

CHAPTER VII : NON-TAX RECEIPTS

7.1 Results of audit

Test check of the records of non-tax receipts conducted during the year 2008-09 indicated underassessments/short levy, loss of revenue etc., of Rs. 504.92 crore in 18 cases as shown below:

(Rupees in crore)			
Sl. no.	Category	No. of cases	Amount
1.	User charges for supply of water from Irrigation Projects (A review)	1	195.58
2.	Non-recovery of interest receipt	1	292.60
3.	Loss of revenue on sale of <i>tendu</i> leaves	6	7.02
4.	Loss on miscellaneous items	7	6.70
5.	Loss of revenue due to deterioration in transit/in sale /in re-sale/due to non-extraction/non-lifting of material other than bamboo	2	2.39
6.	Loss of forest revenue	1	0.63
Total		18	504.92

In response to the observations made in the local audit reports during the year 2008-09 as well as during earlier years, the department accepted under assessments and other deficiencies and recovered Rs. 1.55 crore in three cases which were pointed out during earlier years.

A review on “**User charges for supply of water from Irrigation Projects**” involving a total financial effect of Rs. 195.58 crore and an illustrative audit observation involving Rs. 292.60 crore are included in the succeeding paragraphs.

7.2 Review on “User charges for supply of water from irrigation projects”

7.2.1 Highlights

Timely and guaranteed water supply is of paramount importance for agriculture production and development of irrigation plays a key role in supply of water. The Government of Maharashtra had created irrigation potential through Major, Medium and Minor Irrigation Projects. In most of the Major and Medium Irrigation project water is harnessed for domestic and industrial use and is supplied to the irrigators and non irrigators at the prescribed rates. A comprehensive study by audit revealed some important finding as indicated below:

- Huge arrears of water charges amounting to Rs. 1,005.21 crore were pending for recovery as on 31 March 2009
(Paragraph 7.2.8)
- Shortfall in utilisation of irrigation facilities created resulted in loss of revenue of Rs. 125.77 crore during the period 2004-05 to 2008-09
(Paragraph 7.2.9.1)
- Wastage and non-utilisation of water resulted in loss of Rs 57.01 crore
(Paragraph 7.2.10)
- Non-recovery of water charges from well owners amounted to Rs. 36.15 crore
(Paragraph 7.2.13)
- Supply of water to the tune of Rs. 12.80 crore was made without executing agreement
(Paragraph 7.2.14)

7.2.2 Introduction

The State of Maharashtra has 223.81 lakh hectares of cultivable land of which 36.67 lakh hectares are under irrigation. Irrigation Divisions levy and collect water charges for water supply from reservoir, tanks, flowing canals and lakes etc. for irrigation and non-irrigation purposes. This is governed by the Maharashtra Irrigation (MI) Act 1976, Bombay Canal Rules (BCR), 1934 and Maharashtra Water Resources Regulatory Authority (MWRRA) Act, 2005. The Irrigation year begins in July and consists of three seasons viz. Kharif (July 1 to October 14), Rabi (October 15 to February 28/29) and hot weather (March 1 to June 30).

The collection of water charges for the irrigation purposes is based on seasonal cropping pattern per hectare whereas it is on volumetric basis in respect of the Water Users Association. The rate in respect of non-irrigation purposes is levied on the quantity of water supplied from the source of water. The last revision in levy of water charges was made in September 2001 by the Government of Maharashtra (GoM) with the instruction to increase the rates every year from July by adding 15 *per cent* to the existing rates. However, in subsequent orders issued in 2004 and 2006 the rates applicable from 01-07-03

as communicated in September 2001 were permitted to be continued. Similarly the water rates for non-irrigation purpose fixed in the year 2003-04 were continued till 31-08-06 and thereafter periodical increase in rates was introduced with effect from 01-09-06. Besides, as per the instructions of Government local cess at 20 *per cent* of water rate is also levied. In cases of unauthorised use of water and for the defective electronic meter penalty at the rate 50 and 10 *per cent* respectively of the normal rates are leviable. A review on the above subject included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003, and discussed by the Public Accounts Committee.

7.2.3 Organisational Structure

The Water Resources Department (WRD) is headed by Secretary, WRD and Secretary, Command Area Development Authority (CADA) at Government level and Chief Engineer (CE) at the department level. The CE is assisted by the Superintending Engineers (SE) who are assisted by the Executive Engineers (EE), the Sub-Divisional Officers and the Section Officers.

7.2.4 Scope of audit

The records relating to levy and collection of water charges in 18 out¹ of 72 irrigation divisions covering the period 2004-05 to 2008-09 were test checked between November 2008 and April 2009. The results of the test check have been incorporated in the succeeding paragraphs.

7.2.5 Audit objectives

The review has been conducted with a view to:

- ascertain the appropriateness of water charges with reference to applicable provisions of the Acts, rules and orders;
- ascertain the efficiency and accuracy in assessment of water charges;
- ascertain the efficiency and effectiveness of the departmental efforts for recovery of the water charges;
- correlate the irrigation potential created and utilised by the department; and
- ascertain meeting out the cost of operation and maintenance expenditure.

7.2.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of Irrigation Department and their subordinate offices in providing necessary information and records for the audit. The Draft Review was forwarded to Department and the Government in May 2009.

¹ Ahmednagar, Amravati, Aurangabad, Bag Itiadh, Girna, Gondia, Jalgaon, Jayakwadi, Khadakwasla, Kolhapur, Malegaon, Mula, Nanded, Pune, Raigad, Sangli, Thane and Upper Wardha Dam.

The entry conference to explain the audit objective, scope and methodology could not be held as the department did not give any response despite several requests from audit. No reply to the Review Report has been received. The exit conference to discuss the audit conclusions and recommendations also could not be held, though requested, due to lack of response from the department.

7.2.7 Trend of revenue

As per the Maharashtra Budget Manual, budget estimates should be prepared to achieve as close an approximation to the actuals as possible based on the collection of receipts and arrears of past years, any recognisable regularity in the figures of past years, amount likely to remain outstanding at the end of the current year and the amount likely to be collected in the next financial year out of the next revenue year's demand. Details of budget estimates and actual receipts of the state as a whole on account of water charges during the years 2004-05 to 2008-09 are as follows:

(Rupees in crore)

Year	Arrears	Budget estimate	Total recovery due	Actual Receipt	Variation (5 - 3)	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2004-05	737.74	497.06	1,234.79	448.35	(-)48.71	(-)9.79
2005-06	687.21	418.54	1,105.75	413.47	(-)5.06	(-)1.20
2006-07	668.46	507.29	1,175.75	494.99	(-)12.30	(-)2.42
2007-08	701.68	674.24	1,375.92	627.01	(-)47.23	(-)7.00
2008-09	870.05	808.32	1,678.37	673.17	(-)135.15	(-)16.71

It could be seen from the above table that the percentage of variation ranged from 1.20 per cent (2005-06) to 16.71 per cent (2008-09). However, not even in a single year the BE was recovered. Consequently, the arrear has increased from Rs. 737.74 crore (2004-05) to Rs. 870.05 crore (2008-09). The department did not take any effective action to liquidate these arrears.

7.2.8 Position of arrears

The overall position of arrears under irrigation and non-irrigation purposes in respect of the State as a whole for the period 2004-05 to 2008-09 as furnished by the Government is given below in table A and B respectively:

(Rupees in crore)

Table A						
Year	Opening Balance	Budget Estimate	Amount to be recovered	Actual Amount recovered	Balance recovery	Percentage of recovery
2004-05	379.54	78.68	458.22	45.78	412.45	9.98
2005-06	405.96	68.25	474.21	64.03	410.18	13.50
2006-07	410.07	95.60	505.67	74.73	430.95	14.77
2007-08	433.82	110.35	544.17	70.47	473.70	12.94
2008-09	489.20	112.95	602.15	71.05	531.10	11.79

(Rupees in crore)

Table B						
Year	Opening Balance	Budget Estimate	Amount to be recovered	Actual Amount recovered	Balance recovery	Percentage of recovery
2004-05	358.20	418.38	776.57	402.57	326.00	51.83
2005-06	281.25	350.29	631.54	349.44	282.10	55.33
2006-07	258.39	411.69	670.07	420.26	249.81	62.71
2007-08	267.86	563.89	831.74	556.54	275.10	66.92
2008-09	380.85	695.37	1,076.22	602.12	474.11	55.94

Above tables indicate that the percentage of recovery of the water charges during the years 2004-05 to 2008-09 in respect of the irrigators ranged between 9.98 and 14.77 *per cent* and in respect of the non-irrigators it was between 51.83 to 66.92 *per cent*. It could also be seen that though the arrears had reduced during 2005-06 compared to the arrears as on 2004-05 but it had been increasing thereafter indicating lack of efforts for recovering the arrears from the defaulters by the divisions concerned. Audit observations on departmental inaction for recovery of the arrears have been included in this review at paragraphs 7.2.12.1 and 7.2.12.2. Further, the closing balances shown were not the opening balance of the next year. The Government has not furnished (November 2009) its explanation.

Divisions (April 2009) attributed the arrears (i) towards the penal assessment (for non-irrigation) which is 50 *per cent* more than the actual assessment of charges; (ii) the defaulters were not in a position to pay water charges in full due to weak financial condition, continuous lesser yield resulted in weaker financial condition of farmers; and (iii) waiver of the recovery of water charges by Government of Maharashtra (GoM) created a tendency among the farmers to expect write off by the Government.

The fact, however, remains that the GoM had not issued mass waiver order so far but empowered (February 2004) the Executive Engineers and the Superintending Engineers of the Divisions/Circles concerned to write off arrears of the irrigators and the non-irrigators respectively subject to certain conditions i.e. if in one financial year (i) 40 *per cent* paid in one installment 60 *per cent* would be waived; (ii) 50 *per cent* paid in two installments 50 *per cent* would be waived; and (iii) 60 *per cent* paid in three installments 40 *per cent* would be waived. Despite these concessions, the department failed to recover the arrears and the arrears are increasing. Further, the arrears amounting to Rs. 474.11 crore are recoverable for the water charges from the non-irrigators to whom the argument of weaker financial condition due to less yield is not applicable. Thus, there was no sustained effort from the divisions to effect recovery from the defaulters. In the cases of the defaulters of the non-irrigators even though the divisions could disconnect the supply of water in view of huge arrears, no step was taken in this direction.

Government may direct the department for speedy recovery of water charges and especially the recovery from non-irrigators should be pursued vigorously by the divisions.

The PAC in its 12th Report (June 2009) has also recommended to fix responsibility on the officers concerned who failed in this aspect.

Audit findings**System deficiencies****7.2.9 Shortfall in utilisation of irrigation potential created**

The irrigation potential created and actual utilisation under major, medium and minor projects in respect of 18 Irrigation Divisions² is shown below:

Type of Projects	Average Potential created (in hectares)	Potential Utilised (in hectares)					Average Potential utilised (in hectare)	Percentage of utilisation
		2004-05	2005-06	2006-07	2007-08	2008-09		
Major	6,96,256	3,11,919	3,94,976	4,36,704	4,76,441	4,09,737	4,05,955.40	58.30
Medium	1,49,034	30,383	30,638	53,601	62,118	59,921	47,332.20	31.75
Minor	2,57,003	90,109	1,03,211	1,29,700	1,47,589	1,31,901	1,20,502.00	46.88
Total	11,02,293	4,32,411	5,28,825	6,20,005	6,86,148	6,01,559	5,73,789.60	52.05

The average percentage of utilisation during last five years was high at 58.30 *per cent* in respect of major projects and for medium projects and minor schemes utilisation was below 50 *per cent*. It can be further seen from the **Annexure VI** that in respect of major project for which data was available from 11 Divisions³ the percentage of utilisation of irrigation potential varied widely between 16.57 *per cent* (Jalgaon Irrigation division) to 87.30 *per cent* (Kolhapur Irrigation division). Similarly, in medium and minor project the variation ranged between 16.97 *per cent* to 53.21 *per cent* and 11.68 *per cent* to 101.98 *per cent* respectively.

It was further noticed that Kolhapur, Bagh Itiadh and Sangli Irrigation divisions had recorded the highest potential utilisation ranging between 80.53 and 87.30 *per cent* in respect of major projects. In respect of minor projects Gondia and Pune utilised the highest potential ranging between 80.90 and 101.98 *per cent*. Utilisation in respect of majority of the medium projects was noticed to be below 50 *per cent*, the highest utilisation being 53.21 *per cent*. In Jalgaon and Malegaon divisions the percentage of utilisation against the potential created during the years 2004-05 to 2008-09 in respect of major, medium and minor projects was very low ranging between 16.57 and 31.21 *per cent*. No explanation for this wide variation was furnished by the divisions.

² Ahmednagar, Amravati, Aurangabad, Bagh Itiadh, Girna, Gondia, Jalgaon, Jayakwadi, Khadakwasla, Kolhapur, Malegaon, Mula, Nanded, Pune, Raigad, Sangli, Thane and Upper Wardha Dam.

³ Bagh Itiadh, Girna, Jalgaon, Jayakwadi, Khadakwasla, Kolhapur, Malegaon, Mula, Nanded, Sangli, Upper Wardha Dam.

7.2.9.1 Loss of revenue due to under utilisation

Under utilisations lead to loss of water charge revenue. The potential loss of the revenue on account of shortfall in utilisation of the irrigation facilities created by applying the paddy rate of Rs. 476 per hectare during last five years from 2004-05 to 2008-09 worked out to Rs. 125.77 crore as given below:

(Rupees in crore)

Type of Projects	Potential created (hectares)	Potential Utilised (hectares)	Shortfall (hectares)	Loss
Major	34,81,280	20,29,777	14,51,503	69.09
Medium	7,45,170	2,36,661	5,08,509	24.20
Minor	12,85,015	6,02,510	6,82,505	32.48
Total	55,11,465	28,68,948	26,42,517	125.77

The divisions attributed shortfall in utilisation of potential created to:

(i) less demand of water from the cultivators especially during the rainy season; (ii) due to urbanisation and industrialisation in the command area there was less demand of water for the cultivation; (iii) the irrigation system was 25 to 30 years old and due to paucity of fund there is poor maintenance of the irrigation system; and (iv) leakage through the head regulator and underground pipe lines.

The Government may issue instructions to the department for full utilisation of the potential created. The department may take all necessary steps to stop loss of revenue due to underutilisation of potential created.

7.2.10 Loss of water released for irrigation purpose

As per WRDs circular dated 5-12-2001 the area of land irrigable in hot weather season and other seasons (Kharif and Rabi) should not be less than 110 and 150 hectare, respectively, from the one million cubic metre water released.

The actual irrigation carried out by farmers with reference to water released from the major, medium and minor projects in 10 test checked divisions⁴ indicate huge loss of water. The consequential loss of revenue for the period from 2004-05 to 2008-09 arrived at Rs. 57.01 crore by applying minimum paddy rate of Rs. 476 per hectare, as detailed in the following table:

(Rupees in crore)

Year	Quantity of water released for irrigation (m. cum)	Area of land to be irrigated (hectare)	Area of land actually irrigated (hectare)	Area of land less irrigated (hectare)	Loss of revenue
2004-05	3,658.56	4,99,285	2,37,639	2,61,646	12.45
2005-06	3,770.92	5,04,995	2,90,421	2,14,573	10.18
2006-07	4,547.43	6,00,879	2,88,781	3,12,098	14.85
2007-08	4,560.61	6,19,417	3,31,942	2,87,476	13.68
2008-09	1,709.63	2,39,285	1,16,354	1,22,931	5.85
Total					57.01

⁴ Amravati, Girna, Jalgaon, Jayakwadi, Khadakwasla, Kolhapur, Mula, Raigad, Thane and Upper Wardha Dam Division.

It was noticed that out of the total loss of Rs. 57.01 crore the major portion of 48 per cent and 22 per cent pertain to Khadakwasla and Kolhapur divisions. In Khadakwasla division the loss of Rs. 6.66 crore in 2004-05 had almost remained the same in the year 2006-07 (Rs. 6.66 crore) and 2007-08 (Rs. 6.12 crore). In Kolhapur division the loss which was Rs. 1.94 crore in 2004-05 had increased to Rs. 2.86 crore in 2005-06, Rs. 4.60 crore in 2006-07 and Rs. 3.09 crore in 2007-08 during hot weather and other seasons.

After this was pointed out, the department stated that (i) distribution system being very old, structure of canal system is damaged; (ii) a large portion in the command area is covered by hills and forest and some part is urbanised; and (iii) the demand for irrigation in the command area is of scattered nature which results in heavy transit losses during irrigation.

Audit observed that though the department was aware of the deficiency, they have failed to take action to address the problem of loss of water. Further in other 8 test checked divisions⁵, the area of land irrigated was noticed to be more than the norms prescribed by the government.

The department needs to take action to avoid leakage of water which is resulting in loss of revenue besides reducing availability of water to the needy farmers/users.

7.2.11 Excess expenditure on operation and maintenance

As per the recommendations of Maharashtra State Water Policy 2003 and various commissions the cost of operation and maintenance of Irrigation Projects (Working expenses) were to be met from the water charges collected from the water users. It was, however, noticed that the expenditure on operation and maintenance in respect of five Irrigation divisions were in excess of the actual revenue assessed for recovery during the year 2004-05 to 2008-09 as detailed below:

(Rupees in lakh)

Sl. no.	Name of Division	Current year's assessment for last five years	Actual recovery for last five years	Expenditure incurred during last five years	Percentage of excess expenditure over assessment	Percentage of excess expenditure over actual recovery
1.	Bagh Itiadh Irrigation division	1,226.01	864.19	2,668.63	117.66	208.80
2.	Gondia Irrigation division	576.44	362.71	1,222.98	112.16	237.17
3.	Ahmednagar Irrigation division.	3,084.00	2,835.65	5,276.30	71.08	86.07
4.	Aurangabad Irrigation division	635.09	563.51	935.00	47.22	65.92
5.	Amravati Irrigation division	527.00	384.00	692.92	31.48	80.44
	Total	6,048.54	5,010.06	10,795.83	78.48	115.48

⁵ Ahmednagar, Aurangabad, Bagh Itiadh, Gondia, Malegaon, Nanded, Pune and Sangli.

It could be seen from the above table that in Bagh Itiadoh Irrigation Division that the percentage of assessment over operation and maintenance was in excess by 117.66 *per cent* of the actual amount assessed for recovery. Likewise, in Gondia, Ahmednagar, Aurangabad and Amravati divisions it was 112.16, 71.08, 47.22 and 31.48 *per cent* respectively. Further, actual recovery was even less than the amount assessed.

After this was pointed out, these divisions stated that the authority for fixation of water charges rests with the Maharashtra Water Resources Regulatory Authority. However, audit observed that the water rates are same throughout the State, as such the argument of non-revision of rates is not sustainable. Further, out of 18 divisions test checked, only in these divisions expenditure on operation and maintenance was in excess of the amount assessed/recovered.

The department needs to look into the problem areas of these loss making divisions and find out the reasons for excess of expenditure over assessment/recovery and take immediate steps to rectify them.

Compliance deficiencies

7.2.12.1 Recovery through Revenue Recovery Certificate (RRC)

Section 88 of the MI Act, 1976, provides that the water rate or installment thereof which is not paid on the date when it become due shall be deemed as an arrears of land revenue due on account of land and shall be recoverable as such by any of the processes specified in section 176 of the Maharashtra Land Revenue (MLR) Code, 1966.

A test check of the records in nine divisions indicated that Rs. 106.73 crore was pending for recovery as of March 2009 as shown in table below:

(Rupees in crore)			
Sl. no.	Name of Division	Amount	Period
1.	Bagh Itiadoh Division, Gondia	3.97	2003-04 and 2007-08
2.	Gondia Irrigation Division	0.59	2003-04 and 2004-05
3.	Jalgaon Irrigation Division	62.50	Since 2007-08
4.	Girna Irrigation Division, Jalgaon	1.42	1999 to 11/2003
5.	Ahmednagar Irrigation Division	17.84	2004
6.	Mula Irrigation Division, Ahmednagar	0.66	2004-05 to 2008-09
7.	Pune Irrigation Division	0.49	2003-04 and 2004-05
8.	Jayakwadi Irrigation Division, Paithan	0.73	2004-05 to 2008-09
9.	Kolhapur Irrigation Division	18.53	2007-08
Total		106.73	

It was noticed that out of the above nine divisions, recovery of the arrears amounting to Rs. 102.17 crore (95.72 *per cent*) through RRC was not proposed by seven divisions.

The other two⁶ divisions though proposed the recovery through RRC during the period 2003-04, the EE, Gondia Irrigation division, Gondia stated that no response was received when they approached the revenue authorities concerned to ascertain the actual quantum of recovery effected through RRC.

⁶ Gondia Irrigation Division and Bagh Itiadoh Irrigation Division and Gondia.

EE, Bagh Itiadh Irrigation division, Gondia stated that it had not followed up the matter with the revenue authorities. In the absence of follow up, the divisional records showed no recovery through RRC.

7.2.12.2 Heavy pendency from sugar factories and thermal power station

During the course of review it was noticed in the test checked divisions that out of total the arrears of Rs. 188.80 crore under non-irrigation purpose, recovery of Rs. 38.93 crore as on March 2009 was pending from 35 sugar factories which was 20.62 *per cent* of the total pending arrears.

The following are some of the sugar factories from which huge arrears of water charges were pending recovery as of March 2009.

(Rupees in crore)

Sl. no.	Name of the sugar factories	Amount	Remarks
1.	Sant Muktabai Sahakari Sakhar Karkhana, Muktainagar	2.36	The arrears of Rs. 2.36 crore was pending prior to 2003-2004 and water connection was disconnected since February 2002. But the department had not declared the arrears for recovery through R.R.C.
2.	Augusti Sahakari Sakhar Karkhana	7.21	The arrears of Rs. 4.12 crore were pending since March 2003 which further accumulated to Rs. 7.21 crore.
3.	Dr. V. V. Patil Sahakari Sakhar Karkhana	3.36	The arrears of Rs. 2.30 crore were pending since March 2003 which further accumulated to Rs. 3.36 crore.
4.	Ashok Sahakari Sakhar Karkhana	1.12	The arrears of Rs. 39.25 lakh were pending since March 2003 which further accumulated to Rs. 1.12 crore.
5.	Dr. B.B. Tanpure Sahakari Sakhar Karkhana	1.03	The arrears of Rs. 41.36 lakh were pending since March 2003 which further accumulated to Rs. 1.03 crore.
Total		15.08	

It was also noticed that Rs. 35.98 crore was pending from Bhusawal Thermal Power Station at Deep Nagar, Bhusawal as of March 2009 against the outstanding arrears of Rs. 5.31 crore during March 2004 which showed that arrears were increasing.

The EE, Jalgaon division stated that in respect of Bhusawal Thermal Power Station from the total outstanding arrears of Rs. 49.29 crore, it had recovered Rs. 13.41 crore in March 2009 and the balance was Rs. 35.88 crore only which pertain to penalty imposed.

The Executive Engineers, Jalgaon, Mula and Kolhapur divisions stated (March/April 2009) that the reasons for non-recovery of water charges from the sugar factories were that as per Govt. Circular the non-irrigators were liable to pay water charges on 90 *per cent* of the quota granted to them irrespective of the actual quantity of water consumed by them and therefore they were not ready to pay the penal assessment.

The fact remains that the concerned divisions failed to enforce the contractual conditions.

7.2.13 Non-recovery of the water charges from the well owners

Section 55 (b) of the MI Act, 1976, provides that water charges for irrigation of sugarcane, fruit crops, vegetables and other similar perennial crops and seasonal crops like cotton, ground nut and other cash crop etc. if carried through old or new well situated within a distance of 35 metres from the nearest boundary of the command area of irrigation project and all main canals, branch canals, distributaries, field or drainage channels, flood barrages, notified rivers, nallas and seepages etc. shall be charged at half of the normal rates prescribed by Government.

Test check of the records revealed that in 10 divisions the water charges amounting to Rs. 36.15 crore was pending recovery as on 31-03-2009 from the well owners as mentioned below:

(Rupees in crore)	
Name of division	Outstanding Amount
Amravati Irrigation division	0.23
Aurangabad Irrigation division	8.21
Ahmednagar Irrigation division	6.19*
Jalgaon Irrigation division, Jalgaon	0.33
Khadakwasla Irrigation division, Pune	2.15
Girna Irrigation division, Jalgaon	0.41
Nanded Irrigation division, Nanded	0.46
Sangli Irrigation division, Sangli	0.78
Kolhapur Irrigation division, Kolhapur	6.70
Pune Irrigation division, Pune	10.69
Total	36.15

* Pending as on 31 March 2008

The reasons for pendency were stated to be the farmers' denial to make payment on the ground that they were not getting water directly from the storage point.

7.2.14 Supply of water without execution of agreement

As per Government Resolution dated 21-1-2003, supply of water to any agency or institute for non-irrigation purpose shall not be made unless an agreement therefor is executed by the agency/institute in the prescribed form.

Test check of the records in the following six divisions revealed that the water costing Rs. 12.80 crore was drawn by the 16 agencies without executing formal agreement with the appropriate authorities.

(Rupees in crore)		
Name of Division	No. of Agencies	Amount
Gondia Irrigation Division	02	0.07
Jalgaon Irrigation Division	03	2.70
Nanded Irrigation Division	03	4.97
Jayakwadi Irrigation Division	03	2.72
Sangli Irrigation Division	04	2.14
Malegaon Irrigation Division	01	0.20
Total	16	12.80

The department stated (February, March and April 2009) that the above agencies are concerned with supply of water for drinking purpose and efforts were being made for execution of the agreement. Further, inspite of protracted

correspondence made with the agencies concerned there was no response from them. However, the department stated that recovery was made from the unauthorised water users by multiplying the volume of water by 1.5 times of the water actually consumed.

7.2.15 Conclusion

The study highlights that one of the major areas of concern is the continuous shortfall in collection of water revenue. The accumulation of arrears has been increasing year after year but adequate efforts have not been made to recover the current revenue let alone the outstanding in this regard. The department had failed to utilise full potential of the irrigation facilities created. There is heavy pendency in referring the arrear cases to District Revenue Department for recovery through RRC. Even in a few cases which have been referred to Revenue Department, no follow up action has been taken.

7.2.16 Summary of recommendations

The Government consider the following to improve the revenue collection:

- **Government may issue direction to the department for vigorous pursuance of recovery through RRC;**
- **Take urgent action to avoid leakage of water, which is also resulting in loss of revenue besides depriving availability of water to the needy farmers/users;**
- **the department may analyse the problem areas in the divisions where office and maintenance expenditure is more than the amount assessed for recovery and find out the reasons of such excess of expenditure over assessment/recovery and take immediate steps to rectify them.**
- **Cultivators may be motivated for full utilisation of water by adopting rotation of crop in all the three seasons.**
- **The Government may take necessary steps to ensure full utilisation of the potential created.**

7.3 Non-recovery of interest receipt from Maharashtra State Textile Corporation

Non-raising of demand of interest by the Co-operation and Textile Department resulted in non-recovery of interest of Rs. 292.60 crore.

The loans advanced by the Government usually carry the interest at the rates fixed by the sanctioning authorities keeping in view the financial resources and purpose for which the loan is provided. The period and manner of repayment of the loans as well as the rate of the interest are generally specified before grant of the loans and are indicated in the sanction order itself.

During the scrutiny of Financial Accounts of Maharashtra State Textile Corporation (MSTC) Ltd. in May 2008, it was noticed that the Government had sanctioned loans aggregating Rs. 280.19 crore between December 1997 and December 2002 to the Corporation. The loans carried the interest at the rate of 15 *per cent* per annum which was also leviable during the moratorium period of two years. On completion of the moratorium period, the loan was repayable along with the interest in five equal annual installments. The Penal interest at the rate of two *per cent* is chargeable on delayed payment of interest as per the conditions of sanction. The interest payable on these loans upto March 2008 by the Corporation was Rs. 292.60 crore. Out of the principal amount of Rs. 280.19 crore, the Government had converted Rs. 29.28 crore into share capital between February 1999 and March 2006 and the MSTC had paid the principal of Rs. 25 crore in May 2007 to the Government. The department neither demanded nor recovered the balance amount of loan of Rs. 225.91 crore and interest of Rs. 292.60 crore. This resulted in non-recovery of the interest of Rs. 292.60 crore including penal interest as on 31 March 2008.

The matter was referred to the Government in May 2009. The Government stated (June 2009) that MSTC has been facing financial crisis and the Government has decided to wind up the activities of the Corporation and decision to waive-off the loan and interest would be taken at the time of closure of the Corporation. Further reply in the matter has not been received. (November 2009).

Mumbai,
The

(RAJIB SHARMA)
Principal Accountant General (Audit)-I,
Maharashtra

Countersigned

New Delhi,
The

(VINOD RAI)
Comptroller and Auditor General of India