

CHAPTER VII: OTHER NON-TAX RECEIPTS

EXECUTIVE SUMMARY

What we have highlighted in this Chapter	In this Chapter we present illustrative cases of ₹ 15.65 lakh from observations noticed during our test check of records in the Mineral Resources Department, we found instances of short realisation of royalty, application of incorrect rate of royalty and non-realisation of dead rent and interest from the lessees.
Trend of revenue receipts	Though the actual receipts declined by 1.46 <i>per cent</i> in 2009-10, the same increased by 4.87 <i>per cent</i> , 14.90 <i>per cent</i> , 1.66 <i>per cent</i> , and 1.07 <i>per cent</i> in 2008-09, 2010-11, 2011-12 and 2012-13 respectively.
Target not achieved by the Internal Audit Wing	During the year 2012-13, 13 units were planned for audit by the Department of which only 10 units were audited.
Impact of Audit	<p>We conducted test check of the records of four units relating to the Mineral Resources Department during the year 2012-13 and found cases of underassessment of royalty and interest, short levy/realisation of stamp duty and registration fees, non/short levy of dead rent and interest and other irregularities amounting to ₹ 8.39 crore in 204 cases.</p> <p>The Department accepted underassessment of ₹ 6.75 crore in 133 cases. The Department had also recovered ₹ 7.48 lakh in two cases.</p>
Our conclusion	<p>The Department needs to improve the internal control system including strengthening of internal audit so that weaknesses in the system are addressed and omissions of the nature detected by us are avoided in future.</p> <p>It also needs to initiate immediate action to recover non-realisation, short levy of royalty, etc. pointed out by us, more so in those cases where it has accepted our contention.</p>

SECTION - A: NON-FERROUS MINING AND METALLURGICAL INDUSTRIES

7.1 Tax administration

Chhattisgarh is one of the largest mineral¹ producing States in the country. The State is endowed with rich deposits of minerals such as iron ore, coal, diamond, limestone, bauxite, gold, dolomite, tin ore, fireclay etc. Royalty and rent are the major sources of revenue from mineral wealth. The exploration, development and exploitation of minerals is programmed by the Directorate of Geology and Mining (DGM), so that existing mineral based industries continue to receive raw materials according to their production capacity. Minerals are extracted by public, private sector, Government Undertakings and other lessees. Administration of Mining activities mainly include processing of applications fee, tax assessment, realisation of revenue, prevention of illegal mining and other activities leading to leakage of revenue.

Mining Receipts are collected under the provisions of the following Acts, Rules and Circulars issued thereunder:

- Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act);
- Mineral Concession Rules, 1960 (MC Rules);
- Mineral Conservation and Development Rules, 1988 (MCD Rules);
- Chhattisgarh Minor Mineral Rules, 1996 (CGMM Rules); and
- Orders, circulars and instructions issued from time to time.

At the Government level, the Secretary, Mineral Resources Department and at the Department level the Commissioner-cum-Director Geology and Mining (DGM) are responsible for administration and implementation of the related Acts and Rules in the Mineral Resources Department. He is assisted by one Deputy Director Mining Administration (DDMA), eight District Mining Officers (DMO) and 16 Assistant Mining Officer (AMO). Apart from DDMA, DMO/AMO, 25 Mining Inspectors (MI) which function under the control of the Collector in the districts, are responsible for assessment and collection of revenue, besides prevention of illegal excavation and dispatch of minerals and other activities leading to leakage of revenue from areas under their control. There is a flying squad which works under the control of DGM.

7.2 Trend of revenue receipts from Non-ferrous Mining and Metallurgical Industries

Actual receipts from Non-ferrous Mining and Metallurgical Industries during the years 2008-09 to 2012-13 along with the total non-tax receipts is exhibited in the following table:

¹ Minerals can be divided into two categories-Major minerals which are further classified as hydrocarbons or energy minerals (such as coal, lignite etc.), atomic minerals, metallic and non-metallic minerals, and minor minerals which include building stone, flagstone, ordinary clay, ordinary sand and any other mineral notified by the Central Government.

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total non-tax receipts of the State	Percentage of the actual receipts vis-à-vis total non-tax receipts
2008-09	1185.50	1243.24	(+) 57.74	(+) 4.87	2202.21	56.45
2009-10	1685.40	1660.87	(-) 24.53	(-) 1.46	3043.00	54.58
2010-11	2150.00	2470.44	(+) 320.44	(+)14.90	3835.32	64.41
2011-12	2700.00	2744.82	(+) 44.82	(+)1.66	4058.48	67.63
2012-13	3105.00	3138.18	(+) 33.18	(+)1.07	4615.95	67.99

(Source: Finance Accounts of Government of Chhattisgarh)

The above table indicates that receipt from Non-ferrous Mining and Metallurgical Industries to the total non-tax revenue of the State during the last five years ranged between 54.58 and 67.99 per cent. It may be seen from the above table that though there was decrease of 1.46 per cent of the actual receipts over the budget estimate during the year 2009-10, the same exceeded by 4.87 per cent, 14.90 per cent and 1.66 per cent in the years 2008-09, 2010-11 and 2011-12 respectively. During 2012-13, the Finance Department had approved the budget estimate of ₹ 3,105 crore as proposed by the Department. The actual receipts of the Department were ₹ 3138.18 crore during the year, which was an increase of 1.07 per cent over the budget estimates.

The reason for variation of receipts of royalty from previous year (2011-12) was attributed (May 2013) by the Department to increase in the rate of royalty of coal from May 2012.

7.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2013 amounted to ₹ 1.45 crore of which ₹ 1.36 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2008-09 to 2012-13:

(₹ in crore)

Year	Opening balance of arrears	Addition during the Year		Recovery made during the year		Closing balance of arrears
		Current year	Previous year	Current year	Previous year	
2008-09	1.76	0.14	Nil	0.21	Nil	1.69
2009-10	1.69	0.64	Nil	0.23	Nil	2.10
2010-11	2.10	0.17	Nil	0.48	Nil	1.79
2011-12	1.79	0.02	Nil	0.17	Nil	1.64
2012-13	1.64	0.00	Nil	0.17	Nil	1.45

(Figures as furnished by the Mineral Resource Department)

Out of arrears of revenue of ₹ 1.45 crore, the Department was able to furnish the breakup of ₹ 1.34 crore as detailed in the following table:

(₹ in lakh)

Sl.No.	Type of arrear	Arrear amount
1	Matter stayed or pending with court or Government	26.89
2	Default by the liquidated companies	1.31
3	Whereabouts of defaulters not known	23.43
4	RRC sent to the defaulter within the State	12.08
5	Recovery in progress	70.45
	Total	134.16

The Department did not furnish the details for the balance of ₹ 11 lakh.

The Government needs to take appropriate measures to recover the arrears expeditiously and prepare a time frame for its early recovery.

7.4 Internal Audit

Internal audit enables the organisation to assure itself of the degree of compliance with prescribed system. We observed that against sanctioned posts of one Joint Director and three Auditors, only one Auditor was posted during the year 2012-13 in IAW. During the year 2012-13, 13 units were planned for audit by the Department of which 10 units were audited and inspection reports were also issued for the same.

Further, the Internal Audit had raised regular observations such as irregular payment to labour, non adjustment of temporary advances, non maintenance of registers, improper maintenance of cash books, arrear of revenue etc. No major observation such as non-levy, short-levy of royalty, etc. was raised.

We recommend that the Department may deploy additional manpower to ensure that internal audit is conducted regularly.

7.5 Impact of Audit

7.5.1 Status of compliance to Audit Reports (2007-08 to 2011-12): During the period 2007-08 to 2011-12, through our Audit Reports we had pointed out cases of non/short levy and realisation of royalty, dead rent, interest, underassessment of stamp duty and registration fees with revenue implications of ₹ 301.08 crore. The Department accepted observations of ₹ 124.68 crore of which an amount of ₹ 76.90 crore had been recovered till March 2013 as shown in the following table.

(₹ in crore)

Sl. No	Year of the Audit Report	Total money value objected	Amount accepted	Recovery made up to March 2013
1.	2007-08	4.56	4.36	1.08
2.	2008-09	0.47	0.47	0.29
3.	2009-10	1.51	1.51	1.49
4.	2010-11	294.54	118.34	74.04
5.	2011-12	Nil	Nil	Nil
	Total	301.08	124.68	76.90

The foregoing table indicates that 62 per cent recovery was made by the Department against the accepted cases pointed out in Audit Reports of upto 2011-12.

7.5.2 Status of compliance to outstanding Inspection Reports (2007-08 to 2011-12):

During the period 2007-08 to 2011-12, we had pointed out through our Inspection Reports, non/short levy of royalty, dead rent, non/short realisation of royalty, dead rent, loss of revenue due to non-levy of interest, penalty etc. with revenue implication of ₹ 492.39 crore in 4841 cases. Of these, the Department/Government had accepted audit observations in 1,690 cases involving ₹ 120.90 crore and recovered ₹ 27.75 crore in 125 cases. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount Recovered upto March 2013	
		No. of Cases	Amount	No. of Cases	Amount	No. of cases	Amount
2007-08	13	640	68.09	470	56.62	7	0.47
2008-09	12	764	20.09	473	1.45	5	0.18
2009-10	7	396	4.64	335	4.83	46	4.83
2010-11	9	302	23.71	149	6.14	61	0.06
2011-12	12	2739	375.86	263	51.86	6	22.21
Total	53	4841	492.39	1690	120.90	125	27.75

The above table indicates that recovery in accepted cases was 23 per cent.

It is recommended that the Government may make efforts to recover the amount involved in the accepted cases at the earliest.

7.5.3 Status of compliance to Inspection Reports (2012-13):

We conducted test check of records of four units² out of 16 units relating to Mineral Resources Department involved total revenue of ₹ 1,033.44 crore during the year 2012-13 and found cases of underassessment of royalty and interest, short levy/realisation of stamp duty and registration fees, non/short levy of dead rent and interest and other irregularities etc. from mining lease holders amounting to ₹ 8.39 crore in 204 cases which fall under the below categories:

(₹ in lakh)

Sl. No.	Categories	No. of cases	Amount
1.	Underassessment of royalty and interest	29	776.05
2.	Short levy/realisation of stamp duty and registration fees	1	0.06
3.	Non/short levy of dead rent and interest	39	16.49
4.	Other irregularities	135	46.00
Total		204	838.60

² Ambikapur, Jashpur, Kanker and Korba

During the year 2012-13, the Department accepted underassessment of ₹ 6.75 crore in 133 cases and recovered ₹ 7.48 lakh in two cases.

A few illustrative cases involving financial effect of ₹ 15.65 lakh are mentioned in the following paragraphs.

7.6 Audit observations

We scrutinised records of royalty assessment cases in Mineral Resources Department and found several cases of short realisation of royalty, non levy of dead rent and interest etc. as mentioned in the succeeding paragraphs in this chapter. These cases are only illustrative and are based on a test check carried out by us. Such omissions on the part of DDMA/DMO are pointed out in audit each year, but not only do the irregularities persist but these also remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening the internal audit to ensure that such omissions are detected and rectified.

7.7 Short realisation of royalty

According to Rule 9(1) of the Mines and Minerals (Development and Regulation) Act, the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him from the leased area at the rate specified in the Schedule. Further, as per notification dated 1 August 2007 of the Ministry of Coal, the rates of royalty shall be a combination of specific and *ad valorem* rates. As per price notification of Coal India Limited dated 26 February 2011, the minimum royalty payable on ROM 'B' grade coal produced in Raniatari mine is ₹ 329.50 per MT and on Steam B grade coal for Banki mine is ₹ 318.5 per MT from April 2011 to December 2011 and ₹ 298.50 Per MT in January 2012. As per order of DGM (April 2006), assessment of royalty is to be done in every six month.

We found during test check of the monthly returns submitted by South Eastern Coalfield Limited (SECL) to the Dy. Director, Mining Administration (DDMA), Korba (October 2012) that lessee³ had dispatched 68274.96 MT steam 'B' grade coal⁴ between April 2011 and January 2012 from Korba Coalfields⁵ and 12400.12 MT ROM 'B' grade coal between February 2011 and May 2011 from Korea Rewa Coalfields⁶. As per the price notification, royalty amounting to ₹ 2.16 crore and ₹ 40.86 lakh was

leviable from the lessee for Korba and Korea Rewa coalfields respectively. As against this, the SECL paid royalty of ₹ 2.11 crore and ₹ 32.77 lakh for these coalfields respectively. This resulted in short levy of royalty amounting to ₹ 13.06 lakh (as shown in the *Appendix 7.1*). Had the DDMA assessed the

³ M/s South Eastern Coalfields Ltd.(SECL)

⁴ Useful heat value exceeding 5600 kilocalories per kilogram but not exceeding 6200 kilocalories per kilogram

⁵ Banki colliery

⁶ Raniatari colliery

royalty paid by the lessee half-yearly, the short payment of royalty could have been avoided.

After we pointed this out (October 2012), the Government stated (September 2013) that in case of Korea-Rewa coalfields, the demand for ₹ 8.09 lakh has been raised. In case of Banki colliery, it was stated that on some occasions, short payment of royalty was noticed and therefore demand notice of ₹ 7.34 lakh has been raised.

7.8 Non-realisation of dead rent and interest

According to Rule 30(1)(a) and (d) of the Chhattisgarh Minor Mineral Rules, the lessee shall pay, for every year except for the first year of the lease, yearly dead rent at the rates specified in Schedule IV in advance for the whole year, on or before the 20th day of the first month of the year. If the lessee fails to pay the dead rent due in time, he shall be liable to pay interest at the rate of 24 *per cent* per annum for the period of default.

We found (October 2012) during test check of the *Khataoni* and lease case file of the District Mining Officer (DMO), Jashpur that six lessees did not pay dead rent aggregating to ₹ 1.56 lakh between the period January 2007 and December 2012. The DMO had neither raised any demand to collect the

rent of ₹ 1.56 lakh nor levied interest of ₹ 1.03 lakh thereon. Failure on the part of DMO to monitor the non working of mines and to recover dead rent resulted in non-realisation of revenue of ₹ 2.59 lakh (as shown in the *Appendix 7.2*).

After we pointed this out (October 2012), the Government stated (September 2013) that ₹ 1.48 lakh has been recovered and the recovery of remaining amount is in process.

EXECUTIVE SUMMARY

What we have highlighted in this Chapter In this Chapter, we present illustrative case of non recovery of cost of forest produce amounting to ₹ 1.18 lakh detected during our audit of forest receipts.

Impact of Audit We conducted test check of the records of 11 units relating to Forest Department during the year 2012-13 and found cases of non/short realisation of revenue due to non-exploitation of bamboo/timber, shortage of forest produce, loss of revenue due to low yield of timber etc., amounting to ₹ 16.48 crore in 142 cases. During the year 2012-13, the Department accepted the loss of revenue of ₹ 50.11 lakh in four cases but no amount was recovered.

Our conclusion The Department needs to improve their internal control systems including strengthening internal audit to avoid recurrence of such omissions.

SECTION - B: FORESTRY AND WILD LIFE (RECEIPTS)

7.9 Tax administration

The Forest Department generates revenue mainly through sale of timber, bamboo and minor forest produce which are the major sources of revenue for the Government. The forest produce is disposed through auction, invitation of tenders etc. .

The Forest Department functions under the Principal Secretary (Forests). The Principal Chief Conservator of Forests (PCCF), Chhattisgarh at Raipur is responsible for overall administration of the Department. The PCCF is assisted by Additional PCCFs (APCCF) and Chief Conservators of Forests (CCF) at Headquarters.

The forest area in the State is supervised by six Conservators of Forests (CF) stationed at Raipur, Bilaspur, Surguja, Jagdalpur, Kanker and Durg. The forest area of the State is divided into 32 divisions. The administration of forest divisions, sale of forest produce, realisation of revenue as well as expenditure on protection, conservation, exploitation of timber and sustained growth of the forest is the responsibility of Divisional Forest Officer (DFO). The DFO is assisted by Sub Divisional Forest Officers (SDO). Besides protection of forest, the Range Officers (RO) are responsible for carrying out the work of plantation, marking and felling of trees, transportation of timber and fuel wood from coupes⁷ to depots, etc. Six Working Plan (WP) circles work under the CCF, Working Plan, Raipur. These circles and 32 divisions are responsible for timely preparation of the WPs. The Department follows the under mentioned Acts, Rules and orders:

- The Indian Forest (IF) Act, 1927 and rules made thereunder;
- The Forest Conservation (FC) Act, 1980 and rules made thereunder;
- Chhattisgarh *Van upaj (Vyapar Viniyaman) Adhiniyam*, 1960 and rules made thereunder;
- Forest Financial Rules;
- National Working Plan Code (NWPC) 2004;
- Forest Manual; and
- Instructions/Orders issued by the Government/Department from time to time regarding assessment and collection of revenue.

7.10 Trend of revenue receipts from Forestry and Wild life

Actual receipts from Forestry and Wild life during the years 2008-09 to 2012-13 along with the non-tax revenue of the State was as shown in the following table:

⁷ The Working Plan divides the forest area into various Working Circles (WC), WC into compartments and compartments into coupes.

(₹ in crore)

Year	Revised Estimates (REs)	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total non-tax receipts of the State	Percentage of actual receipts vis-à-vis total non-tax receipts
2008-09	280.00	322.29	42.29	15.10	2202.21	14.63
2009-10	365.00	345.85	(-) 19.15	(-) 5.25	3043.00	11.36
2010-11	400.00	305.17	(-) 94.83	(-) 23.71	3835.32	7.95
2011-12	400.00	341.64	(-) 58.36	(-) 14.59	4058.48	8.42
2012-13	405.00	363.96	(-) 51.18	(-) 12.64	4588.87	7.93

(Source: Finance Accounts of the Government of Chhattisgarh)

The above table indicates that barring 2008-09, the actual receipts were less than the budget estimates and the percentage of shortfall for these years was between five and 24. The Department attributed region specific circumstances for non-achievement of revenue target for the year 2012-13 (August 2013). Similarly, the share of Forest receipts in non-tax receipts of the State, which was 14.63 per cent in 2008-09 shown gradual decrease in subsequent years, except slight improvement in 2011-12.

7.11 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2013 amounted to ₹ 8.96 crore. The table below depicts the position of arrears of revenue during the period 2008-09 to 2012-13:

(₹ in crore)

Year	Opening balance of arrears	Closing balance of arrears
2008-09	0.30	0.45
2009-10	0.45	2.39
2010-11	2.39	2.45
2011-12	2.45	1.62
2012-13	1.62	8.96

(Source: Information furnished by the Department)

It may be seen from the above table that there was a steep rise in arrears for the year 2012-13. Out of these, ₹ 7.67 crore pertains to the period prior to the formation of state, which was intimated by the Department in current year.

7.12 Internal Audit

Internal Audit is a vital component of the internal control mechanism and enables an organisation to assure itself that the prescribed systems are functioning reasonably well.

The Internal Audit Wing (IAW) of the Department audited 12 units in 2012-13. Of the 12 units audited in 2012-13, inspection reports comprising 26 paras involving amount of ₹ 21.98 lakh were issued to these units.

7.13 Impact of Audit

7.13.1 Status of compliance to Audit Reports (2009-10 to 2011-12):

In the Audit Reports 2009-10 to 2011-12, we had pointed out cases of non/short realisation of revenue, shortages of forest produce etc. involving ₹ 102.81 crore. Of these, the Department/ Government had accepted observations involving ₹ 10.73 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Total Money Value	Amount Accepted	Amount Recovered	
			No. of paras	Amount
2009-10	87.19	9.02	3	0.05
2010-11	14.90	1.64	1	0.01
2011-12	0.72	0.07	-	-
Total	102.81	10.73	4	0.06

It may be seen from the above table that the amount accepted by the Department ranged from nine to 11 *per cent* of the total money value, out of which the amount recovered was negligible in comparison to the accepted amount. Thus, the Department should have atleast shown promptness in collection of accepted amount, so that the arrears of past years could have been cleared.

7.13.2 Status of compliance to outstanding Inspection Reports (2007-08 to 2011-12):

During the period 2007-08 to 2011-12, through our Inspection Reports, we had pointed out non/short realisation of revenue due to non-exploitation of bamboo/timber, low yield of timber/bamboo, shortage of forest produce, loss of revenue etc. with revenue implication of ₹ 163.93 crore in 1,979 cases. Of these, the Department/Government had accepted audit observations in 1,342 cases involving ₹ 31.89 crore. The details are shown in the following table:

(₹ in crore)

Year of IR	No. of units audited	Amount objected		Amount accepted		Amount Recovered	
		Cases	Amount	Cases	Amount	Cases	Amount
2007-08	01	5	5.17	5	5.17	Nil	Nil
2008-09	11	285	19.60	256	9.79	1	0.13
2009-10	11	1002	95.29	998	15.58	1	9.00
2010-11	9	352	20.49	69	1.17	Nil	Nil
2011-12	12	335	23.38	14	0.18	Nil	Nil
Total		1979	163.93	1342	31.89	2	9.13

It may be seen from the above table that recovery in respect of the accepted cases is 29 *per cent* only. The Department should take appropriate measures to expedite the recovery in accepted cases.

7.13.3 Status of compliance to Inspection Reports (2012-13):

We conducted test check of the records of 11 units relating to Forest Department during the year 2012-13 and found short realisation of revenue due to sale below upset price, non/short realisation of revenue due to deterioration/ shortage of forest produce, low yield of timber etc. amounting to ₹ 16.48 crore in 142 cases which can be categorised as under:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1	Short realisation due to sale below the upset price	24	0.57
2	Non-realisation due to deterioration/shortage of forest produce	30	0.41
3	Loss of revenue due to low yield of timber	32	1.32
4	Other irregularities	56	14.18
Total		142	16.48

During the year 2012-13, the Department accepted the loss of revenue of ₹ 50.11 lakh in four cases but no amount was recovered.

An illustrative case of non-recovery of cost of bamboos and poles amounting ₹ 1.18 lakh is mentioned in the succeeding paragraph.

7.14 Audit observations

We scrutinised the records of 11 Divisional Forest Offices (DFOs) and found one case of non-observance of the provisions of the Acts/Rules/ Government notifications/ instructions leading to non recovery of cost of bamboos and poles as mentioned in the succeeding paragraph in this chapter.

7.15 Non recovery of cost of bamboos and poles

The Government had ordered (July 2002) that the cost of Bamboo, Poles etc. used in barricades for security purposes of Very Important Persons (VIP) in public functions in each district shall be paid by the State Public Works Department (PWD).

During the test check (December 2012) of physical verification reports at the end of June 2009, 2010 and 2011 of the Divisional Forest Officer (DFO) Bastar, we found that 69,428 bamboo and 15,807 poles valuing ₹ 18.16 lakh were supplied to other Government departments, local bodies, NMDC etc., for different purposes such as public functions of VIPs, fairs, religious functions, flood

relief work etc. from Parpa Nistar⁸ Depot. Out of this, 41,928 bamboos and 10,084 poles were supplied for public programmes of VIPs. The DFO informed that 64,151 bamboos and 15,026 poles have been returned back by the concerned agencies. Thus there was short recovery of 5,277 bamboos and 781 poles valuing ₹1.18 lakh.

After this was pointed, the Government stated (August 2013) that correspondences have been made in this regard and in case the produce is not returned the cost of produce amounting ₹1.18 lakh would be recovered from the concerned agencies.

⁸ Nistar implies supply of bamboos, poles and fuel stacks at subsidised rates to the needy villagers residing within five kilometres of forests.