

CHAPTER-VI : NON TAX RECEIPTS

6.1 Results of audit

Test check of records in the offices of the divisional forest officers (DFOs), Assam and various departments which availed loans conducted in audit during 2005-06 revealed losses, locking up of revenue and non realisation of interest etc. amounting to Rs. 877.15 crore in 90 cases, which fall into the following categories:

(Rupees in crore)

Sl. No.	Particulars	No. of cases	Amount
1	Loss of revenue due to non disposal/delay in disposal of timber	14	1.52
2.	Loss of revenue due to non settlement/delay in settlement of mahal	22	1.49
3.	Loss of revenue due to non disposal of offence cases	05	0.66
4.	Locking up of revenue due to delay in disposal or non disposal of timber/non-realisation of royalty	16	2.19
5.	Loss of revenue due to illegal felling and removal of timber	09	2.18
6.	Other lapses	23	2.53
7.	Review on "Interest Receipts"	01	866.58
Total		90	877.15

A review on "Interest Receipts" and a few illustrative cases highlighting important audit findings involving revenue effect of Rs. 867.60 crore are given in the following paragraphs:

6.2 Loss of revenue due to inaccurate quantification of forest produce

According to the provision of the Assam Sale of Forest Produce, Coupes and Mahals (ASFP CM) Rules, 1977, forest produce is to be disposed of by tender or auction at competitive rates.

Test check of records of three¹ forest divisions revealed April – December 2005 revealed that four stone mahals were settled through tenders at rates ranging from Rs. 4.66 lakh to Rs. 31.52 lakh with a stipulated quantity of 19,200 cu.m of stone during the working period between January 2003 and April 2006.

It was noticed in audit that 30,654 cu.m of stone was sold from the same mahals during the same working period through permits instead of tenders. The tender rates were higher by 260 to 455 per cent as compared to permit rates. Inaccurate estimation of the department to sell the 30.654 cu.m stone through permits instead of tenders deprived the department of additional revenue of Rs. 72.70 lakh as detailed below :-

Sl. No.	Name of mahal division	Working period Stipulated quantity of stone Rate per cu m	Quantity sold on permit Amount realised Rate per cu. m	Difference in rate per cu.m (In rupees) (percent)	Loss of revenue (Rupees in lakh)
1	Dilli Stone quarry No. JP/2 Dibrugarh	4 June 2003 to 3 June 2005 12,500 cu. m Rs. 31.52 lakh Rs. 252.12	2500 cu. m Rs. 1.75 lakh Rs. 70	182.12 (260)	4.55
2	Stone mahal No. MGW/8 Digboi	6 January 2003 to 5 January 2005 3000 cu. m Rs. 8.86 lakh Rs. 295/-	18,600 cu. m Rs. 13.02 lakh Rs. 70	225.00 (321)	41.85
3	Maina Khurang Stone Mahal-B Kamrup East	8 April 2004 to 27 April 2006 2200 cu. m Rs. 10.01 lakh Rs. 455/-	2500 cu. m Rs. 2.05 lakh Rs. 82	373.00 (455)	9.33
4	Natan Rani Stone Mahal-C Kamrup East	8 April 2003 to 7 April 2005 1500 cu. m Rs. 4.66 lakh Rs. 310.52	7054 cu. m Rs. 4.94 lakh Rs. 70	240.52 (344)	16.97
Total		19,200 cu. m	30,654 cu. m		72.70

After this was pointed out, the DFO, Dibrugarh stated March 2006 that permits were usually issued for removal of some quantity of stone, which was kept reserved in the mahal area. The reply is not tenable as there is no provision in the rules to keep quantity as reserved. Produce is to be disposed of by tender. The replies from other two divisions are awaited (October 2006).

¹ Dibrugarh, Digboi and Kamrup East

The cases were reported to the department and Government in July 2005 and February 2006 respectively; followed by reminder (June 2006) their replies have not been received (October 2006).

6.3 Loss of revenue due to non settlement of mahal

Accumulation and depletion of sand/stone in the river bed due to river current is a constant process. If a mahal is not worked during its specified working period, sand/stone is carried away by the river current and would not be available later. The working period so lost, thus, results in loss of revenue. It is, therefore, necessary to ensure timely action to extract sand/stone during the respective working periods by prompt settlement, so as to safeguard Government revenue.

Test check of records of DFOs Cachar and Digboi during the period January to December 2005 revealed that two riverine mahals were not settled during their working periods resulting in a loss of revenue of Rs. 11.29 lakh. The loss was due to non initiation of timely and prompt action by the department in settling the mahals as detailed below :

Sl. No.	Name of the forest division/river mahal	Last settled Working period Quantity to be extracted	Loss of working period	irregularity	Loss of revenue (Rupees in lakh)
1.	Cachar Rukni river sand mahal	23 June 1999 to 28 June 2001 2,500 cu.m of sand	2001 to 2003	Non cancellation of defective tender not supported by financial soundness certificate and non settlement of mahal with the highest valid tenderer resulted in loss of the working period 2001 to 2003.	5.81
2.	Digboi stone quarry No. DIG/19 in Dirok river	19 February 2001 to 20 February 2003 3,000 cu.m of stone	March 2003 to April 2005	Due to non payment of kist money by the existing mahaldar, the mahal was put to sale on 9 August 2002 at the risk of defaulter, fixing the tender date as 9 September 2002. But no tender was received. No action was initiated from March 2003 to April 2005 to retender. However, the mahal was put to sale on 30 April 2005 fixing the date of tender on 16 May 2005. Three tenders were received with the highest bid of Rs. 7.13 lakh and the settlement was made with the highest tenderer for the term 2005-07.	5.48
Total					11.29

The cases were reported to the department and Government between February 2005 and February 2006 respectively followed by reminder (June 2006) their replies have not been received (October 2006).

6.4 Short realisation of royalty on minor minerals

Government of Assam, Mines and Minerals Department, in their notification dated 7 March 2005 revised the rates of royalty on boulder and gravel at the rate of Rs. 100 per cu.m and sand at the rate of Rs. 70 per cu.m with immediate effect.

Test check of records of DFOs Kamrup East and North division revealed in July– December 2005 that permits for 45,669.25 cu.m of boulder/stone/gravel and 10,260 cu.m of sand valued at Rs.52.65 lakh were issued to 58 contractors of Public Works/Embankment and Drainage Department (PWD and E&D) during period from 19 March to 18 May 2005 on realisation of royalty of Rs.36.91 lakh at pre-revised rates. Failure of the divisional officers to collect royalty at revised rates resulted in short realisation of royalty of Rs.15.74 lakh.

After this was pointed out in July 2005 the DFO, North Kamrup division stated in August 2005 that royalty would be realised at revised rates from 29 March 2005 and the DFO, Kamrup East division stated in December 2005 that the notification was received from the Principal Chief Conservator of Forests, Assam, in June 2005. The reply of DFOs is not tenable as the revised rates were applicable with effect from 7 March 2005 so the recovery should have been made accordingly.

The cases were reported to Government in October 2005 and February 2006; followed by reminder June 2006, their replies have not been received (October 2006).

6.5 Shortage of timber

According to the provision of the ASFPCM Rules, timber is disposed of by tender or auction at competitive rates. Timber, if not disposed of expeditiously, loses its commercial value due to the vagaries of nature. Thus, it is the primary responsibility of the Forest Department to ensure that timber, whether seized or otherwise, is formed into lots and disposed off promptly.

Test check of records of the DFO, North Kamrup division revealed in July/August 2005 that 27 lots measuring 76.771 cu. m of timber valued at Rs. 3.92 lakh, were formed during the year 2001-02 to 2003-04. These lots were reassessed between November 2003 and April 2005 and only 30.299 cu. m was found which was disposed of between December 2003 and October 2005. This resulted in shortage of timber of 46.472 cu.m valued at Rs. 2.60 lakh.

Thus, non-initiation of prompt and appropriate action and non-fixation of time limit by the department for disposal of timber resulted in loss of Rs. 2.60 lakh.

The case was reported to the department and Government in February 2006; followed by reminder in June 2006 their replies have not been received (October 2006).

6.6 Review on 'Interest Receipts'

Loans and advances for different purposes are granted by the concerned departments of Government to commercial undertakings, public sector undertakings, local bodies, autonomous bodies and Government servants etc. The departments sanctioning loans watch recoveries of such loans and advances along with interest. However due to lax administrative and monitoring mechanism in the loan sanctioning departments, large amount of loans and advances with interest remained to be recovered from the loanee organisations. Further, basic records of loans sanctioned, demands raised and collections thereagainst have not been maintained.

Highlights

Out of total loan of Rs. 2,211.45 crore advanced to Assam State Electricity Board (ASEB) by Government, overdue principal amount of Rs. 791.49 crore and interest of Rs. 713.39 crore remained unrecovered.

(Paragraph 6.6.10)

The Department of Industries and Commerce sanctioned Rs. 130.04 crore as loan to different industrial units, the interest of Rs. 55.06 crore remained unrecovered.

(Paragraph 6.6.11)

The Urban Development Department sanctioned Rs. 111.28 crore as loan to the Assam State Housing Board, Urban Water Supply and Sewerage Board and the Directorate of Municipal Administration. Interest of Rs. 65.67 crore was left unrecovered apart from loan, out of which Rs. 52.43 crore was recoverable from the Urban Water Supply and Swerage Board.

(Paragraph 6.6.13)

As on 31 March 2005, out of total loan of Rs. 48.65 crore sanctioned by the Co-operation Department to different co-operative societies, principal amount of Rs. 17.50 crore and interest of Rs. 25.50 crore could not be recovered.

(Paragraph 6.6.14)

6.6.1 Recommendation

Government may consider taking following measures to improve the effectiveness of the system:

- strengthen internal control mechanism by way of timely review of the loan cases to ensure prompt realisation of dues,
- terms and conditions covering both repayment of loan and payment of interest should be clearly spelt out and incorporated in the agreement/sanctions drawn up with the loanee organisations,
- sanctioning authorities/heads of department should ensure timely issue of demand notices for repayment of loan and payment of interest thereon and the same be enforced,
- departmental figures of receipts on account of repayment of loans and payment of interest thereon should be reconciled regularly with the treasury and the records of the Accountant General (A&E), Assam.

6.6.2 Introduction

Interest is non tax revenue to be realised on loans and advances granted by the different departments of Government to commercial undertakings, public sector undertakings, local bodies, autonomous bodies, Government servants etc.

The Finance Department (FD) has prescribed the rates of interest which varied between 5 to 18.5 *per cent* on loans sanctioned for different purposes. The loan is required to be recovered in 10 equal annual instalments. In the event of default in repayment of loan and/or interest by the loanee, penal interest at the rate of 2.75 *per cent* per annum is also leviable over and above the normal rate of interest at which loan is sanctioned.

6.6.3 Organisational set up

The concerned department prepares proposals for loans and advances for and on behalf of the intending loanee organisation and submits it to the administrative department for sanction. The administrative department issues sanction with the concurrence of Finance Department (FD). The department sanctioning such loan is required to monitor recoveries of loans and advances alongwith interest.

Loans were sanctioned to eight² out of 22³ departments by five⁴ administrative departments for consumer industries, power generation, Guwahati development, urban development, housing, water supply, cooperative, dairy development and fisheries development.

6.6.4 Scope of audit

Records maintained by the five administrative departments, eight loan disbursing departments and six⁵ loanee organisations, covering the period from 2000-01 to 2004-05 were test checked/reviewed during October to December 2005.

6.6.5 Audit objectives

The main objectives of the review were to ascertain whether:

- terms and conditions of repayment of loans and rate of interest recoverable were spelt out clearly in the sanctions,
- interest on loans was assessed and demanded within the scheduled dates,
- records relating to loans and advances were maintained properly to facilitate timely action for recovery.

² 1) Power, 2) Industries and Commerce, 3) Guwahati Development (GMDA), 4) Urban Development, 5) Town and Country Planning, 6) Co-operation Department, 7) Fisheries, 8) Dairy Development.

³ 1) Education, 2) Medical, 3) Urban Development, 4) Rural Development, 5) Schedule Caste (SC)/Schedule Tribe (ST)/Other Backward Class (OBC), 6) Social Welfare, 7) Agriculture, 8) Soil and Water Conservation, 9) Animal Husbandry, 10) Forest, 11) Co-operative, 12) Land Reforms, 13) North East Areas, 14) Minor Irrigation, 15) Power, 16) General Administration, 17) Industries and Commerce, 18) Civil Supply, 19) Guwahati Development Department, 20) Town & Country Planning, 21) Dairy Development, 22) Fisheries.

⁴ 1) Industries and Commerce, 2) Power, 3) Guwahati Development, 4) Urban Development 5) Co-operation Department.

⁵ Assam State Electricity Board(ASEB), Guwahati Metropolitan Development Authority(GMDA), Assam State Housing Board(ASHB), Assam Urban Water Supply and Sewerage Board(AUWSSB), Assam Apex Co-operative Fish Marketing and Processing Federation Ltd.(FISHFED), and West Assam Milk Producers Co-operative Union Ltd. (WAMUL)

6.6.6 Trend of interest receipts

The budget estimates of interest receipts, actual receipts, variations between budget estimates and actual receipts during 2000-01 to 2004-05 were as under:

(Rupees in crore)

Year	Budget estimate	Actual receipts	Variation excess (+) shortfall (-)	Percentage of variation excess (+) shortfall (-)
2000-01	3.18	4.27	(+) 1.09	(+) 34.28
2001-02	4.48	3.09	(-) 1.39	(-) 31.03
2002-03	3.71	3.07	(-) 0.64	(-) 17.25
2003-04	3.25	5.89	(+) 2.64	(+) 81.23
2004-05	2,202.25	10.06	(-) 2,192.19	(-) 99.54

The percentage of variation between budget estimates and actual receipts during the period from 2000-01 to 2003-04 ranged between (-) 31.03 to (+) 81.23 *per cent*. The FD stated in December 2005 that the interest received was mainly on loans disbursed to Government employees. State public sector units (PSUs) and co-operative units were the defaulters in payment of interest and repayment of loans.

The FD (Budget) prepared the budget estimates of Rs 2,202.25 crore during 2004-05 expecting adjustment of Rs. 2,196.02 crore against cross liabilities under Financial Restructuring Plan of ASEB. It was, however, revealed that book adjustment was not done during 2004-05 leading to shortfall of Rs. 2,192.19 crore.

6.6.7 Arrears of loans

As per Finance Accounts 2004-05 the total arrears of loan outstanding under different heads for the whole State stood at Rs. 2,607.17 crore which were as under :

(Rupees in crore)

Year	Outstanding balance of loan	Loan advanced	Total	Repayment of loan	Closing balance
2000-01	2,579.19	216.92	2,796.11	17.92	2,778.19
2001-02	2,778.19	82.20	2,860.39	28.59	2,831.80
2002-03	2,831.80	131.01	2,962.81	27.99	2,934.82
2003-04	2,934.82	127.59	3,062.41	40.29	3,022.12
2004-05	3,022.12	974.19	3,996.31	1,389.14 ⁶	2,607.17

⁶ Repayment of loan of Rs. 1,389.14 crore during 2004-05 includes conversion of loan of Rs. 1,350 crore into equity share capital of ASEB sanctioned by Government retrospectively in March 2005.

6.6.8 Position of arrears of interest

The detailed accounts regarding loans and interest are maintained by the Accountant General (A&E) in respect of municipalities and local bodies etc. while the State Government maintained the detailed accounts in respect of loans and interest sanctioned by the controlling officers. Statements of outstanding loans and interests are required to be sent by the controlling officers to the Accountant General (A&E) every year by June. Twenty two controlling officers of the State Government did not furnish any statement to the Accountant General (A&E) by the end of June 2005.

The arrears as on 31 March 2005 in respect of recovery of loans and interest on loans granted to municipalities, local bodies, the detailed accounts of which are maintained by the Accountant General (A&E), amounting to Rs. 1,667.59 crore and Rs.287.21 crore respectively were reflected in the Finance Accounts 2004-05.

6.6.9 Internal Control

The basic records i.e. sanction register, loan ledger, register of remittances and demand, collection and balance (DCB) register were required to be maintained by the controlling department and disbursing authorities to monitor timely disbursement of sanctioned loans to the loanee and recovery of interest/loan from them.

It was seen that the above mentioned basic records were not maintained by the departments for the period covered under review. The details are indicated in enclosed Appendix – II.

Though there is an internal audit wing in FD, it was not conducting any audit in respect of loans and advances.

6.6.10 Non recovery of interest in respect of loan sanctioned by Power Department

The Power (Electrical), Mines and Minerals Department had not maintained detailed accounts of loans disbursed and repayment thereof. Based on information furnished by ASEB, it was noticed that loan of Rs. 2,211.45 crore was sanctioned to ASEB by Government during the period from 1992-93 to 2004-05. Out of this, Rs. 1,241.77 crore pertain to the period from 2000-01 to 2004-05. These loans were recoverable in 10 to 15 equal annual instalments alongwith interest at the rates prescribed from time to time. No repayment of loan was made by ASEB. Principal amount of Rs.791.49 crore as of March 2005 and interest of Rs.713.39 crore pertaining to the period 2000-01 to 2004-05 was due for recovery as detailed below:

6.6.10.1 Loans amounting to Rs. 969.68 crore were sanctioned during 1992-93 to 1999-2000 to ASEB at the rates of interest ranging from 11 to 12 *per cent* per annum. The loans were to be repaid in 10 to 15 years on equal annual instalments. In case of failure to repay the loan due, penal rate of interest at the rate of 2.50 *per cent* per annum upto March 1995 and 2.75 *per cent* thereafter is to be changed in addition to interest.

It was however, observed that out of above loan, principal of Rs. 727.38 crore was recoverable upto 31 March 2005 which has not been repaid by ASEB on which interest of Rs. 574.70 crore and penal interest of Rs. 61.73 crore was recoverable during the period from 2000-01 to 2004-05. No action has been taken by the department to recover the interest.

6.6.10.2 In 34 cases, loans of Rs. 1,190.30 crore were sanctioned during 2000-01 to 2004-05 to ASEB at an interest rate ranging from 10 to 12 *per cent* per annum for implementation of various schemes and payment of outstanding dues to the Central public sector undertakings (CPUs). The loan was to be repaid in 10 equal annual instalments. Repayment of loans amounting to Rs. 62.29 crore become due but was not repaid. Interest of Rs. 73.47 crore and penal interest Rs. 1.66 crore was recoverable as of 31 March 2005 but no action has been taken by department to recover the same.

6.6.10.3 The FD vide letter dated 22 August 2002 prescribed the rate of interest of 11 *per cent* with effect from 1 April 2002 for loans granted to ASEB which was reduced to 10 *per cent* from 1 April 2003. Recovery of loan should ordinarily be effected in 10 annual equal instalments of principal and interest.

17 loans amounting to Rs. 51.47 crore were sanctioned during the years from 2002-03 to 2004-05 by the Power Department to ASEB for implementation of plan schemes without specifying any terms and conditions in the sanction. Loans of Rs. 1.82 crore had become due in view of above orders. It was, however, observed that no action has been taken to recover interest of Rs. 1.83 crore including penal interest calculated as on 31 March 2005 on the basis of the rate of interest fixed by the FD from time to time.

No step had been taken by the Power Department for timely recovery of outstanding loan and interest accrued thereon.

6.6.11 Non recovery of interest in respect of loans sanctioned by Industries and Commerce Department

The Department of Industries and Commerce had not maintained detailed accounts of loans, repayments and interest etc.

6.6.11.1 Information furnished by the Directorate of Industries and Commerce to audit revealed that the Department of Industries and Commerce sanctioned industrial loans of Rs.98.39 crore. Out of this, loan amounting to Rs. 66.74 crore were outstanding as on 31 March 2000. No information

regarding repayment of loans and interest outstanding was supplied by the department.

As per FD letter dated 27 July 1998 interest at the rate of 13.5 *per cent* is chargeable with effect from 1 April, 1998 for industrial loans for units having equity not exceeding Rs. 1 crore. In view of these orders, an interest of Rs.45.05 crore and penal interest of Rs.2.75 crore calculated as per rate fixed by FD is recoverable for the period from 1 April 2000 to 31 March 2005.

6.6.11.2 In 41 cases loans amounting to Rs. 31.65 crore were sanctioned between 2000-01 to 2004-05 to Assam Industrial Development Corporation and five industries⁷ at the rates of interest ranging between 11.5 to 14.5 *per cent* per annum. The loans were to be repaid in 10 equal annual instalments. Of the total loan amount, loan of Rs. 5.48 crore has become due on which interest of Rs. 7.03 crore and penal interest of Rs. 0.23 crore was recoverable as on 31 March 2005.

No steps had been taken by the Industries & Commerce Department for recovery of outstanding loan and interest accrued thereon.

6.6.12 Non recovery of interest in respect of loan sanctioned by Guwahati Development Department

6.6.12.1 Guwahati Development Department (GDD) did not maintain detailed accounts of loan. However, from the sanction register maintained by GDD and information made available by the Guwahati Metropolitan Development Authority (GMDA) it was noticed that loan of Rs. 4.10 crore was sanctioned in 1999-2000 by GDD to GMDA at the rate of interest 13.5 *per cent* per annum to be repaid in 10 equal annual instalments. Repayment of loan of Rs. 2.05 crore has become due. It was, however, observed that interest of Rs. 2.77 crore and panel interest Rs. 0.11 crore due to be recovered from loanee as of 31 March 2005 has not been recovered.

6.6.12.2 In another 31 cases, loans amounting to Rs.14 crore were sanctioned during the period from 2000-01 to 2004-05 to the GMDA, at interest rates ranging between 11.5 to 13.5 *per cent* per annum, for construction and renovation of different works. This loan was to be repaid in 10 equal annual instalments. Repayment of loan of Rs.0.35 crore has become due. However, interest of Rs.0.45 crore due to be recovered from the loanee as of 31 March 2005 had not been recovered. No action has been taken by the department to raise the demand.

No steps had been taken by the GDD for timely recovery of outstanding loans and interest accrued thereon.

⁷ 1) Assam Tea Corporation, 2) Ashok Paper Mills Ltd., 3) Assam Conductors and Tubes Ltd., 4) Assam Spun Silk Mills Ltd. and 5) Assam State Textiles Corporation Ltd.

6.6.13 Non recovery of interest in respect of loan sanctioned by Urban Development Department

6.6.13.1 Urban Development Department (UDD) did not maintain detailed accounts of loan. However, information furnished by the Assam State Housing Board (ASHB) revealed that during the period between 1974-75 to 2004-05, UDD sanctioned loan amounting to Rs. 20.97 crore to ASHB for implementation of various schemes. Out of this, Rs. 19.62 crore pertained to the period prior to 2000-01. A sum of Rs. 13.57 crore has become recoverable as on 31 March 2005. The department has not taken any action to recover the same. An interest of Rs. 8.25 crore including penal interest for the period from 2000-01 to 2004-05 was also recoverable.

6.6.13.2 Seven loans amounting to Rs. 1.35 crore were sanctioned to ASHB during the period from 2000-01 to 2004-05 recoverable in 10 equal annual instalments with rate of interest ranging between 11.5 to 13.5 *per cent*. Loan of Rs. 0.25 crore had been due for repayment on 31 March 2005 and interest of Rs. 0.33 crore including penal interest was recoverable. No action has been taken by the department to raise the demand.

6.6.13.3 UDD granted loans of Rs. 61.20 crore to Assam Urban Water Supply and Sewerage Board (AUWSSB) for implementation of various schemes during the period from 1989-90 to 1999-2000 with rate of interest of 13.5 *per cent*. These loans were to be repaid in 10 equal annual instalments. Loan of Rs. 47.14 crore due for repayment as on 31 March 2005 had not been paid so far. Interest of Rs. 46.36 crore including penal interest was also recoverable for the period from 2000-01 to 2004-05.

6.6.13.4 During the period from 2000-01 to 2004-05, 25 loans of Rs. 19.70 crore were sanctioned by UDD to be recoverable in 10 equal annual instalments with rate of interest of 13.5 *per cent*. Out of this, recovery of loan Rs. 4.31 crore has become due as on 31 March 2005 which has not been repaid. Interest amounting to Rs. 6.07 crore including penal interest for the period from 2000-01 to 2004-05 has also become recoverable.

6.6.13.5 Information furnished by the Directorate of Municipal Administration revealed that loans amounting to Rs. 6.16 crore were sanctioned during the period from 1950-51 to 2000-01 by the UDD to Directorate of Municipal Administration for disbursement to urban local bodies (ULBs) for implementation of various schemes. No interest accrued on these loans has been worked out by the department. Out of these, loan of Rs. 3.08 crore, interest of Rs. 4.16 crore and penal interest of Rs. 0.25 crore recoverable (calculated at a interest rate of 13.5 *per cent* per annum fixed by FD) during the period from 2000-01 to 2004-05 was not recovered.

6.6.13.6 In another 17 cases loans to Rs. 0.67 crore were disbursed during 2000-01 to 2004-05 by the Directorate of Municipal Administration to 15⁸ ULBs for construction of markets and low cost sanitation. The loans carried interest rate of 14 *per cent* per annum and was to be repaid in 10 equal annual instalments. Out of this, loan of Rs. 0.13 crore, interest of Rs. 0.18 crore including penal interest due to be recovered from the ULBs as of 31 March 2005 had not been recovered.

6.6.13.7 UDD sanctioned loans amounting to Rs.1.23 crore to the Director of Town and Country Planning during the period from 2001-02 to 2004-05 for disbursement to nine⁹ town committees for implementation of Integrated Development of Small and Medium Towns Scheme (IDSMT) at interest rate ranging from 11.5 to 12.5 *per cent* per annum. The loan amount was to be repaid within 25 years in 20 equal instalments with moratorium of five years. Moratorium period is not yet over. However, interest of Rs. 0.07 crore recoverable from the town committees as of 31 March 2005 had not been recovered.

No steps had been taken by the UDD for timely recovery of outstanding loans and interest accrued thereon.

6.6.14	Non recovery of interest in respect of loan sanctioned by Co-operation Department
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6.6.14.1 The Cooperation Department had not maintained detailed accounts of loan. However, the Registrar of Cooperative Societies (RCS) had maintained the account of loan partially wherein details of some loans have been mentioned.

As per the instruction of FD issued from time to time, interest at prescribed rate is to be recovered on the loans granted to co-operative societies. The loans are to be ordinarily recovered in 10 annual equal instalments.

Loan amounting to Rs. 18.90 crore was outstanding as on 31 March 2000 against different co-operative societies. The period in which loan was granted was not available with department. Out of this loan, repayment of loan of Rs. 9.41 crore, interest of Rs. 12.73 crore and penal interest of Rs. 0.77 crore was due during the period from 2000-01 to 2004-05. The co-operative societies repaid loans of Rs.0.12 crore and interest of Rs.0.17 crore only. Thus, balance loan of Rs. 9.29 crore, interest of Rs.13.33 crore including penal interest at the prescribed rate was recoverable from co-operative societies.

6.6.14.2 Records furnished by the West Assam Milk Producers' Co-operative Union Ltd. (WAMUL) revealed that loan amounting to Rs. 5 crore sanctioned in 1999-2000 by the Co-operation Department and paid by

⁸ 1) Badarpur, 2) Bihupuria, 3) Bijhni, 4) Dhemaaji, 5) Dhing, 6) Doboka, 7) Haflong, 8) Kokrajhar, 9) Kampur, 10) Makum, 11) North Guwahati, 12) Patshala, 13) Sarthebari, 14) Silchar and 15) Udalguri.

⁹ 1) Bongaigaon, 2) Dhubri, 3) Golaghat, 4) Haflong, 5) Karimganj, 6) Mangaldai, 7) Nalbari, 8) North Lakhimpur and 9) Sibsagar.

the RCS to WAMUL was not recorded in the loan ledgers maintained by the RCS. No terms and conditions of loans were mentioned in the sanction. As per FD letter dated 11 October 1999 interest at the rate of 13.5 *per cent* is recoverable when loans are granted to co-operative societies and recovery should be made in 10 annual equal instalments of principal and interest. Out of the total loan amount, repayment of Rs. 2.50 crore, interest of Rs. 3.38 crore and penal interest of Rs. 0.14 crore were recoverable as on 31 March 2005, (calculated at an interest rate fixed by FD) from WAMUL. Out of this, WAMUL had repaid loan of Rs. 1.02 crore and interest of Rs.0.40 crore during the period 2003-04 and 2004-05. This resulted in short recovery of loan of Rs. 1.48 crore, interest of Rs.2.98 crore and penal interest of Rs.0.14 crore as of 31 March 2005.

6.6.14.3 16 loans amounting to Rs. 24.75 crore were sanctioned during the period from 2000-01 to 2003-04 by the Co-operation Department to eight co-operative societies¹⁰ for various purposes i.e., payment of outstanding dues to NABARD¹¹, ICICI¹² bank, NDDDB¹³ Gujarat, and for working capital/modernisation/renovation of mills. No terms and conditions for the repayment of loan and interest were specified in the sanction. Repayment of loan of Rs. 6.73 crore had become due, interest of Rs. 8.87 crore and panel interest of Rs. 0.18 crore (calculated on the basis of rate of interest fixed by the FD from time to time, which ranged between 11.5 to 13.5 *per cent* per annum during above period) from eight co-operative societies as of 31 March 2005 was not levied and recovered.

No steps had been taken by the Cooperation department for timely recovery of outstanding loan and interest accrued thereon.

6.6.15 Non recovery of interest in respect of loan sanctioned by Fishery Department
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6.6.15.1 The Fishery Department had not maintained detailed accounts of loan. In reply to an audit enquiry, the Fishery Department stated in November 2005 that no loan had ever been sanctioned at their end. However, balance sheet for the year 2000-01 furnished by the Assam Apex Cooperative Fish Marketing and Processing Federation Ltd., Assam (FISHFED) revealed that loan of Rs. 0.93 crore and interest Rs.0.56 crore was outstanding as of 31 March 2000. The source from which this loan has been obtained is not forthcoming on the record. Of this loan, repayment of loan Rs.0.47 crore, interest Rs.0.60 crore and penal interest Rs.0.04 crore was due to be recovered from FISHFED during 2000-01 to 2004-05 had not been realised.

¹⁰ 1) Assam State Cooperative Agriculture & Rural Development Ltd. (ASCARD), 2) Assam Cooperative Spinning Mills Ltd., 3) Assam Polyaster Co-operative Society Ltd., 4) Swahid Kushal Konwar Samabaya Suta Kol Society Ltd., 5) Nowgaon Co-operative Sugar Mill Ltd., 6) West Assam Milk Producers's Co-operative Union Ltd., 7) Assam State Co-operative Fish Marketing and Processing Federation Ltd, Assam and 8) Assam Co-operative APEX Bank.

¹¹ NABARD : National Agricultural Bank for Rural Development.

¹² ICICI Bank : Industrial Credit and Investment Corporation of India Bank.

¹³ NDDDB : National Dairy Development Board., Ananad, Gujarat.

6.6.15.2 Deputy Commissioner, Kamrup sanctioned loan of Rs.0.15 crore in January 2001 to FISHFED as working capital but the terms and conditions for repayment of loan and interest chargeable thereon had not been specified in the sanction. However, calculated on the basis of prevailing rate of interest of 13.5 *per cent* per annum fixed by the FD for the year 2000-01 for co-operative societies, loan of Rs.4.50 lakh and interest Rs.6.08 lakh due as on 31 March 2005 was not recovered.

No step had been taken by the Deputy Commissioner, Kamrup, for timely recovery of outstanding loans and interest accrued thereon.

6.6.16 Non recovery of interest in respect of loan sanctioned by Dairy Development Department

The Dairy Development Department had not maintained detailed accounts of loan.

As per the information supplied by the Dairy Development Department in November 2005 no loan and interest was outstanding as on 31 March 2005. However, information furnished by WAMUL revealed that loan amounting to Rs.1.51 crore was sanctioned by the Dairy Development Department to WAMUL during 1979-80 to 1992-93 at interest rate of eight *per cent* per annum. The entire loan amount of Rs.1.51 crore as of 31 March 2005, together with interest of Rs. 0.60 crore during 2000-01 to 2004-05 was recoverable from WAMUL.

6.6.17 Loss of interest due to delay in disbursement/non disbursement of loan

Assam Financial Rules, 1939, provides that interest is recoverable by the loanee from the date of payment of loan to the previous day of date of repayment of loan at the rate prescribed by the FD.

Scrutiny of records of four departments¹⁴ revealed that loan of Rs.121.40 crore sanctioned and drawn from treasury during the period between 1996 and March 2005 was disbursed between April 2000 and March 2005 to 33 loanees¹⁵ after delays ranging from 1 to 3,285 days from the date of drawal

¹⁴ Town and Country Planning, Director of Municipal Administration, Secretary to the Government of Assam (S.A) Accounts Department and Director of Industries and Commerce, Assam.

¹⁵ Town and Country Planning: Sibasagar, Haflong, Nalbari, Mangaldai, Golaghat, (8 nos)
Dhubri, Bongaigoan and Karimganj
Industries (11 nos): AIDC Ltd., ATC Ltd., ASCON, APM, ASFC, ASSM, Fertichem, Assam Syntex, ASWMC, Cachar Sugar Mills, ASTC
Power (SAD) (2 nos): GMDA, ASEB
Urban Development Department (Municipal Administration) (12 nos): Bijni TC, Badarpur TC, Bihpuria, Pathsala, Silchar, Dhing, Sarthebari, Makum, New Guwahati TC, Halflong, Dabaka, Kamrup.

from the treasury. Amounts drawn from the treasury were kept in the current account in bank, cash in hand, bank drafts, deposit at call receipts and revenue deposit which was irregular. It was also noticed from the records of the Director of Municipal Administration that loan of Rs.1.03 crore drawn in 1996 from treasury remained undisbursed till 31 March 2005.

Due to delay in disbursement of Rs.121.40 crore and non disbursement of Rs.1.03 crore to the loanees there was a loss of interest of Rs.2.33 crore as of 31 March 2005.

6.6.18 Conclusion

Power, Industry, Urban Development, Guwahati Development, Dairy Development and Town & Country Planning departments had not maintained the basic records i.e., loan ledger, sanction orders, drawal/collection registers, remittance registers etc. while the same were partially maintained by the Co-operative Department and Municipal Administration Department. Failure on the part of all the eight departments to ensure timely repayment of loans and advances affected the ways and means position of the State exchequer. It was further observed that in some cases the sanctioning authority had not spelt out the terms and conditions covering both repayment of loans and interest chargeable etc. in the sanction. Demand notice was neither issued to the loanees for repayment of loan and interest nor was the position of overdue loan and interest watched and monitored by the concerned departments for timely realisation. This was indicative of system failure with regard to monitoring of loan and advances.

6.6.19 Acknowledgement

Audit review committee on comprehensive appraisal (ARCCA) meeting was held on 28 June 2006 at Office of the Principal Accountant General (Audit), Assam. The meeting was attended by Secretary, Guwahati Development Department; Secretary, Secretariat Administration Department; Joint Secretary, Finance Department; Joint Secretary, Power Department; Deputy Secretary, Power Department; Joint Director, Finance Department; Director, Industries and Commerce and Finance & Accounts Officer and office of the Registrar of Co-operative Societies. The observations of the review were discussed in the meeting and the minutes were sent to the Commissioner and Secretary as well as to the concerned heads of the departments on 13 July 2006 with the request that reply may be sent within 30 days from the date of discussion which was awaited (October 2006).

The matter was reported to Government/department in 31 May 2006; their reply has not been received (October 2006).

GUWAHATI

The

(SWORD VASHUM)

Principal Accountant General (Audit), Assam

Countersigned

NEW DELHI

The

(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India