Injudicious exemption of penalty

5.8.25 Altogether 1607 cases of unauthorised occupation of Government land were regularised between 25 October 1994 and 29 January 2001 by the Deputy Commissioners of Tezu, Yinkiang, Changlang, Along, Itanagar and Tawang after realising penalty of Rs.1.22 crore against Rs.4.48 crore due for reasons not on records.

5.8.26 This resulted in injudicious exemption leading to penalty of Rs.3.26 crore remaining unrealised from 967 allottees who were also unauthorised occupants as shown in the table below:

Table 5.9

(Rupees in crore)

District	Cases of unauthorised occupation			Penalty payable	Penalty levied and realised		Non/short realisation of penalty	
	Number	Purpose	Area in m ²		No. of cases	Amount	No. of cases	Amount
Lohit (Tezu)	02	Commercial	2068	0.20	1	---	65	0.20
	64	Residential	15900					
West Siang (Along)	03	Commercial	730	0.62	6	0.01	50	0.61
	53	Residential	60586					
Papumpara (Itanagar)	92	Commercial	14521	1.50	605	1.19	75	0.31
	588	Residential	121072					
Upper Siang (Yinkiang)	--	Commercial	---	0.18	7	0.01	61	0.17
	68	Residential	17761					
Tawang	55	Commercial	5162	0.11	21	0.01	40	0.10
	06	Residential	585					
Changlang	25	Commercial	3337	0.07	--	---	26	0.07
	1	Residential	500					
West Siang (Along)	---	Commercial	---	1.80	--	---	650	1.80
	650	Residential	180321					
	177	Commercial	25818					
	1430	Residential	396725					
Total	1607		422543	4.48	640	1.22	967	3.26

5.8.27 In reply, the DC, Tezu stated (July 2002) that though the Government directed (October 1994) to realise penalty it could not be realised due to the revocation order of January 2001. The DC, Changlang stated (August 2002) that demand notices were issued to all allottees for payment of penalty. However, the Director (LM) in reply confirmed (August 2002) that the

Government's revocation order of 30 January 2001 had resulted in loss of revenue but was silent on realisation of the penalty prior to issue of revocation order (30 January 2001). The replies received from various DCs were also silent on realisation of the penalty prior to issue of revocation order of 30 January 2001.

Delay in issuance of formal allotment orders

5.8.28 Government of Arunachal Pradesh *vide* its revised order dated 30.01.2001 had clarified that in cases where Government's approvals were already accorded but issue of formal allotment orders pending with DCs/ADCs for non-payment of penalty, allotment orders shall be issued by DCs on payment of premium and arrear lease rent with effect from the date of their occupation of respective plots.

5.8.29 However, in 503 cases formal allotment orders were not issued by the concerned Deputy Commissioners, though requisite approval was accorded by the Government beforehand between 1 December 1997 and 29 January 2001 in order to regularise the cases of unauthorised occupation of Government lands.

5.8.30 As no formal allotment orders were issued in these cases, the Government suffered a further revenue loss in the shape of one time premium of Rs.1.19 lakh at the rates of Rs.5 per m² (commercial) and Re.1 per m² (residential) besides recurring loss on annual lease rent of Rs.0.58 lakh based on computation at the rates of Rs.2 per m² (commercial) and Re.0.50 per m² (residential).

Cases awaiting formal approval

5.8.31 In Seppa, 15,571 m² of land was occupied unauthorisedly by 250 individuals. The DC did not forward the cases to the Government for approval till the date of audit (December 2001). Thus, the cases remained unregularised in absence of formal approval and allotment.

5.8.32 In reply, the Director (LM) stated (August 2002) that the concerned DCs were requested to forward all pending allotment cases for formal approval of the Government. Further progress in these cases has not been received (December 2002).

Reconciliation of monthly revenue returns not done

5.8.33 The Government of Arunachal Pradesh, Department of Land Management instructed (July 1994) all the Deputy Commissioners to submit the monthly return of revenue collected along with copies of treasury challan to the Land Management Department on or before 10th of the following month.

5.8.34 During test check of records of 7 districts it was noticed that there was discrepancy in collection of revenue between the figures of directorate office and the district offices for the period from 1996-97 to 2000-2001 as indicated below:

Table 5.10

(Rupees in crore)

Name of district	Revenue collection		Difference with reference to district records
	As per records of the directorate	As per records of the district offices	
Along	0.32	0.33	(-) 0.01
Pasighat	0.35	0.41	(-) 0.06
Seppa	0.87	0.39	(+) 0.48
Tezu	0.62	0.66	(-) 0.04
Changlang	0.19	0.22	(-) 0.03
Khonsa	0.22	0.14	(+) 0.08
Roing	0.22	0.27	(-) 0.05
Total	2.79	2.41	(+) 0.37

5.8.35 From the above it is evident that the monthly revenue return was neither properly maintained in the Directorate nor was the same reconciled with the monthly returns submitted by the district offices. The reason for unusual variation (Rs.0.48 crore) in respect of Seppa district was not available on record.

5.8.36 In reply, the Director (LM) stated (August 2002) *inter alia* that action would be taken to reconcile the figures. The DC, Tezu stated (July 2002) that differences were due to non accountal of application fees and late receipt of treasury challans; but the reply was silent as to the corrective measure taken to reconcile the figures.

Discrepancy in area of land allotted to the Government departments

5.8.37 No survey and settlement of lands was carried out by the department with a view to preparing “Settlement Register” showing the area of the land, survey numbers and other relevant particulars till the date of audit (February 2002) as required under the Arunachal Pradesh (Land Settlement and Records) Act, 2000. The DC is entrusted with the duty of acquisition and subsequent allotment of land subject to the approval of the Government.

5.8.38 Cross verification of Allotment Register of 4 districts (Tirap, Changlang, Lohit and Lower Dibang Valley) with the records of the Directorate of Land Management Department revealed the following discrepancies in respect of allotment of land to various State and Central Government departments.

Table 5.11

Name of Government	Land allotted (In m ²)		Discrepancy with reference to district records
	As per records of the Directorate	As per records of the districts	
State Government	61,09,936	51,73,151	(+) 9,36,785
Central Government	20,02,729	45,41,029	(-) 25,38,300
Total	81,12,665	97,14,180	(-) 16,01,515

5.8.39 Reasons for discrepancy of 16,01,515 m² of land were neither clarified nor furnished by the department.

5.8.40 In reply, the Director (LM) stated (August 2002) that the discrepancy in the area of land allotted to the various Government departments and private individuals was due to incomplete survey in the State for want of fund. Thus, lack of initiative of the Government to undertake proper survey had led to the aforesaid discrepancies.

Reconciliation of revenue figures not done

5.8.41 Under the Central Treasury Rule, where the head of the office is making any remittance of revenue, he should as soon as possible after the end of the month, obtain from the treasury a consolidated receipts of all such remittances made during the month and verify the same with the entries made in the cash book.

5.8.42 Test check of records maintained by the 9 DCs revealed that none of them reconciled the figures as recorded in the cash book with those of the concerned treasury during the entire period covered by this review. An instance showing the impact of not reconciling the figures between the cash book and the concerned treasury is shown below:

Table 5.12

(Rupees in crore)

Name of the district	Year	Figures of revenue as per cash book	Figures of revenue as per treasury receipt	Difference with reference to cash book
Lohit, Tezu	1996-1997	0.12	0.13	(+) 0.01
	1997-1998	0.18	0.23	(+) 0.05
	1998-1999	0.06	0.05	(-) 0.01
	1999-2000	0.16	0.16	Nil
	2000-2001	0.13	0.12	(-) 0.01
Total		0.65	0.69	(+) 0.04

5.8.43 Such lapses on the part of the department in not reconciling the departmental receipts are likely to result in misappropriation of Government money apart from misclassification.

5.8.44 In reply, the Director (LM) stated (August 2002) that the concerned DCs would be asked to reconcile the figures without fail. The DC, Tezu stated (August 2002) that the discrepancy was mainly due to delay in receipt of the copies of treasury challans from the different allottees. But the reply was silent about the action taken to correct the discrepancy.

Internal audit

5.8.45 It was noticed that the department had no internal audit wing. In the absence of any internal check the adequacy of internal controls is doubtful.

5.8.46 In reply, the Director (LM) stated (August 2002) that internal audit wing could not be set up for want of funds. But the Director failed to explain whether the required fund was demanded from the Government for the purpose *ibid*, though called for (September 2002).

Other topics of interest

Under assessment of land premium and lease rent

5.8.47 Government of Arunachal Pradesh, Department of Land Records decided (June 1986) that the land allotted to societies dealing with educational, medical and religious institutions would be required to pay concessional rent @ Rs.10 per acre per year from the date of actual possession of the land subject to prior approval of the Cabinet.

5.8.48 During test check of Pasighat unit office it was noticed that 145 acres of land (5,86,815 m²) were transferred (June 2000) to the Central Agricultural University (CAU), Imphal (Manipur) on lease for a period of 30 years for establishment of Horticulture and Forestry College at Pasighat, subject to payment of premium and annual lease rent and other terms and conditions. But the Deputy Commissioner, Pasighat fixed (July 2000) the land premium and lease rent @ Rs.10 per acre per year without prior approval of the Cabinet. The action of the Deputy Commissioner was irregular as neither the approval of the Cabinet was obtained before the concessional rate (Rs.10 per acre/year) was fixed in terms of Government order of June 1986, nor the prevailing rate (Rs.10 per m²) applicable in normal course considered while fixing such rent. Thus, due to irregular and incorrect fixation of land premium and lease rent, there was under assessment of land revenue of Rs.0.58 crore* .

* (i) Premium/ rent due : Rs.10 x 5,86,815 m² = Rs.58.68 lakh
(ii) --- do ---assessed : Rs.10 x 145 acre x 30 years = Rs .044 lakh
(iii) Variation : = Rs.58.24 lakh

5.8.49 In reply, the DC, Pasighat stated (June 2002) that after obtaining approval of the Government, bill for Rs.0.59 crore was served on CAU for payment. The report on recovery has not been received (December 2002).

Allotment of land in excess of admissible area

5.8.50 Government of Arunachal Pradesh, Land Record Department decided (October 1994) that due to scarcity of land in the urban areas particularly in the district headquarters recommendation for residential plot should be restricted to 500 m². The encroachment beyond 500 m² was to be considered as unauthorised/illegal.

5.8.51 Test check of records of 4 districts (Along, Tezu, Pasighat and Itanagar) disclosed that 1,57,982 m² of land were allotted between October 1999 and January 2001 among 97 occupants for residential purpose against admissible area of 48,500 m² in order to regularise illegal occupation by levying penalty over and above prescribed premium and lease rent. This resulted in excess allotment of 1,09,482 m² of land in contravention of Government order, since such excess lands could have been allotted to other needy and genuine landless people of the State in terms of the said order (October 1994).

5.8.52 In reply, the department while admitting the facts stated (August 2002) that the excess land might have been allotted perhaps due to cancellation of the Government order of 25 October 1994 after revocation order was issued on 30 January 2001. The reply was not tenable as the department itself was not sure whether the Government order of 25 October 1994 was cancelled by the revocation order of 30 January 2001. The fact also remains that the ceiling for allotment of land fixed by the Government in its order of 25 October 1994 was not cancelled in its revocation order of 30 January 2001.

Recommendation

5.8.53 The Land Management Department in Arunachal Pradesh was created in February 1981 to deal with all cases of acquisition, survey, settlement and allotment of lands. The department, however, had not prepared any survey report, settlement register and records of rights of the State despite enforcement (November 2000) of the Arunachal Pradesh (Land Settlement and Records) Act, 2000. Since no proper survey was conducted, the exact area of settled land was not known.

5.8.54 State Government should take immediate steps to prepare the Rules under the Act updating all relevant provisions of the old Rules (Arunachal Pradesh Allotment of Government Land Rules, 1988) and by stipulating guidelines for proper maintenance of the basic records in correct and complete manner. The Government should also gear up internal mechanism to ensure proper collection and accountal of land revenue including arrear of land

revenue together with penalty and interest from the defaulters as per provisions of the Act/Rules.

5.8.55 In reply, the Director (LM) stated (August 2002) that action was initiated to undertake cadastral survey operation in the State and the Land Rules were drafted which were under examination by various higher authorities for submission to the Cabinet for approval. Report on further progress of land survey and approval of the Land Rules has not been received (December 2002).

5.8.56 Foregoing points were reported to the Government in March 2002; their reply has not been received (December 2002).

SECTION – B – PARAGRAPHS

ENVIRONMENT AND FOREST DEPARTMENT

5.9 Loss of revenue

Faulty clause in an agreement executed by the Government (April 1991) with the licensee for collection of 'Oleo resin' led to loss of revenue of Rs.9.98 lakh

5.9.1 The Government of Arunachal Pradesh in their notification of January 1997 has fixed the royalty on 'Oleo Resin' (a minor forest product) at Rs.15 per blaze and monopoly fee leviable at the rate of 35 *per cent* on royalty value of such minor forest produce in all ranges under Bomdila Forest Division with effect from 2 November 1996. Mention was also made in Paragraph 6.9 of the Report of the Comptroller and Auditor General of India for the year 1999-2000 regarding loss of revenue (Rs.28.03 lakh) on unrealised monopoly fee at the rate of 35 *per cent* on royalty value (Rs.80.09 lakh) during April 1997 to March 1999 in respect of Bomdila Forest Division.

5.9.2 A scrutiny (December 2000) of records of the Bomdila Forest Division, disclosed that the (same) licensee was allowed to collect 'Oleo Resin' from pine trees of the divisional forest land for which an agreement was entered into by the department as far back as in April 1991 (when monopoly fee was not in force) with the stipulation that the licensee should pay royalty at the rate prevalent at the time of collection of 'Oleo Resin'. Accordingly, the divisional officer realised royalty of Rs.28.50 lakh from the licensee for collection of 'Oleo Resin' during April 1999 to March 2000 without monopoly fee of Rs.9.98 lakh.

5.9.3 On this being pointed out in audit (January 2001), the Government issued a corrigendum on 6 April 2001 exempting monopoly fee on 'Oleo Resin' retrospectively from 2 November 1996. Grant of such exemption was incorrect, as, a Legislature can only give retrospective effect to a piece of legislation passed by it and an executive Government exercising sub-ordinate powers cannot make such legislation with retrospective effect as upheld* by different Hon'ble High Courts. Hence, this incorrect exemption led to a loss of revenue of Rs.9.98 lakh.

* Modi Food Products Vs CST(1995) 6 STC 287, Allahabad;
India Sugars Refineries Ltd., Vs State of Mysore AIR 1963 Mysore 326;
Aggarwal Wool & Thread Co. Vs STC (1966) 18 STC 405 Punjab;
Calicut – Wynad Motor Service Vs State of Kerala AIR 1959 Kerala 347;
Gokulchand Kisturchand Vs State of Assam 1973 Tax LR 1771 Gauhati.

5.9.4 In reply, the Government stated (July 2002) that notification (January 1997) was issued in exercise of powers conferred upon it under the relevant provisions of the Assam Forest Regulations, 1891, as adopted by the Government of Arunachal Pradesh and not by an Act or piece of Legislation and therefore the same executive Government was competent to issue corrigendum to the earlier notification with retrospective effect. The contention of the Government was not tenable as the relevant provisions under Section 34(l) and Section 34(2)(h) delegating State Government to issue notifications for fixing royalties, monopoly fees, etc., were enacted by an Act of legislation. Hence, granting of any exemption with retrospective effect in such cases vests with the Legislature only. Interestingly, monopoly fee on 'Pine Resin' was reintroduced from 15 March 2001 consequent upon revision (March 2001) of rates of royalty of forest produces by the State Government in exercise of the powers conferred by Section 34(2)(h) of the State Forest Regulation. Obviously, issue of an erroneous corrigendum (06.04.2001) by an executive authority allowing exemption of monopoly fee with retrospective effect without prior approval of the Legislature was granted with malafide intention merely to extend undue benefit to a particular licensee, which not only stands to the contrary of Forest Regulation but also the judgements pronounced by different High Courts.

5.10 Short realisation of royalty

Royalty charges of Rs.2.88 lakh out of Rs.4.29 lakh were short levied due to irregular permission for removal of timber without payment of royalty in advance

5.10.1 Under the Arunachal Pradesh Forest Manual 1980, no forest produce shall be removed from forest area without full payment of royalty charges in advance.

5.10.2 Test check (February 1998 and August 1999) of records of the Divisional Forest Officer, Khellong disclosed as under :

5.10.3 (A) 75 trees of mixed species measuring 391.14 cum were sold to 3 contractors from three timber coupes of Namorah reserve forest on realisation of Rs.2.38 lakh during June 1993 to November 1994. But these contractors actually operated 606.029 cum of timber of mixed species and removed excess volume of 214.889 cum without payment of advance royalty and monopoly fee of Rs.1.72 lakh. Such irregular permission for removal of timber by the divisional authority without payment of royalty charges in advance resulted in short realisation of royalty of Rs.1.72 lakh.

5.10.4 (B) Similarly, another 8 contractors were permitted to remove 279 seized logs measuring 202.3115 cum of mixed wood species from the reserve forest areas of the division on realisation of royalty and monopoly fee of Rs.0.50 lakh against Rs.3.07 lakh between February and June 1999. This resulted in short realisation of royalty charges of Rs.2.57 lakh.

5.10.5 On these being pointed out (February 1998 and August 1999) in audit the divisional forest officer (DFO) in the case of 'A' stated (June 2001) that the concerned contractors were asked to pay the balance amount of Rs.0.38 lakh for removal of excess volume of timber. The reply was not tenable as an amount Rs.1.72 lakh was recoverable as royalty and monopoly fee. Similarly, in the case of 'B' the DFO stated (October 2001) that Rs.1.41 lakh was recovered (September 1999 and June 2000) and recovery of balance amount of Rs.1.08 lakh would be intimated in due course. The DFO's contention on the balance amount was not tenable as the actual amount to be recovered was Rs.1.16 lakh instead of Rs.1.08 lakh. The report on recovery of balance amount (Rs.2.88 lakh) in both the cases has not been intimated (December 2002) despite reminders.

5.10.6 The cases were reported to the Government in February 1998 and November 1999; their reply has not been received (December 2002) despite reminder.

EXCISE DEPARTMENT

5.11 Misclassification of IMFL

Levy of excise duty of Rs.0.95 crore against Rs.2.58 crore by classifying 1,58,981 cases of brandy as general brand instead of premium brand resulted in short realisation of excise duty of Rs.1.62 crore

5.11.1 The Government of Arunachal Pradesh, Taxation and Excise Department, notified (19 September 1994) that 'brandy', an Indian Made Foreign Liquor (IMFL), shall be classified as premium brand and general brand based on ex-bonded warehouse price of Rs.500 and above per case and below Rs.500 per case respectively. Further, as per the guidelines (9 May 1995) of the State Commissioner of Tax and Excise, ex-bonded warehouse price of IMFL per case shall include ex-distillery price, export fee of Rs.18 per case, Central sales tax on ex-distillery price and export fee, insurance of 1 *per cent* on ex-distillery price, transportation charges @ Rs.50 per case, administrative and handling cost of Rs.5 per case and bonder's commission on all the above elements except on administrative and handling cost. The excise duty on premium and general brand of IMFL is payable within the State at the rate of Rs.162 and Rs.60 per case respectively.

5.11.2 Test check (August 2001) of records of the Commissioner of Excise, Itanagar revealed that three bonded warehouses imported 1,58,981 cases of premium brand brandy from outside the State between May 1998 and March 2001 at ex-bond warehouse price ranging from Rs.552 to Rs.627 per case as per aforesaid guidelines (9 May 1995). All these cases of brandy were sold classifying them as general brand between April 1999 and August 2001 by realising excise duty of Rs.95.39 lakh @ Rs.60 per case instead of Rs.257.55 lakh realisable @ Rs.162 per case. Such misclassification of IMFL (brandy) had resulted in short realisation of excise duty of Rs.162.16 lakh.

5.11.3 On this being pointed out (June 2002) in audit, the department stated (September 2002) that the prevalent guidelines (May 1995) were in the process of revision. But no revision as contemplated has been made so far (December 2002).

5.12 Evasion of excise duty

Unauthorised removal of liquor from the bonded warehouse led to evasion of excise duty of Rs.1.56 lakh

5.12.1 Under the Arunachal Pradesh Excise Act, 1993 and Rules framed thereunder, no Indian Made Foreign Liquor (IMFL) shall be removed from a bonded warehouse unless the excise duty thereof has been paid in full or a bond has been executed for payment thereof.

5.12.2 Test check (August 2001) of records of the Commissioner of Taxation and Excise, Itanagar revealed that a bonder unauthorisely removed 2663.71 cases of IMFL from the bonded warehouse at Likabali and its sub-depot at Banderdewa during August and September 1999. This involved excise duty of Rs.1.56 lakh which was neither paid by the bonder nor was any action initiated by the department to levy and collect the same till the date of audit (August 2001). This resulted in evasion of excise duty of Rs.1.56 lakh.

5.12.3 On this being pointed out (September 2001) in audit the Commissioner of Taxation and Excise, Itanagar while admitting the facts stated (October 2001) that the bonder was directed to deposit the excise duty (Rs.1.56 lakh) immediately into the Government accounts. The report on recovery has not been received till date.

5.12.4 The case was reported to the Government in September 2001; their reply has not been received (December 2002).

5.13 Licence fee and penalty not levied

Licence fee of Rs.10.11 lakh and penalty of Rs.4.01 lakh for default in payment was not levied due to inaction of the department

5.13.1 The Government of Arunachal Pradesh, Taxation and Excise Department notified (31 May 1994) that licence fee @ Rs.1.50 lakh per annum shall be payable for operating a wholesale vend at any one place. Section 29(i)(b) of the Arunachal Pradesh Excise Act, 1993 provides that the authority who granted any licence may cancel it if the prescribed annual fee payable by the licensee has not been paid. Further, the Commissioner of Excise, Arunachal Pradesh instructed (15 March 1996) that if any wholesale vendor fails to pay the prescribed annual licence fee within the stipulated date, he shall be liable to pay penalty @ Rs.70 per day for the period of default in making payment of such fee.

5.13.2 It was noticed (December 2001) in audit of records of the Excise unit office at Seppa that two vendors 'A' and 'B' were granted (8 October 1996 and 30 June 1997) licences for operating two wholesale vends at Bhalukpong and Seppa on realisation of the prescribed annual fee upto 7 October 1997 and 30 June 1999 respectively. Thereafter, both 'A' and 'B' defaulted in payment of the prescribed annual fee of Rs.6.35 lakh and Rs.3.76 lakh payable for the periods from 8 October 1997 and from 1 July 1999 respectively till the date of audit (December 2001). The licence granting authority did not initiate any action either to realise the aforesaid fees or to cancel their licences. This resulted in licence fee of Rs.10.11 lakh besides, penalty of Rs.4.01 lakh (A: Rs.2.86 lakh, B: Rs.1.15 lakh) for default in payment of the prescribed fee not being levied till the date of audit (December 2001).

5.13.3 On this being pointed out (January 2002) in audit, the Superintendent of Excise, Seppa stated (May 2002) that the matter was referred to the Government for decision since none of the licensees had responded despite notices served against their defaults in payment.

5.13.4 The case was reported to the Government in January 2002; their reply has not been received (December 2002).

GEOLOGY AND MINING DEPARTMENT

5.14 Royalty and additional royalty not realised

Failure of the department to initiate action against two lessees led to royalty/additional royalty of Rs.12.19 crore remaining unrealised

5.14.1 As envisaged in Rule 23 of Petroleum and Natural Gas Rules 1959, all lease royalties etc., if not paid to the Government within the time specified for such payment, be increased by ten *per cent* for each month or portion of a month during which such royalties etc., remain unpaid, provided that if such dues are in arrear for more than 3 months, the Government may cancel such lease effective from the date of publication as such.

5.14.2 The Government of Arunachal Pradesh executed lease agreements (12 September 1997 and 21 October 1997) effective from 27 November 1983 and 16 June 1995 with two lessees (A and B) for extraction of crude oil from Ningru and Kharsang respectively, stipulating *inter alia* that the lessees should pay royalty on crude oil extracted from the leased areas to the State Government within thirty days of the month to which the operation relate as required under rules.

5.14.3 Test check (August 2001) of records of the Director of Geology and Mining, Itanagar disclosed that the lessees extracted 314630.608 metric tonnes (MT) of crude oil between January 1996 and June 2001 involving royalty of Rs.18.30 crore of which a total amount of Rs.16.96 crore was belatedly paid between August 1996 and August 2001 leaving a balance amount of Rs.1.34 crore.

5.14.4 For belated payments of royalty, additional royalty of Rs.10.85 crore was to be levied and collected as per Rules/agreement, but was not levied and collected till the date of audit (August 2001). This resulted in non-realisation of total additional royalty of Rs.10.85 crore from these two lessees besides balance royalty of Rs.1.34 crore remaining unpaid by 'B' alone. No action was initiated by the department either to realise the arrear dues from the lessees nor were the lease agreements cancelled.

5.14.5 The cases were reported to the department/Government in September 2001; their replies have not been received (December 2002).

5.15 Avoidable loss of revenue

Undue financial benefit accrued to the lessee by way of execution of faulty agreement resulting in loss of revenue of Rs.2.71 crore

5.15.1 The Government of India determines periodically the royalty payable on minerals and this royalty is collected by the State Government as their revenue. Accordingly, agreement is to be executed between the lessee and the State Government stipulating *inter alia* that the lessee shall pay to the State Government royalty at the rates prescribed by the Government of India, from time to time in terms of provisions of the Petroleum and Natural Gas Rules, 1959.

5.15.2 Test check (August 2001) of records of the Director of Geology and Mining, Itanagar, revealed that a mining lease agreement was formally executed (21 October 1997) for a period of 20 years effective from 16 June 1995 between a Delhi based firm and the Deputy Commissioner of Changlang on behalf of the Government of Arunachal Pradesh, fixing the royalty @ Rs.528 per MT without any reference to the prevalent rates of royalty on crude oil ranging from Rs.554 to Rs.800 per metric ton (MT) as prescribed by the Government of India for the period from 1 April 1996 to 31 July 2001.

5.15.3 Based on this erroneous agreement, the lessee extracted 180149.697 MT of crude oil from the leased area during May 1996 to June 2001 and paid royalty of Rs.9.51 crore at the fixed rate of Rs.528 per MT against the royalty of Rs.12.22 crore leviable at the rates prescribed by the Government of India during the aforesaid period. Thus, execution of faulty agreement not only resulted in loss of revenue of Rs.2.71 crore, but also extended financial benefit to the lessee. This loss could have been avoided had the Government stipulated in the agreement that payment of royalty would be made at the prevalent Government rates as was done in other cases.

5.15.4 The case was reported to the department/Government in September 2001; their replies have not been received (December 2002).