

CHAPTER-V: Non Tax Receipts

5.1 Results of audit

Test check of records in departmental offices relating to home (police), public works (irrigation, building and roads and public health), medical, agriculture (horticulture), mines and geology, animal husbandry, forest and co-operation conducted during the year 2006-07, revealed under assessments and loss of revenue amounting to Rs.132.39 crore in 27,683 cases as depicted below:

Sl. No.	Name of departments and nature of irregularity	Number of cases	Amount (Rs. in crore)
A. Home (police)			
1.	Non recovery of deployment charges/cost of police deployed in other States	1,021	6.91
2.	Loss of revenue due to non auction of condemned vehicles/articles	148	0.42
3.	Miscellaneous irregularities	8	5.36
	Total	1,177	12.69
B. Public Works Department			
	• Building and Roads		
1.	Non credit of lapsed deposit into Government receipts	335	0.36
2.	Miscellaneous irregularities	35	0.06
	Total	370	0.42
	• Public Health		
1.	Miscellaneous irregularities	560	0.65
	Total	560	0.65
	• Irrigation		
1.	Miscellaneous irregularities	88	12.88
	Total	88	12.88
C: Medical			
1.	Non deposit of Government receipts in treasury	13	5.52
2.	Miscellaneous irregularities	2,4024	0.12
	Total	24,037	5.64
D: Agriculture			
1.	Miscellaneous irregularities	157	0.77
	Total	157	0.77
E: Co-operation			
1.	Short/non recovery of dividend on share capital	28	3.55
2.	Non recovery of audit fees	65	2.63
3.	Miscellaneous irregularities	7	1.62
	Total	100	7.80

Sl. No.	Name of departments and nature of irregularity	Number of cases	Amount (Rs. in crore)
F: Mines and Geology			
1.	Non recovery of royalty and interest from brick kiln owners	194	0.40
2.	Late deposit of contract money and non recovery of interest	9	1.22
3.	Miscellaneous irregularities	184	0.17
	Total	387	1.79
G: Animal Husbandry			
1.	Non deposit of receipts into Government treasury	42	0.52
2.	Miscellaneous irregularities	7	0.04
	Total	49	0.56
H: Forest			
1.	Non recovery of sales tax	4	0.05
2.	Non recovery of royalty/interest	2	0.15
3.	Miscellaneous irregularities	751	6.25
	Total	757	6.45
I: Finance			
1.	Review on ‘Interest receipts from loans and advances’	1	82.74
	Total	1	82.74
	Grand Total	27,683	132.39

The concerned departments accepted under assessments of revenue amounting to Rs.4.36 crore in 303 cases during the year 2006-07. An amount of Rs.5.66 crore had been recovered in 180 cases during 2006-07 of which Rs.1.81 crore recovered in 86 cases pertained to earlier years.

A few illustrative cases involving Rs.48 lakh and a review on “**Interest receipts from loans and advances**” involving Rs.82.74 crore highlighting important cases are mentioned in this chapter.

Finance Department

5.2 Review: Interest receipts from loans and advances

Highlights

Out of short term loans of Rs.88.52 crore for making payment of retrenchment compensation to retrenched employees, loans of Rs.85.86 crore and interest of Rs.42.12 crore had not been recovered from Haryana State Minor Irrigation and Tubewell Corporation and Haryana State Small Industries and Export Corporation.

(Paragraph 5.2.6.1 and 5.2.6.2)

Out of interest of Rs.2.40 crore recoverable on loans of Rs.10.38 crore, interest of Rs.0.13 crore had not been deposited by Central co-operative banks.

(Paragraph 5.2.7)

Failure in repayment of loans granted to 20 industrial units by Industries Department under scheme of exemption/deferment of sales tax to new or existing entrepreneurs under industrial policy resulted in accumulation of loans and interest of Rs.60.21 crore, of which a sum of Rs.1.80 crore had since been recovered.

(Paragraph 5.2.9)

Introduction

5.2.1 Interest receipts constitute a major source of non tax revenue of Government of Haryana. State Government grants interest bearing loans to commercial and public sector undertakings, co-operative societies, local bodies, industries, individuals and agriculturists including Government employees etc. for various purposes at the same or higher rates of interest than the rates at which Government borrows the funds.

The loans i.e. principal and interest as prescribed are recoverable within a stipulated period, in equal periodical instalments as per terms and conditions of the sanction orders. In case of default in repayment of loan or any instalment or interest due as per the terms and conditions of the sanction, penal interest is also chargeable from loanees.

Government issued instructions in March 1979, which were reiterated in July 1997 and January 2002, for watching and enforcing recoveries of Government loans and interest and prescribed maintenance of loan registers by heads of departments (HODs). The primary responsibility for maintenance of records was on the administrative HODs. To ensure compliance of instructions

and monitor recoveries, the Finance Department was required to scrutinise the records from time to time.

Organisational set up

5.2.2 The proposals for grant of loans and advances are processed by the HODs and then recommended to administrative departments for issue of sanction with the concurrence of Finance Department. Recoveries of loans and advances alongwith interest are watched by administrative HODs under overall control of Finance Department.

Audit objectives

5.2.3 The review was conducted with a view to ascertain: -

- terms and conditions of loans and sanction thereof are within rules and regulations and safeguard Government interest;
- existence of adequate and efficient mechanism for timely computation and raising of demands of interest and penal interest, wherever due, and recovery thereof; and
- proper maintenance of individual loan ledgers/registers and other related records to facilitate the raising of demands; watching of recoveries and proper adjustments of repayments towards principal and interest.

Scope of audit

5.2.4 Mention was made in paragraph 5.9 of the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ending 31 March 1996, highlighting the shortcomings during the years from 1990-91 to 1994-95 regarding recoveries of interest on loans and advances. The Public Accounts Committee, in their 55th Report presented in the Legislature on 15 March 2001 recommended that the Finance Department may issue fresh instructions to the concerned authorities for compliance of the guidelines/instructions of Government/Finance Department already issued and recover the outstanding loans and interest/penal interest wherever due. Accordingly, the Finance Department issued fresh instructions in January 2002 stressing to implement the instructions already issued.

With a view to further examine progress made regarding recoveries of interest on loans and advances, records in the offices of the Registrar Co-operative Societies (RCS), Haryana, Panchkula, 13* (out of 32) Assistant Registrars Co-operative Societies (ARCS); Director of Industries, Haryana, Chandigarh, 12** (out of 19) General Manager (GM), District Industries Centres (DICs); Managing Director, Haryana State Minor Irrigation and Tubewell Corporation, Chandigarh and Director, Food and Supplies, Haryana, Chandigarh, for the

* Fatehabad, Gohana, Jind, Kaithal, Karnal, Kurukshetra, Palwal, Panipat, Rewari, Rohtak, Sirsa, Sonapat and Yamunanagar.

** Faridabad, Fatehabad, Gurgaon, Jind, Kaithal, Karnal, Panipat, Rewari, Rohtak, Sirsa, Sonapat and Yamunanagar.

years 2001-02 to 2005-06 were test checked between July and November 2006.

The findings in audit are given in succeeding paragraphs.

Trend of revenue

5.2.5 The budget estimates, actual receipts and total non tax revenue of the State during the years 2001-02 to 2005-06 were as under:

(Rupees in crore)

Year	Budget estimates	Actual receipts	Variation excess(+)/shortfall (-)	Percentage of variation	Total non tax revenue of the State	Percentage of interest receipts to total non tax revenue
1	2	3	4 (Col. 2- Col.3)	5	6	7 (Col. 6 to Col. 3)
2001-02	375.70	332.87	(-) 42.83	(-)11	1,667.07	20
2002-03	424.30	334.27	(-) 90.03	(-) 21	1,807.85	18
2003-04	494.34	478.01	(-) 16.33	(-) 3	2,223.05	22
2004-05	474.81	472.41	(-) 2.40	(-) 1	2,544.37	19
2005-06	517.27	442.48	(-) 74.79	(-) 14	2,458.56	18

Except in 2003-04 and 2004-05 when the percentage of shortfall was in single digit, the shortfall for other years ranged between 11 to 21 *per cent*. The percentage of interest receipts as compared to total non tax revenue of the State decreased from 22 in 2003-04 to 18 in 2005-06.

In response to audit observation of September 2006, Finance Department intimated in September 2006 and January 2007 that the variations between budget estimates and actual receipts was mainly due to lesser receipts on account of interest payments from departmental commercial undertakings, public sector and other undertakings, local bodies and co-operative societies.

The table below indicates the position of loans outstanding at the beginning of year, loans sanctioned/disbursed and amount of loans recovered during the year and loans outstanding at the end of each year during 2001-02 to 2005-06.

(Rupees in crore)

Year	Opening balance	Loans given during the year	Loans recovered during the year	Loans outstanding
2001-02	1,062.99	301.18	84.71	1,279.46
2002-03	1,279.46	456.43	106.30	1,629.59

Year	Opening balance	Loans given during the year	Loans recovered during the year	Loans outstanding
2003-04	1,629.59	2,429.32*	155.58	3,903.33
2004-05	3,903.33	208.06	157.10	3,954.29
2005-06	3,954.29	176.67	289.90	3,841.06

Non recovery of loans and interest

5.2.6 In terms of guidelines issued by Finance Department in March 1979, the HODs were required to maintain a loan register in prescribed form to keep a proper watch on Government loans disbursed and their timely repayment etc. In case of non repayment of loans on due dates, penal interest at the rate of two *per cent* per annum above the normal rate of interest on all overdue instalments of principal and interest was leviable. In exceptional cases, Government could even be constrained to withhold release of loans to chronic defaulting undertakings. Further, the HODs were required to send a reminder to the loanee one month in advance of the due date. The officer incharge of the subject in the office of each HOD was required to be asked to check all the registers every month and append a certificate and was responsible for any omission in the maintenance of said account.

5.2.6.1 State Government sanctioned short term loan of Rs.76.65 crore to Haryana State Minor Irrigation and Tubewell Corporation, Chandigarh (MITC) in June 2002, at an annual rate of interest of 11.5 *per cent*, for onward disbursement of compensation to retrenched employees. As envisaged in the conditions of the sanction, the loan was repayable by 31 March 2003 alongwith interest. The Managing Director was advised to take suitable steps for repayment of advance to Government either by transfer of unencumbered assets and stocks or by payment of sale/transfer of property of the corporation. Irrigation Department was required to maintain loan register to watch the recovery as per instructions of the Finance Department.

Test check of records of the office of the Managing Director, MITC revealed in January 2007 that the loan of Rs.76.65 crore was drawn in July 2002. A sum of Rs.19 crore only was disbursed and remaining amount of loan had been lying with the corporation. Neither the Irrigation Department demanded the payment of loan and interest nor was it paid by MITC. The MITC had not refunded the balance amount of loans lying in the banks in the shape of FDRs. The loan registers were neither maintained by the Irrigation Department nor reviewed periodically. Thus, non pursuance of demand resulted in non recovery of loan of Rs.76.65 crore and interest of Rs.37.46 crore for the period from July 2002 to September 2006, besides penal interest.

* Includes Rs.2,050.48 crore as loan to power sector as one time settlement of outstanding dues payable by State Electricity Board to Central public sector undertakings of which liability of Rs.1,630.74 crore was taken over by State Government in March 2006.

After this was pointed out, the Managing Director, MITC stated in July 2007 that a sum of Rs.41.38 crore had been released as compensation to retrenched employees and balance amount is expected to be utilised by December 2007. The process of disposal of assets of MITC was started in January 2007. Final outcome was awaited.

5.2.6.2 State Government advanced three short term loans of Rs.11.87 crore (February 2001: Rs.2.33 crore; June 2002: Rs.3.91 crore; December 2002: Rs.5.63 crore) to Haryana State Small Industries and Export Corporation Chandigarh (Export Corporation) for making payment of retrenchment compensation and dues to its retrenched employees. The loans for Rs.2.33 crore and Rs.9.54 crore sanctioned during the years 2000-01 and 2002-03 carried interest at the rate of 11.5 and 12.5 *per cent* respectively. These loans were required to be repaid by 31 March 2001 (Rs.2.33 crore) and 31 March 2003 (Rs.9.54 crore) alongwith interest. The Managing Director was also advised to take immediate suitable steps for sale or transfer of property of the Export Corporation as envisaged in the conditions of the sanctions.

During test check of records of loans and advances in the office of Director of Industries, Haryana, Chandigarh, it was noticed that Export Corporation had not made repayment of loans alongwith interest by the stipulated dates. Repayment of loans amounting to Rs.2.66 crore only had been made between May 2001 and March 2006, but interest had not been paid. Demand notices were not issued by Director of Industries for recovery of outstanding dues. The recovery of loans of Rs.9.21 crore and interest of Rs.4.66 crore due was still pending as of 30 September 2006, besides penal interest.

After this was pointed out, the Deputy Director (Technical), Department of Industries and Commerce, Haryana stated in June 2007 that out of Rs.9.21 crore, an amount of Rs.65 lakh was likely to be received after disposal of property at Kolkata. Property of Export Corporation at Jhajjar and Kohand valued at Rs.2.94 crore was under process for transferring to the department. Final outcome was awaited.

5.2.6.3 RCS, Haryana disbursed a loan of Rs.2.80 lakh to seven labour and construction societies under centrally sponsored scheme titled, "Assistance to weaker section co-operatives" for the year 2000-01 in January 2001. The loan carried interest at the normal rate of 13 *per cent* and penal rate of 15.75 *per cent* in the event of default in repayment of loans and interest. The principal was repayable in seven annual instalments commencing from the third anniversary of the grant of loan. But interest was required to be paid annually from the first anniversary of the drawal of the loan.

Test check of records in the office of ARCS, Jagadhari revealed that loan of Rs.1.20 lakh was due for repayment upto 31 March 2006 of which only Rs.0.72 lakh was repaid by the three societies. Against the interest of Rs.1.81 lakh due, Rs.0.51 lakh only was paid. Thus Rs.2.11 lakh (principal: Rs.0.48 lakh; interest: Rs.1.30 lakh and penal interest:

Rs.0.33 lakh) was neither demanded nor recovered by Co-operation Department from loanees.

After this was pointed out, RCS, Haryana, Panchkula stated in July 2007 that a sum of Rs.0.19 lakh (interest: Rs.0.14 lakh; penal interest Rs.0.05 lakh) had been recovered and efforts were being made to recover the balance amount.

Short payment of interest

5.2.7 According to instructions issued by Finance Department in March 1979, the particulars of loans sanctioned and paid are required to be noted in a register prescribed and recovery of payment of loans and interest is required to be assessed and watched by the HOD. Loanees are to be reminded well in advance for the repayment of loans and interest.

State Government advanced 18 loans amounting to Rs.10.38 crore between September 2002 and January 2006 to six central co-operative banks* (CCBs) for Integrated Co-operative Development Project (ICDP) under National Co-operative Development Corporation (NCDC) scheme. These loans carried annual rate of interest of 13.5 per cent (reduced to 11.5 per cent in November 2006). The repayment period of these loans amounting to Rs.10.38 crore was eight and 10 years respectively starting from the fourth anniversary of granting of loans. But interest was required to be paid annually from the first anniversary of granting the loans.

During test check of records of six** offices of ARCS, it was noticed that loans were disbursed on the basis of sanction orders issued by the RCS. These CCBs, however, deposited the entire amount of loans between November 2004 and August 2006. As against interest recoverable of Rs.2.40 crore as of August 2006, the CCBs deposited Rs.58.42 lakh between November 2004 and September 2006. The balance amount of interest was not demanded by the Co-operation Department. Besides, Government also suffered a loss of penal interest on overdue instalment of interest. This resulted in short payment of interest of Rs.1.82 crore.

After this was pointed out, Government stated in July 2007 that a sum of Rs.1.69 crore was deposited by GM, ICDP and concerned ARCS had been asked to recover the balance amount immediately. Further report on recovery of balance amount of interest and charging of penal interest is awaited.

Non recovery of interest and penal interest

5.2.8 Interest on loans and advances is chargeable from the date of disbursement of loans to the loanees at the rates and on the terms and conditions mentioned in sanctions by the sanctioning authority. Penal interest is also chargeable at the rate of two per cent per annum above the normal rate of interest on all overdue instalments of principal and interest in case the repayment schedule was not adhered.

* Kaithal: Rs.1.37 crore; Karnal: Rs.1.76 crore, Kurukshetra: Rs.2.19 crore, Panipat: Rs.1.48 crore, Rewari: Rs.1.73 crore and Sonapat: Rs.1.85 crore.

** Kaithal, Karnal, Kurukshetra, Panipat, Rewari and Sonapat.

State Government released three loans amounting to Rs.9.96 crore and short term loan of Rs.2.85 crore between January 2001 and July 2002 to Haryana State Federation of Consumers Co-operative Wholesale Stores Limited, Chandigarh (CONFED) and Haryana State Handloom and Handicrafts Corporation, Chandigarh (Handloom Corporation) respectively at an annual rate of interest of 12.5 *per cent* for making payment of retrenchment compensation to retrenched employees. The loans were repayable between 2004-05 and 2007-08 in the case of CONFED and upto March 2001 in the case of Handloom Corporation. However, the clause for charging of penal interest in case of default in payment was not incorporated in the sanction orders.

During test check of records of the offices of Director, Food and Supplies Haryana and Director of Industries Haryana, Chandigarh, it was noticed that CONFED had refunded the entire amount of loan amounting to Rs.9.96 crore between February 2004 and September 2006 but the interest required to be paid annually was not paid in time. As against interest of Rs.5.35 crore due upto July 2006, an amount of Rs.3.86 crore only was paid in September and October 2005 and thus, leaving a balance of Rs.1.49 crore. The Handloom Corporation had paid entire loan between May 2001 and June 2005. Delay in repayment of loan ranged between one and 50 months. Interest amounting to Rs.62.92 lakh due upto June 2005 was not paid. Demand notices were not issued to recover the amount of interest. This resulted in non/short recovery of interest of Rs.2.12 crore. Besides, Government also suffered a loss of Rs.30.82 lakh on account of penal interest chargeable on overdue instalments of principal and interest due to non inclusion of clause of penal interest in the sanction.

After this was pointed out, Director, Food and Supplies stated in July 2007 that CONFED had deposited the balance amount of interest of Rs.1.49 crore between October and December 2006. Since there was no clause of penal interest chargeable on overdue instalment of principal and interest in the sanction orders issued for release of loan to CONFED, the penal interest of Rs.16.82 lakh was not recoverable. The reply of the department was not tenable as the department was required to incorporate clause of charging penal interest as per instructions of Finance Department of March 1979 reiterated in July 1997 and January 2002. Moreover, CONFED had deposited last instalment of loan of Rs.50 lakh on 20 September 2006 but the department had neither demanded nor recovered interest of Rs.0.85 lakh for the period from 1 August to 19 September 2006. Director of Industries stated in February and July 2007 that Handloom Corporation was not in a position to pay the interest due to its bad financial health and the case for waiving of the entire interest on loans had been sent to Government in September 2006. Government decision was awaited.

Non recovery of loans granted in lieu of deferment of sales tax and interest

5.2.9 With a view to promote industry at an accelerated pace, State Government formulated an industrial policy which inter alia provides number of financial and fiscal incentives (including deferment of sales tax for specified period) to new as well as existing entrepreneurs. State Government in December 1992 decided to provide interest free loans to Industries Department to the extent of sales tax liabilities under scheme of deferment of sales tax under the industrial policy. These loans were recoverable after a period of five years. In case the repayment schedule was not followed, interest and penalty was also chargeable on amount of sales tax due as per provisions of HGST Act and rules made thereunder. Further, on cancellation of eligibility certificate before it was due for expiry or after the date of expiry of period of deferment due to non fulfilment of conditions of the deferment scheme, the entire amount of deferred tax became payable immediately in lump sum alongwith interest and penalty as if no deferment was allowed.

Test check of records in the offices of five* DICs revealed that 20 industrial units availed the benefit of deferment of sales tax between April 1997 and April 2000 for which State Government sanctioned interest free loans of Rs.30.98 crore. The loan was recoverable after five years i.e. between April 2002 and April 2005. A sum of Rs.7.12 crore had been recovered as of 30 September 2006 leaving balance loan amounting to Rs.23.86 crore and interest of Rs.36.35 crore chargeable thereon as on 30 September 2006.

The GM, DIC of concerned district was fully empowered to recover the loan in cases of default as arrears of land revenue under the provision of the Haryana Public Money Recovery Act. However, for proceeding under the Act *ibid*, a show cause notice and personal hearing was required to be given to the industrial units. It was noticed in audit that notices for recovery of loan and interest thereon were not issued to the units concerned by the concerned GM, DICs (except DIC, Gurgaon). Thus, non pursuance of their repayment resulted in accumulation of loans amounting to Rs.60.21 crore including interest of Rs.36.35 crore.

After this was pointed out, Director of Industries and Commerce intimated in July 2007 that an amount of Rs.1.80 crore (principal: Rs.1.74 crore, interest: Rs.0.06 crore) had been recovered from six units. GM, DIC had been asked to expedite the recovery of balance amount. Further reply has not been received.

Non reconciliation of outstanding loans and interest

5.2.10 The Finance Department directed in March 1979 that reconciliation between the departmental figures and the public sector undertakings and corporation's etc. figures and those of Accountant General (Accounts and Entitlement) should be done by the HOD concerned at the appropriate time without fail.

* Gurgaon, Faridabad, Rewari, Rohtak and Yamunanagar.

As per Finance Accounts of the State for the year ending 31 March 2006, loans amounting to Rs.176.31 crore (Rs.95.26 crore since 1989-90 and Rs.81.05 crore drawn during 2002-03) were outstanding. But as per records of the Managing Director, MITC, Chandigarh, loans amounting to Rs.97.66 crore were outstanding. Thus there was discrepancy in outstanding loans of Rs.78.65 crore. No reconciliation was done by MITC or Irrigation Department in respect of outstanding amount of loans on which no interest was recovered causing loss to Government.

After this was pointed out, the Finance Department directed (June 2007) the Irrigation Department and MITC to take immediate steps to sort out the matter. Final outcome was awaited.

Acknowledgement

5.2.11 Audit findings as a result of test check of records of Co-operation, Food and Supplies, Industries and Irrigation departments were reported to Government in May 2007 with a specific request in June 2007 for attending the meeting of the Audit Review Committee so that the viewpoint of Government may be taken into account before finalising the review. The meeting was held on 28 June 2007 which was attended by Joint Secretary, Co-operation Department, Joint Director, Industries and Commerce, Deputy Director, Food and Supplies and the Accounts Officer MITC and views thereof incorporated in the review. No representative of Finance Department attended the meeting and no reply was received from Finance Department.

Conclusion

5.2.12 The lapses enumerated in the foregoing paragraphs indicated that the departments failed to ensure timely repayment of loans and advances. The departments of Co-operation, Irrigation, Industries and Food and Supplies had not incorporated clause in the sanction orders to charge penal interest at two *per cent* on all overdue instalments of principal and interest even though clear guidelines in this regard were issued by Finance Department. As a result of these failures, the department lost revenue to the extent of Rs.82.74 crore on account of interest/penal interest besides non recovery of loans.

Recommendations

5.2.13 To improve interest receipts of the State, Government may consider to:

- ensure prompt assessment and recovery of loans and advances and interest thereon; and
- introduce a stringent reporting system to monitor the position of overdue principal and interest.

Co-operation

5.3 Non deposit of dividend on State share capital

As per terms and conditions laid down in the sanction orders issued by the RCS Haryana, Chandigarh, from time to time, every co-operative society shall give a suitable return in the form of dividend on contribution of Haryana Government's share capital on the basis of resolutions passed by the Board of Directors. Under the provisions of Haryana Co-operative Societies Rules, 1989, the dividend shall not exceed 10 *per cent* per annum of the paid up share capital of a co-operative society.

During test check of records of the ARCS, Ambala and Sonapat, it was noticed in July and September 2006 that two Central co-operative banks had been running in profit. The Board of Directors of the banks had passed resolution between June 2004 and August 2006 for payment of dividend at rates ranging between one and five *per cent* to shareholders for the years 2002-03 to 2005-06. A dividend of Rs.33.93 lakh was payable to Government on share capital of Rs.9.51 crore for this period. RCS Haryana, to whom the cases were sent by the banks between June 2004 and August 2006 for approval of proposal for payment of dividend to Government/shareholders, had not granted approval for payment of dividend as of June 2007. Thus delay in granting approval led to non deposit of dividend of Rs.33.93 lakh.

After this was pointed out in July and September 2006, ARCS, Ambala stated in July 2007 that Ambala Central Co-operative Bank deposited Rs.5.17 lakh in Government treasury in March 2007 and credited Rs.3.42 lakh in Agriculture Credit Stabilisation Funds as per instructions of October 1964 of Reserve Bank of India and ARCS Sonapat stated in March 2007 that dividend would be deposited by the banks on receipt of approval from the RCS.

The matter was referred to Government in September and November 2006; reply had not been received (August 2007).

Mines and Geology

5.4 Non recovery of royalty and interest

Rule 24 of Punjab Minor Minerals Concession Rules, 1964 provides that brick kiln owners (BKO) shall pay royalty at the prescribed rate in advance by 30 April every year. State Government revised payment of fixed royalty of various categories of BKOs from June 2005. In case of default, interest at the rate of 24 *per cent* per annum is chargeable for the period of default. BKOs register is maintained at each mining office for levy and collection of royalty.

The permits of such BKO were required to be cancelled by the department in case royalty is not paid by them and sum due from the permit holders on account of royalty and interest thereon was recoverable as arrears of land revenue. The Assistant Mining Engineers (AMEs)/Mining Officers (MOs) are responsible for monitoring recovery of outstanding dues.

During test check of records of the offices of AME, Faridabad and MOs, Jind and Rohtak for the year 2005-06, it was noticed in June and October 2006 that 98 BKO were issued permits between November 1998 and August 2005. The BKO were required to pay royalty before 30 April 2005 for the year 2005-06. Though a period of 24 months had elapsed upto March 2007, royalty of Rs.9.85 lakh for the year 2005-06 was neither paid by the BKO nor was it demanded by the AME/MOs. No action was taken either to cancel the permits or to recover the dues as arrears of land revenue. Lack of action on the part of the department resulted in non realisation of revenue of Rs.14.53 lakh (including interest amounting to Rs.4.68 lakh).

After this was pointed out in June and October 2006, the department intimated between November 2006 and April 2007 that royalty amounting to Rs.57,800 (including interest of Rs.17,800) had been recovered in four cases between July and December 2006. Further progress of recovery of balance amount had not been intimated by the department (August 2007).

The matter was referred to Government between July 2006 and March 2007; reply had not been received (August 2007).

Chandigarh
Dated:

(JAGBANS SINGH)
Accountant General (Audit) Haryana

Countersigned

New Delhi
Dated:

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India