

## CHAPTER -VI Other Tax/Non-Tax Receipts

### 6.1 Results of audit

Test check of the records relating to land revenue, mining receipts, Guarantee fee, etc. revealed irregularities involving ₹ 29.15 crore in 78 cases, which broadly fall under the following categories:

(₹ in crore)			
Sr. No.	Categories	Number of cases	Amount
<b>A: Revenue and Rehabilitation Department</b>			
<b>Land revenue</b>			
1.	<b>Performance audit of Interest Receipts from Loan and Advances granted by the State Government</b>	01	0.00
2.	Non/short recovery of chowkidara <sup>1</sup> tax	15	1.10
3.	Non-deduction of service fee/charges	12	0.22
4.	Other irregularities	46	14.11
<b>Total</b>		<b>74</b>	<b>15.43</b>
<b>B-I: Industries and Commerce Department</b>			
<b>B-II: Department of Agriculture</b>			
1.	Non-recovery of guarantee fee	03	12.34
2.	Mining receipts	01	1.38
<b>Total</b>		<b>04</b>	<b>13.72</b>
<b>Grand total</b>		<b>78</b>	<b>29.15</b>

A few cases involving ₹ 13.78 crore and a **performance Audit of Interest Receipts from Loan and Advances** granted by the State Government are discussed in the succeeding paragraphs.

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<sup>1</sup> Remuneration paid to the village watchman.

**6.2 Performance Audit of Interest Receipts from Loans and Advances granted by the State Government**

**Highlights**

The outstanding loans as on 31 March 2011 stood at ₹ 2,323.84 crore. Finance Department did not have records of details of the outstanding loans as on 31 March 2011.

**(Paragraph 6.2.8)**

Outstanding recovery of ₹ 35.67 crore as on 31 March 2011 from two Administrative Departments (Co-operation and Housing and Urban Development) in respect of 15 loans was not realised.

**{Paragraph 6.2.9 (a)}**

Non-repayment of part of loan, interest and penal interest by Agriculture and Housing and Urban Development departments from the total loan of ₹ 18 crore are still unrecovered despite being pointed out in earlier Reports of the Comptroller and Auditor General of India

**{Paragraph 6.2.9 (b)}**

Irrigation Department sanctioned loans of ₹ 18.10 crore in 23 cases between June 1979 and March 1990 and the loans are still unrecovered despite being pointed out in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Revenue Receipts) Government of Punjab

**{Paragraph 6.2.9 (c)}**

Three departments did not prescribe the terms and conditions in 63 loan cases of ₹ 378.97 crore sanctioned between August 1983 and February 2009

**(Paragraph 6.2.10)**

Department of Agriculture did not recover interest of ₹ 36.18 crore due at the time of conversion of loans into Grant-in-aid

**(Paragraph 6.2.12)**

None of the test checked departments except (the Co-operations) had maintained prescribed records, though loans of ₹ 198.99 crore were disbursed to these departments.

**(Paragraph 6.2.14.1)**

### **6.2.1 Introduction**

Interest Receipts is one of the sources of Non-tax revenue of the State Government. The Government grants loans to Public Sector Undertakings, Local Bodies, Co-operative Societies and Government employees for various purposes. The loans usually carry interest, the rate of which is fixed by the sanctioning authority keeping in view the instructions issued by the Government from time to time and the purpose for which loan is provided.

The Punjab Financial Rules (PFR) contain the provisions governing grant of loan, levy and recovery of interest and penal interest etc. The responsibility for recovery of the loans and interest vests with the sanctioning authority. The terms and conditions as specified in the sanctions for loans indicate the manner of repayment of principal and payment of interest. The Government issued instructions in December 1961, which were reiterated in June 1982 for monitoring recovery of the Government loans and interest and also prescribed maintenance of loan registers by the Heads of Departments. It was emphasized that the ledgers be brought upto date and reminders to the loanees for repayment of loan and payment of interest be issued one month in advance of the due date.

### **6.2.2 Organisational set up**

The proposals for grant of loans and advances are processed by the Heads of the Administrative Departments, which issue sanctions on getting concurrence of the Finance Department (FD). The recoveries of loans and interest are watched by the Administrative Departments under overall monitoring by the Finance Department.

### **6.2.3 Audit objectives**

The Performance Audit was carried out to ascertain whether;

- the terms and conditions for repayment of loans and interest were specified in the sanction orders;
- adequate and efficient mechanism for raising of demands of the dues and recovery thereof existed and
- the demands were raised promptly and computed correctly.

### **6.2.4 Audit criteria**

Procedures laid down in the PFR and instructions issued from time to time by the Government of Punjab, (Department of Finance) were used as audit criteria.

### **6.2.5 Scope and methodology of audit**

Mention was made in paragraph 7.2 of the Report of Comptroller and Auditor General of India (Revenue Receipts) for the year ending 31 March 2004 highlighting the shortcomings during the years 1998-99 to 2002-03 regarding non-recovery of interest/penal interest on loans and advances. With a view to further evaluate the efficiency of Departments in ensuring recovery of the principal and interest, test check of records relating to loans and advances

sanctioned by the Departments of Agriculture, Co-operation, Housing and Urban Development, Irrigation, Soil and Water Conservation and Transport for the period 2006-07 to 2010-11, was conducted between April and June 2011. In addition to examination of the overall position of outstanding loans etc., these departments were subjected to detailed scrutiny as the outstanding loan/loan availed by them constituted 45.22 *per cent* of the total outstanding loan as of March 2011.

#### **6.2.6 Acknowledgement**

Indian Audit and Accounts Department acknowledges the cooperation of the Finance Department, Agriculture, Co-operation, Housing and Urban Development Irrigation, Soil and Water Conservation and Transport Departments in providing necessary information and records for audit. An Entry Conference was held with the Secretary Finance, Government of Punjab on 9 May 2011. In the meeting, the scope, objectives of audit and issues to be examined were discussed. An exit conference was held with the Secretary (Expenditure) on 3 October 2011 wherein the audit findings were discussed. No written replies were furnished by the Department, however, the contents of discussion are incorporated in the audit paragraphs.

#### **6.2.7 Trend of revenue**

The budget estimate for interest receipts, actuals received, and total non-tax revenue of the State for the years 2006-07 to 2010-11 are as under:-

(₹ in crore)

Year	Budget estimates	Actuals	Variation (+) excess (-) shortfall	Percentage of variation	Total non-tax revenue	Percentage of interest receipts to total non-tax revenue
2006-07	811.69	658.57	(-) 153.12	(-) 18.86	7,744.58	8.50
2007-08	831.15	348.38	(-) 482.77	(-) 58.08	5,253.97	6.63
2008-09	199.19	181.98	(-) 17.21	(-) 8.64	5,783.91	3.14
2009-10	137.76	164.69	(+) 26.93	(+) 19.55	5,652.70	2.91
2010-11	143.00	169.37	(+) 26.37	(+) 18.44	5,330.17	3.17

Source – Figures taken from Budget Estimates and Finance Accounts

The percentage of shortfall between the budget estimates and actual receipts ranged between 8.64 to 58.08 during the years 2006-07 to 2008-09. However, the actual receipts was more than the budget estimates during 2009-10 and 2010-11. The percentage of interest receipts as compared to the total non-tax revenue of the State showed downward trend i.e. from 8.50 in 2006-07 to 3.17 in 2010-11.

The reasons for variation between the budget estimates and actual receipt during 2006-07 to 2010-11 were called for from the Departments (July 2011); which are awaited (December 2011).

#### **6.2.8 Outstanding loans**

The FD is required to monitor the loans to ensure timely recovery of the loans and interest. However, the FD was not in a position to furnish the Department wise details of the outstanding loan and interest accrued thereon as on 31 March 2011. As per the Finance Accounts of the Government, the position of outstanding loans at the beginning of the year, loans advanced and amount

of loans recovered during the year and loans outstanding at the end of each year during the last five years are as under:-

(₹ in crore)						
Year	Opening balance	Loan advanced during the year	Total	Amount Repaid	Balance	Percentage of Repayment
2006-07	5484.24	444.16	5928.40	395.45	5532.95	6.67
2007-08	5532.95	34.84	5567.79	1445.15	4122.64	25.95
2008-09	4122.64	55.07	4177.71	77.63	4100.08	1.86
2009-10	4100.08	28.84	4128.92	1276.02	2852.90	30.90
2010-11	2852.90	68.39	2921.29	597.45	2323.84	20.45

Source – Figures taken from Finance Accounts

The overall outstanding loan has come down from ₹ 5,532.95 crore in 2006-07 to ₹ 2,323.84 crore in 2010-11. The percentage of repayment of loan in the years 2006-07 and 2008-09 remained very low i.e. 6.67 and 1.86. The high percentage of repayment of loan in the years 2007-08, 2009-10 and 2010-11 was due to (i) book adjustment of subsidy ₹ 1,674.11 crore (₹ 13.62 crore-2007-08, ₹ 1140.43 crore-2009-10 and ₹ 520.06 crore 2010-11) payable to Punjab State Power Corporation Ltd. (PSPCL) and (ii) electricity duty payable to the State Government by PSPCL (₹ 52.38 crore in 2009-10) against the outstanding loans due from the Corporation. However, the percentage of repayment of loan in the six tests checked departments remained very poor i.e. between 0.05 and 0.10 *per cent* during the years 2006-07 to 2010-11.

Although the Finance Department is entrusted with the responsibility of monitoring the loans, information regarding the amount of overdue principal and interest and Department/loanee wise outstanding position of the loans was not available with the Department, reflecting the inadequate monitoring mechanism.

**6.2.9 Non-recovery of loans and interest**

In terms of instructions contained in the PFR and guidelines issued by the Finance Department (F.D.) in December 1961 and June 1982, the Heads of the Departments (HODs) were required to maintain a loan ledger in the prescribed form to keep proper watch over the loan disbursed by the Government and their timely repayment etc. In case of non repayment of loans on the due dates, penal interest at the rates prescribed from time to time was leviable. Further, the HODs were required to issue reminder to the loanee concerned one month in advance of the due date. The officer in charge of the subject in the office of each HOD is required to check all the registers every month and append a certificate to this effect.

(a) We found that the departments of Co-operation and Housing and Urban Development sanctioned 15 loans amounting to ₹ 112.62 crore during the period January 1998 and December 2006. Against these loans, no repayment was made by the loanees whereas a sum of ₹ 35.67 crore was due to be recovered as on March 2011. These Departments made no efforts to recover the due amount of the loans as no demands for the principal amount as well as for interest were raised by them. The details of non-realisation of loan of ₹ 35.67 crore and interest/penal interest of ₹ 56.43 crore are given below:

(₹ in crore)

Sl. No.	Name of the Department/ loanee	Amount of loan/ No. of cases	Month of disbursement	Loan due for repayment loan repaid	Interest realised rate of interest/ penal interest	Amount of interest / penal interest recoverable
1.	<u>Cooperation</u> Punjab State Cooperative Bank	1.08 (4)	Between Janaury,1998 to Janaury,2001	<u>0.17</u> Nil	<u>1.15</u> Intt 12.5 to 13 per cent Penal intt.2.75 per cent	0.54
2.	<u>Co-operation</u> Sugrferd	92.50 (8)	Between March,1995 to December, 2006	<u>25.73</u> Nil	<u>Nil</u> Intt. 7 to 16.5 percent Penal intt.2.75 per cent	46.34
3.	<u>Housing and Urban Development</u> (PUDA-NCR) Patiala	19.04 (3)	Between July,2005 to June,2006	<u>9.77</u> Nil	<u>Nil</u> Intt. 9 per cent Penal intt.2.75 per cent	9.55
	<b>Total</b>	<b>112.62</b> <b>(15)</b>		<b><u>35.67</u></b> <b>Nil</b>		<b>56.43</b>

(b) The Departments of Agriculture and Housing and Urban Development sanctioned four loans amounting to ₹ 18.00 crore during the period August 1996 and March 2003. Non-repayment of part of the loan (₹ 6.36 crore) and non levy of interest/penal interest of ₹ 6.26 crore, that became due had been pointed out in the previous Audit Reports for the year ended March 2001 and March 2007 (Paragraph No. 7.1.6 and 7.5, 7.6). Despite this, no efforts had been made by the Departments to effect recovery of loan of ₹ 11.64 crore and interest/penal interest of ₹ 16.99 crore which had become due as of March 2011. The details are given in the following table:

(₹ in crore)

Sl no.	Name of Department/loanee	Amount of loan/No. of cases	Month of disbursement	Amount of loan partly pointed out /Amount of interest point out		Loan repaid/loan due for repayment	Amount of interest/penal interest recoverable
				loan	Interest		
1.	<u>Agriculture</u> Punjab Agro Industries Corporation	5.50 (2)	Between August 1996 and April 1998	2.00 Audit Report, March,2001	2.78	Nil/ 3.50	11.58
2.	<u>Housing And Urban Development</u> PUDA-NCR (Patiala)	12.50 (2)	Between 20.11.2002 to 28.3.2003	4.36 Audit Report, March,2007	3.48	Nil/ 8.14	5.41
	<b>Total</b>	<b>18.00</b>		<b>6.36</b>	<b>6.26</b>	<b>11.64</b>	<b>16.99</b>

(c) It was also noticed that loans of ₹ 18.10 crore in 23 cases sanctioned by the Irrigation Department between June 1979 and March 1990 were still outstanding, despite of the fact that non-repayment of these loans and interest and penal interest leviable on these loans had already been reported in the earlier Audit Reports (Revenue Receipt) for the year ended March 2004. No progress in this regard had so far been made by the Department, in spite of the fact that the repayment schedule in all of these loans had since expired.

The above issues were discussed in the exit conference and the Finance Department agreed to take up the matter with Administrative Department.

#### 6.2.10 Non-prescription of the terms and conditions while sanctioning loans

As per the PFR, the sanctioning authority, while sanctioning the loan, is required to specify the terms and conditions such as the date of commencement of installments, period of repayment of the loans, rate of interest/penal interest etc. For monitoring the repayment of loans etc, the departments while disbursing the loan are required to record all the details in the concerned registers like the loan ledger and the demand and collection and balance register.

In three departments (Co-operation, Irrigation and Soil and Water Conservation), we observed that 63 loans aggregating ₹ 378.97 crore were sanctioned during the period August, 1983 to February, 2009, without prescribing the terms and conditions of the loans. At the standard terms and conditions, interest of ₹ 250.20 crore would arise. In the absence of terms and conditions being specified in the loan sanctions interest was not demanded/recovered. The details

are exhibited in the following table:-

(₹ in crore)

Sr No.	Department/Loanee	Period of sanction of loans	Loan amount No. of cases	Period for interest calculation	Between rate of interest	Amount of Interest
1.	Co-operation (Sugerfed)	Between March, 2000 and April, 2008	106.37 (9)	August, 2001 to March, 2011	8.05 and 11.76 percent	62.00
2.	Co-operation Spinfed	Between Dec, 1999 and March, 2001	23.30 (3)	April, 2003 to March, 2011	8.05 and 10.07 percent	16.60
3.	Irrigation PWRMC	Between Aug; 1983 and June, 1998	235.19 (46)	April, 2003 to March, 2011	8.05 and 10.07 percent	167.62
4.	Soil and Water Conservation / PWRMC	Between Sept, 2005 and Feb, 2009	14.11 (5)	September, 2005 to March, 2011	8.05 and 8.28 percent	3.98
	<b>Total</b>		<b>378.97 (63)</b>			<b>250.20</b>

After this was pointed out in May and June 2011, the Co-operation Department stated (June 2011) that the matter was taken up with the Government for finalisation of the terms and conditions for repayment of loan and interest, while the Irrigation Department stated that the matter was already under the consideration of Government for conversion of the loan as Grants-in-aid. Reply of the Department of Soil and Water Conservation is awaited.

During discussion in exit conference the Finance Department agreed that action would be taken.

#### **6.2.11 Details of outstanding loan and interest not available with the Departments**

As per Finance Accounts of the State, in three Departments, loans of ₹ 30.53 crore against 20 schemes (Agriculture - ₹ 14.09 crore against 4 schemes, Cooperative- ₹ 6.31 crore against eight schemes and Housing- ₹ 10.13 crore against eight schemes) were outstanding and awaiting recovery prior to April 2006. An amount of ₹ 1.02 crore towards principal and an amount of ₹ 0.75 crore towards interest has been repaid during the years 2006-07 to 2010-11.

During Performance Audit we noticed that the concerned Departments had no records viz. loan register, demand and collection and balance register to show the details of loans granted, terms and conditions of the loans and description of loanees. The departments took no action for recovery of balance principal loan of ₹ 29.51 crore and interest of ₹ 10.57 crore, worked out at eight *per cent*, the prevailing average rates of interest (details given below):-

(₹ in crore)

Sr. No.	Name of the Department	Loan Balance as on 1 April, 2006	Loan repaid between April, 2006 and March, 2011	Loan balance as on 31 March, 2011	Interest accrued Interest received	Amount of Interest recoverable
1.	Agriculture	14.09	-	14.09	5.64 0.02	5.62
2.	Co-operation	6.31	0.75	5.56	2.37 0.22	2.15
3.	Housing	10.13	0.27	9.86	3.31 0.51	2.80
	<b>Total</b>	<b>30.53</b>	<b>1.02</b>	<b>29.51</b>	<b>11.32 0.75</b>	<b>10.57</b>

This clearly indicates that the departments had failed to monitor and recover the loan and interest due thereon from the loanees.

During discussion in the exit conference the FD agreed on the issue and intimated that Integrated Financial Management System (IFMS) is being implemented with effect from 1 April 2011 and such like details shall be available on this system. The compliance of the Department is yet to be verified in audit (December 2011).

#### **6.2.12 Non-recovery of interest due at the time of conversion of loans into Grant-in-aid**

The Agricultural Department disbursed two short term loans aggregating ₹ 87.50 crore to the Punjab Mandi Board in November, 2006 (₹ 37.50 crore) and December, 2006 (₹ 50 crore) at the interest rates of 7.5 and 8 *per cent* for construction of new roads and special repairs. As per the sanction order, the loan of ₹ 50 crore was repayable to the State Government by the end of 2008-09, where as in the case of ₹ 37.50 crore, no terms and conditions were prescribed in the sanction order.

We found that no records regarding grant of loan, accrual/recovery of interest had been maintained by the Agriculture Department. These loans were converted into grant-in-aid by orders of the FD (March 2011). While sanctioning the conversion of the loan to grant-in-aid, the FD did not stipulate any condition relating to recovery of the interest of ₹ 36.18 crore, which had become due (based on 7.5 and 8 *per cent* of interest mentioned in the sanction orders). The Department had also not taken any action to recover the interest due on the loans till the period of conversion. Failure to raise demand for interest upto the date of conversion of the loan into grant resulted in loss of interest of ₹ 36.18 crore to the Government.

During discussion in the exit conference the FD agreed to take corrective measure.

#### **6.2.13 Non-reconciliation of figures of loan balances with the Accountant General (A&E)**

As per the instructions (June 1982) of the FD, the HODs are required to reconcile the outstanding loans with that of the figures appeared in the State Finance Accounts.

During test check, we noticed that none of the Departments covered under review had ever reconciled their loan balances (₹ 770.62 crore) during the period 2006-07 to 2010-11, though repeatedly reminded by the A G (A&E) every year.

When we reported the matter to the Departments, it was agreed by them to reconcile the outstanding loans.

## 6.2.14 Internal Control and Monitoring

### 6.2.14.1 Non/improper maintenance of records

As per instructions laid down in the PFR and guidelines issued by the Government in December, 1961 and June, 1982, the departments were required to maintain records in the prescribed form so that recovery of installments of principal, interest and penal interest could be monitored.

Review of records, however, revealed that five out of six test checked departments had not maintained the prescribed records. Though loans of ₹ 198.99 crore were disbursed by various departments (i.e. Agriculture- ₹ 98.50 crore, Co-operation- ₹ 61.21 crore, Housing- ₹ 7.77 crore, Soil and Water Conservation- ₹ 11.51 crore and Transport- ₹ 20 crore) between April 2006 and March 2011, yet entries of these loans had not been recorded in any

register. Department of Co-operation though maintained the loan registers, but had not updated the same.

None of the departments had ever raised any demands or issued reminders to the loanees nor maintained detailed accounts for onward submission to F.D. as required in the guidelines.

### 6.2.14.2 Non-maintenance of detailed accounts

The departments are required to maintain detailed accounts indicating year wise details of arrears of interest, pending collection at the beginning of each year, interest and demanded due, amount of interest waived or written off during the year, amount actually collected during the year and the balance recoverable at the end of year.

None of the departments, test checked had maintained any such detailed accounts, whereas as per the Finance Account for the year 2010-11, the total arrears of loan and advances under different heads pertaining to whole of the State stood at ₹ 2323.84 crore.

### 6.2.14.3 Non-submission of returns

The departmental officers were required to submit annual returns concerning loan accounts maintained by them every year to the Accountant General (A&E). We found that against 687 returns required to be submitted by 23 departments during 2006-07 to 2010-11, only four returns were submitted to the Accountant General (A&E) by these Department. The year-wise position of statements due and received from the Departments is as under:-

Year	No. of Departments	Statements due	Statements received
2006-07	20	151	-
2007-08	23	162	-
2008-09	23	162	-
2009-10	23	106	2
2010-11	23	106	2
<b>Total</b>		<b>687</b>	<b>4</b>

This clearly indicates lack of proper monitoring of interest receipts.

Reasons for non-maintenance of record, detailed accounts and non-submission of annual returns, though called for from the Government (April 2011), have not been received (December 2011).

No comment was forwarded by the Department in exit conference in respect of para No. 6.2.13 to 6.2.14.

#### **6.2.15 Conclusion**

The several instances of outstanding loans and non recovery of interest on loans given by the State Government enumerated in the foregoing paragraphs indicated that the departments failed to ensure timely repayment of loans and advances thereby affecting the ways and means position of the State Exchequer. The Finance Department did not monitor the overdue loans and advances and recovery of interest/penal interest, even though clear guidelines in this regard had been issued by them.

Resultantly, the Government lost revenue to the extent of ₹ 353.38 crore on account of interest/ penal interest on outstanding loan. Thus, the departments have not only failed to maintain the proper records as envisaged in the Rules for monitoring the liquidation of loan and recover the interest due thereon but also failed to safeguard the interest of the Government. Absence of monitoring of the recovery of loan and interest also shows the poor financial management of the Government.

#### **6.2.16 Recommendations**

Government need to:-

- *ensure maintenance of basic records like loan ledgers and Demand, Collection and Balance (DCB) registers by the Departments availing Government loans and having outstanding past loans;*
- *ensure prompt recovery of the loans and advances and interest thereon by strictly monitoring the position of overdue principal and interest ;*
- *ensure that loans are not disbursed without specifying the terms and conditions for repayment and*
- *direct the Departments to update the details of outstanding loans, interest due to be collected etc. and reconcile the figures with that of the Accountant General (A&E) to ensure correct accounting.*

### **6.3 Other audit observations**

*During scrutiny of the records relating to the departments of Revenue and Rehabilitation (land revenue), Industries and Commerce (Mining) and Agriculture (Guarantee fee), we noticed some cases of non-observance of the provisions of the Act/Rules and Government instructions resulting in non deduction of service fee/charges, non-recovery of guarantee fee and non realisation of royalty as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on test check carried out by us. We point out such omissions in audit repeatedly, but not only the irregularities persist, they also remain undetected till we conduct audit. The Government needs to improve the internal control system to avoid occurrence of such cases in future.*

### **A: Revenue and Rehabilitation Department**

#### **Land revenue**

### **6.4 Non-recovery of service charges**

#### **DRO, Fatehgarh Sahib**

- ❖ The Punjab Land Revenue Act provides that the cost of any process linked with the collection of land revenue shall be recoverable as part of the arrears of land revenue.
- ❖ The Punjab Land Revenue Rules provide that two *per cent* of the collection shall be deducted as service charges by the collector.
- ❖ Further, the instructions issued by the Government in July 2007 provide for overall charging of service charges at the rate of five *per cent* in cases of recoveries effected from the defaulters on behalf of the corporations, boards and banks which are bifurcated into:
  - (i) The requisitioning authority will deposit with the recovery officer in advance the non-refundable service charges at the rate of two *per cent* of the total amount of recovery mentioned in the revenue recovery certificate (RRCs).
  - (ii) The service charges at the rate of three percent shall also be recovered from the total recoveries affected under the land revenue Act.

We found (December 2009) that

(a) Revenue Recovery certificates (RRCs) involving dues of ₹ 1.31 crore were accepted by the District Revenue Officer (DRO) without getting the advance payment of service charges of ₹ 2.62 lakh from the corporations, boards and banks in contravention of the Government instructions.

(b) We saw that though arrears of land revenue of ₹ 1.14 crore was recovered by the DRO (between October 2007 to September 2009), service charges of ₹ 3.43 lakh at the rate of three *per cent* of the arrears recovered was neither deducted nor demanded from the corporations, boards and banks.

Thus, non-compliance of the Rules and Government instructions resulted in non-realisation of revenue of ₹ 6.05 lakh.

When we pointed out (December 2009), the DRO stated that matter regarding recovery of service charges was in progress. The reply of the DRO is not accepted as RRCs were required to be accepted with advance payment of service charges.

We reported the matter to the Department and Government (April 2011); the reply is awaited (December 2011).

### B-I: Industries and Commerce Department

### B-II: Department of Agriculture

#### 6.5 Non-recovery of guarantee fee

In consonance with the powers conferred by Article 293 of the Constitution of India, the State Government gives guarantees on the Consolidated Fund of the State to various financial institutions/banks lending money to the Public Sector undertakings so as to assure them repayment of the loans, in the event of default by the borrowers. Such guarantees constitute contingent liabilities of the State. The Government had laid down terms and conditions governing the sanctions for guarantees according to which the borrowers must ensure that the prescribed guarantee fee are paid.

We observed (February 2011) that the State Government had issued three notifications between March and October 2009 permitting Punjab Rural Development Board (PRDB), Punjab State Industrial Development Corporation Ltd. (PSIDC) and Punjab Financial Corporation (PFC) to raise loans of ₹ 617 crore from banks and stood as guarantor assuring the banks repayment of loans in the event of default by the

borrowers. The terms and conditions of the notifications provided for deposit of guarantee fee by the borrowers at the rate of two *per cent* of the guaranteed loan at the time of availing the guarantee. But guarantee fee of ₹ 12.34 crore was neither deposited by PRDB, PSIDC and PFC in the Government account nor demanded by the Administrative Department as detailed below:

(₹ in crore)

Sr. No.	Name of institution	Purpose of the loan	Year of guarantee	Amount of loan guaranteed	Guarantee fee not paid
1.	Punjab Rural Development Board	i) Construction/ Repair of Link Roads ii) Comprehensive Rural Development	2009-10	500	10.00
2.	Punjab State Industrial Development Corporation Ltd.	Private Placement of Bonds for raising funds for meeting financial commitments	2009-10	100	2.00
3.	Punjab Financial Corporation	Repayment of principal and interest Bonds under section 7 of SFC Act, 1951	2009-10	17	0.34
<b>Total</b>				<b>617</b>	<b>12.34</b>

Similar and persistent audit observations in respect of PFC, PRDB and PMB had been pointed out in paragraph 7.4 and 4.5 of the Report of the Comptroller and Auditor General of India for the years ended 31 March 2009 and 31 March 2010 respectively.

When we pointed out (February 2011), the borrowers-PSIDC stated (May 2011) that as per decision taken in the meeting held under the chairmanship of Chief Secretary to the Government of Punjab, the Corporation was liable to pay the guarantee fee outstanding as on March 2011 and it would be paid out of the proceeds of the privately placed bonds to be floated in due course. Whereas it was stated (May 2011) by PFC that as per decision taken in the meeting held (January 2011) under the chairmanship of Chief Secretary Punjab Government, the guarantee fee was payable by the Corporation and would be paid as and when the financial position of the Corporation improved. The reply of Punjab Rural Development Board is still awaited.

We reported the matter to the departments and the Government in March, 2011; their replies are awaited (December 2011).

## **6.6 Mining Receipts**

We noticed the following observations during test check of the records in the offices of the Director of Industries and Commerce and the Mining officers at districts level on the extraction of minor minerals.

### **6.6.1 Non-realisation of royalty**

#### **District Mining Officers, Hoshiarpur and Tarn Taran**

The Department of Industries and Commerce vide their Notification in January 2002 revised the annual rate of royalty for the manufacture of bricks in brick kilns. The rates were further revised vide Notification issued in April, 2008.

The Punjab Minor Mineral Concession Rules 1964 as amended provide for cancellation of quarry permits in case of breach of any condition of it.

We found (December 2010) that there was a recoverable royalty of ₹ 1.12 crore from 128 Brick Kiln Owners (BKO) as on March 2008, which accumulated to ₹ 1.56 crore as on March 2010 due to annual increase in royalty at the yearly rate of ₹ 0.22 crore. Against this, the Department recovered an amount of ₹ 18.30 lakh (₹ 14.60 lakh upto March 2008, ₹ 0.75 lakh during 2008-09 and ₹ 2.90 lakh during 2009-10) by March 2010. Thus, the recovery was very low and it ranged range between 0.63 to 13.04 *per cent*. In 128 cases, royalty was neither paid fully by the BKOs nor

was demanded by the District Mining Officers (DMOs). No action was taken either to cancel the permits of defaulters or to recover the royalty as arrears of land revenue, resulting in non-realisation of revenue of ₹ 1.38 crore.

When we pointed out (December 2010), the DMO, Tarn Taran accepted that recovery could not be made due to shortage of field staff. He further stated that the process of recovery had been started and would be completed shortly.

The DMO, Hoshiarpur stated that recovery would be made after initiating correspondence with the BKO's.

We reported the matter to the Department and the Government (January 2011); their replies are awaited (December 2011).

**Chandigarh :**  
**The**

**(MOHINDER SINGH)**  
**Principal Accountant General (Audit), Punjab**

**Countersigned**

**New Delhi :**  
**The**

**(VINOD RAI)**  
**Comptroller and Auditor General of India**