

## CHAPTER VII EXECUTIVE SUMMARY

### Results of audit

We reported short levy, excess grant of refund, loss of revenue etc., amounting to ₹ 45.90 crore in eight cases, on the basis of test check of the records relating to non-tax receipts conducted during the year 2012-13.

During the year 2012-13 as well as during earlier years, the concerned Departments accepted under-assessments, short levy, etc., of ₹ 5.81 crore but no recoveries were effected in these cases.

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### What we have highlighted in this Chapter

A paragraph on “**Collection of royalty for minor minerals**” revealed the following:

Interest of ₹ 28.10 crore payable on delayed payment of royalty of ₹ 491.17 crore was not levied.

**(Paragraph 7.2.7)**

A paragraph on “**Recovery of cost of police protection provided**” revealed the following:

The procedure for preparation and compilation of Statement of Expenditure of the police deployment provided to other states was not followed and no initiatives for realisation of ₹ 38.32 crore were taken by the Department.

**(Paragraph 7.3.3.1)**

Amounts aggregating ₹ 344.32 crore were outstanding against the Railways of which demands aggregating ₹ 193.90 crore related to the period prior to 2008-09.

**(Paragraph 7.3.3.2)**

Cost of police deployed for Indian Premier League cricket matches amounting to ₹ 4.39 crore of two cricket associations was pending recovery for the last two to three years, further not computing the recovery on the basis of working hours for which police was deployed resulted in short realisation of ₹ 3.69 crore in respect of two offices.

**(Paragraph 7.3.3.3)**

Failure to recover cost of police in advance from individuals and Municipal Corporations and absence of a provision to recover cost of police in advance from the banks resulted in

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non-realisation of ₹ 70.87 crore.

**(Paragraph 7.3.3.4, 7.3.3.5 and 7.3.3.6)**

In three offices non-determination of differential amount recoverable due to adoption of 6<sup>th</sup> Pay Commission by the State Government resulted in non-realisation of ₹ 6.93 crore.

**(Paragraph 7.3.4)**

Deficiencies in management of cash with respect to non/delayed credit of demand drafts into the treasury, non/delayed entry of receipts into the cash book, non-maintenance of cash book, challan register and receipt books were noticed in eight offices.

**(Paragraph 7.3.7)**

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## CHAPTER VII: NON-TAX RECEIPTS

### 7.1 Results of audit

We reported short levy, grant of excess refund, loss of revenue etc., amounting to ₹ 45.90 crore in eight cases as mentioned below, on the basis of test check of the records relating to non-tax receipts conducted during the year 2012-13:

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1	Audit of "Collection of royalty for minor minerals"	1	29.15
2	Audit of "Recovery of cost of police protection provided"	1	10.95
3	Loss of forest revenue	2	2.11
4	Loss of revenue on sale of <i>tendu</i> leaves	1	1.33
5	Losses in revenue due to deterioration in transit/in sale/in resale/due to non-extraction/non-lifting of material other than bamboo	3	2.36
<b>Total</b>		<b>8</b>	<b>45.90</b>

In response to the observations made in the local audits during the year 2012-13 the concerned Departments accepted the underassessments of ₹ 5.81 crore in six cases but no recoveries were effected in these cases.

A paragraph on "Collection of royalty for minor minerals" with a total financial effect of ₹ 29.15 crore and a paragraph on "Recovery of cost of police protection provided" with a total financial effect of ₹ 10.95 crore are included in the succeeding paragraphs.

## 7.2 Paragraph on “Collection of royalty for minor minerals”

### 7.2.1 Introduction

The holder of a mining lease is required to pay royalty<sup>1</sup> in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the specified rate in respect of that mineral. The rates of royalty for minerals like limestone, coal, bauxite, etc. listed in the second schedule to the Mines and Minerals (Development and Regulation) Act, 1957 are prescribed by the Central Government. In case of minor minerals<sup>2</sup> the rates of royalty are prescribed by the State Government. Minor minerals include ordinary clay when used for manufacture of tiles, ordinary earth used for filling or leveling purposes, slate and shell used for building material, ordinary sand other than sand used for prescribed purpose<sup>3</sup>, stone, *murum* etc. Collection of royalty lies with the State Government in case of major and minor minerals.

### 7.2.2 Audit objective

The audit was conducted to ensure that the collection of royalty, interest on delayed payment of royalty and penalty on minor minerals were done as per relevant Acts and Rules.

### 7.2.3 Audit coverage

Out of 34 districts in Maharashtra 11 districts were selected by adopting stratified random sampling. In the first stratum, four<sup>4</sup> districts having receipts of more than ₹ 400 crore were considered as high risk and hence 100 *per cent* selected. In the second stratum, districts with revenue between ₹ 100 crore and ₹ 400 crore were considered and four<sup>5</sup> districts were selected. In the third stratum, districts having revenue up to ₹ 100 crore were considered and three<sup>6</sup> districts were selected. The audit covered offices of the Secretaries of Industries, Energy and Labour Department (IE&LD) and Revenue and Forests Department (R&FD), Director of Geology and Mining, Nagpur (DGM) and District Mining Officer (DMO), Sub Divisional Officer (SDO) and Tahsil at the district level of the sampled districts for period from 2008-09 to 2012-13. The audit was conducted between January and June 2013.

An entry conference was held on 5 April 2013 with the Principal Secretary, IE&LD and other departmental officers. In spite of reasonable efforts, entry conference with the Secretary, R&FD could not be held. Exit conference was held on 10 October 2013 with the Principal Secretary (PS), IE&LD and

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<sup>1</sup> The charge payable to the Government in respect of the ore or mineral excavated, removed or utilised from any land.

<sup>2</sup> Minor mineral means building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purpose and any other mineral which the Central Government may by notification in the Official Gazette, declare to be minor mineral.

<sup>3</sup> Purposes of refractory and manufacture of ceramics, metallurgical purposes, stowing in local mines, manufacture of siliverete cement, sodium silicate or pottery and glass.

<sup>4</sup> Chandrapur, Nagpur, Thane and Yavatmal.

<sup>5</sup> Bhandara, Kolhapur, Nashik and Raigad.

<sup>6</sup> Dhule, Gondia and Parbhani.

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Additional Chief Secretary (ACS), R&FD. The replies of Government are included at appropriate places.

### Audit findings

#### 7.2.4 Short levy of royalty

In terms of notification issued (December 2006) by R&FD, the rate of royalty for ordinary earth extracted and removed was ₹ 100 per brass which was revised to ₹ 200 per brass from 11 February 2010.

In Tahsil Parbhani, audit noticed (June 2013) that Executive Engineer (EE), Mazalgaon Canal Division No 10, Parbhani intimated Tahsildar, Parbhani regarding payment of royalty made during April 2010 to July 2010 for extraction and filling earth work. Further scrutiny revealed that EE paid royalty at old rate. As such royalty of ₹ 62 lakh was short paid. Further in

two cases at DMO, Raigad temporary permits were issued (February 2010) and royalty at the old rate was paid on 1,000 brass<sup>7</sup> of minor mineral resulting in short payment of royalty of ₹ one lakh.

ACS, R&FD accepted the fact and stated (October 2013) that recovery would be made. Further progress is awaited (January 2014).

#### 7.2.5 Lack of co-ordination between departments

As per Rule 18 of Bombay Minor Mineral Extraction (BMME) Rules, 1955, every quarrying lessee shall pay royalty on minor minerals dispatched from the leased area at the rates specified in the rules. Royalty was recoverable on minor minerals at the rate of ₹ 100 per brass revised to ₹ 200 from 11 February 2010.

As per information furnished by the mechanical wing of Water Resources Department (WRD), GoM, earth work for various projects under irrigation divisions of five<sup>8</sup> Irrigation Development Corporations (IDCs) was carried out during 2007-12 and royalty of ₹ 127.14 crore was payable. Debit notes raised by

mechanical wing to civil division of the IDCs did not indicate the payment of royalty on project earth work executed.

After this was pointed out, ACS, R&FD stated (October 2013) that reply would be furnished after discussion with Water Resources Department. Final reply is awaited (January 2014).

<sup>7</sup> Unit of measurement. 1brass=4.528 Metric Tonnes

<sup>8</sup> Vidarbha IDC, Tapi IDC, Godawari Marathwada IDC, Konkan IDC and Maharashtra Krishna Valley Development Corporation

## 7.2.6 Incorrect levy of royalty due to misclassification

Scrutiny (June 2013) of records of DMO, Chandrapur revealed that Western Coalfields Ltd. (WCL)

As per notification of 11 April 1997 issued by the Department of Coal, rates of royalty in respect of sand for stowing were fixed at ₹ 3 per metric ton (MT). In terms of R&FD notification of 15 December 2006, the rate of royalty for earth, *murum*, boulder and sand other than used for stowing for local mines was fixed at ₹ 100 per brass revised to ₹ 200 per brass from 11 February 2010.

was having opencast as well as underground coal mines and in opencast mines huge quantity of overburden<sup>9</sup> is being generated. This quantum of overburden was used for stowing purpose in underground coal mines by transporting it from

one site to another by obtaining temporary permit and also on payment of royalty of ₹ 3 per MT applicable for sand for stowing.

The overburden cannot be termed as sand and it is not classified in the second schedule of Mines and Minerals (Development and Regulation) Act, 1957. Royalty payment on quantum of overburden transported and used for stowing purpose is governed by Minor Mineral Extraction (Vidarbha Region) Rules, 1966 and ₹ 200 per brass is the rate of royalty applicable for earth/*murum*/boulder from 11 February 2010. However, the Collector, Chandrapur levied royalty at ₹ 13.92 per brass on overburden used for stowing purpose. This resulted in short levy of royalty of ₹ 1.11 crore as detailed below:

Sr. No.	Temp. permit sanction order	Transported from to	Quantity of overburden (in brass)	Royalty paid (₹)
1	No.1083 dt.11/12/2012	Durgapur opencast to Chanda Rayatwari (7067.138 brass)and to Mahakali Bunkar (37102 brass)	44,169.00	6,15,000
2	No.1071 dt.6/12/12	New Kunada Opencast Dump yard to New Majri Underground mine	1,766.00	24,600
3	No.801 dt. 14/9/11	Durgapur Opencast to Nandgaon Colliery	11,307.42	1,57,440
4	No.544 dt.2/7/2011	Durgapur Opencast to Mahakali Colliery	2,085.00	29,028
5	No.75 dt.28/3/2011	Durgapur Opencast to Chanda Rayatwari Colliery	1,060.00	1,47,600
<b>Total</b>			<b>60,387.42</b>	<b>9,73,668</b>
Royalty payable @ ₹ 200 per brass				1,20,77,484
<b>Royalty short levied</b>				<b>1,11,03,816</b>

ACS, R&FD stated (October 2013) that matter would be examined and reply would be given. Final reply is awaited (January 2014).

<sup>9</sup> Excavated material containing earth, *murum*, boulders, stones etc.

### 7.2.7 Interest on royalty

As per Mineral Regulations, royalty on major minerals is payable in advance for each quarter ending March, June, October and December of every year. The amount of advance payment of royalty for each quarter is decided by the DMO on the basis of performance of each mine in last three quarters and amount thus fixed for advance payment of royalty is later on adjusted on the quantity of mineral/ore produced in that quarter. Interest at 24 *per cent* per annum shall be charged for late payment of mineral dues in respect of major minerals.

No amount of advance payment of royalty for each quarter was fixed by the DMO, Chandrapur on the basis of performance of each mine in the last three quarters as required by the Government order of September 1990 read with the Mineral Regulations. Scrutiny (June 2013) of records of DMO, Chandrapur revealed that WCL, Chandrapur paid royalty of

₹ 491.17 crore with delay ranging between 55 and 120 days during 2008-13 (**Appendix XV**). As such interest of ₹ 28.10 crore was payable by WCL, Chandrapur for delayed payment of royalty. As such, royalty paid for a quarter was considered as amount outstanding for the quarter and interest worked out accordingly.

The PS, IE&LD accepted (October 2013) the facts with reference to Government order dated 01 September 1990. Further progress of recovery is awaited (January 2014).

### 7.2.8 Non-levy of penalty

As per Regulation of Minerals, Tahsildars are authorized to issue permits for extraction of minor minerals not exceeding 100 brass within their jurisdiction. As per Section 48(7) of Maharashtra Land Revenue Code, 1966, a person who without lawful authority extracts, removes or disposes of any mineral from mines, quarries, nallhas, river-beds shall be liable, on the order in writing of the Collector, to pay penalty not exceeding a sum determined, at three times the market value of the minerals so extracted, removed or disposed of.

Audit noticed (June 2013) in Tahsil, Parbhani that royalty on minor minerals was paid by challan directly to treasury without order of Collector for extraction of minerals. By adopting this procedure, ₹ 13.99 lakh was recovered in 128 cases during 2008-12. As there were no proper orders/permits issued for extraction of minerals, penalty of ₹ 41.97 lakh was leviable in all cases.

ACS, R&FD accepted the observation and stated (October 2013) that recovery would be made. Further progress is awaited (January 2014).

### 7.2.9 Refund of amount deposited for auction of sand ghats

The R&FD declared (October 2010) a policy for auctioning of sand ghats in the State. As per condition no.C (15) of the policy, proportionate refund of bid amount is allowed in case of cancellation of auction of sand ghat. Condition no. C (22) of the policy however, states that if for any reasons like the stated quantity of sand is not available, approach road is not available, water logging in the in sand ghat area, manmade or natural calamities occur, no time extension or alternative change of site will be entertained/permitted.

During scrutiny (May 2013) of records at DMO, Kolhapur, audit observed that:

(i) The R&FD granted (September 2012) refund of ₹ 22.94 lakh to a contractor in respect of sand ghat at *Mouze-Rajapur*, Tahsil-Shirol for the year 2010-11, subject to fulfilment of a condition that there was no possibility of transportation of sand. Tahsildar Shirol, however, reported

(December 2012) that there was no hurdle in transportation of sand from south side of gut no.144. The refund of ₹ 22.94 lakh granted to the contractor was thus irregular.

(ii) The R&FD granted (January 2013) refund of ₹ 11.75 lakh to a contractor in respect of sand ghat at *Mouze-Kothali*, Tahsil-Shirol for the year 2011-12. The refund was granted on request of contractor to provide alternative sand ghat due to intimation from Sectional Engineer, Wadgaon Irrigation Dn. regarding excessive release of water from Donali K.T.Weir.

As seen from the records, auction of 77 out of 151 sand ghats was carried out during 2011-12 leaving balance 74 sand ghats without auction. The contractor could have been provided with an alternative sand ghat. However, Government accorded approval to the refund. Thus, refund of ₹ 34.69 lakh was granted in contravention of condition of sand ghat policy.

ACS, R&FD stated (October 2013) that reply would be given. Further progress is awaited (January 2014).



### 7.3 Paragraph on “Recovery of cost of police protection provided”

#### 7.3.1 Introduction

Police receipts include payments received for police personnel provided for the purpose of protection to Individuals/ Local Bodies/Public Sector Undertakings/Banks/Railways within the State and to other Governments/ parties outside the state. Police personnel are deployed on the basis of request received subject to payment of cost wherever applicable.

As per paragraph 484(1) of the Maharashtra Police Manual (MPM) Volume III, the cost of deployment of police (COP) includes pay, dearness pay, special pay, house rent allowance and other admissible allowances including leave salary and pension contribution and supervision charges at prescribed rates applicable from time to time. The rate at which the COP is to be recovered is based on eight hour shifts for every such deployment. Same is required to be assessed by the Department and recovery effected.

As per Sections 47 and 48 of the Bombay Police Act, 1951 (BP Act) and paragraph 484 of the MPM Vol. III, the cost of police on account of protection provided to individuals/private organisations is to be recovered in advance. Further, as per the GRs issued between 1993 and 1998, the cost of the police protection to Municipal Corporations is also to be recovered in advance.

Police personnel are deployed to other States following requests from the Government of India/other State Governments to maintain law and order during elections, religious functions, riots, etc. On the basis of orders issued by the Director General of Police, Maharashtra State (DGP), police personnel from the State Reserve Police Force (SRPF) located in different places in Maharashtra are deployed to other States. As per the circular dated 19 May 2003 issued by the DGP, the Statements of Expenditure (SOE) for the COP deployment are to be prepared by the Commandants of SRPF within one month from the date of return of the SRPF personnel from outside the State. The SOEs so received are to be consolidated and forwarded to the State Accountants General for certification.

The assessment, collection and accounting of police receipts are governed by the BP Act, the MPM and instructions issued from time to time.

#### 7.3.2 Scope and methodology

With a view to verify the adequacy of the systems and procedures of the Police Department in respect of recovery of cost of police provided for protection, an audit on the topic was conducted between April 2013 and June 2013 for the periods from 2008-09 to 2012-13 in the offices of the DGP, Additional Director General of Police (ADGP), Railways, eight<sup>10</sup> out of 10 Commissioner of Police (CP) and eight<sup>11</sup> out of 35 Superintendent of Police (SP) in the State. The audit has revealed a number of system and compliance deficiencies which have been discussed in the following paragraphs.

<sup>10</sup> Amravati, Aurangabad, Mumbai, Nagpur, Nashik, Pune, Solapur and Thane.

<sup>11</sup> Amravati, Aurangabad, Nagpur, Nanded, Nashik, Pune, Solapur and Thane.

### 7.3.3.1 Non-recovery of cost of Police from other States

As per the information collected from the DGP office the outstanding amount of cost of police deployed to other states amounted to ₹ 38.32 crore out of which ₹ 22.12 crore relating to various periods between the years from 1968 to 2008 was outstanding for more than five years.

Out of this, demand for ₹ 14.52 crore was raised against the concerned states. The balance was stated to be pending for want of audit certificates. This was verified in the respective branch in the Audit office and it was found that Audit Certificates were not issued due to the incomplete information and want of documents from the Department. Further it was noticed that two set of figures, i.e. year-wise and state-wise figures furnished by the Department were at variance. While year-wise statement furnished showed outstanding amount of ₹ 22.11 crore, the state-wise statement showed outstanding amount of ₹ 21.74 crore. The two set of figures need reconciliation.

Further, an amount aggregating ₹ 16.20 crore was recoverable in respect of the SRPF personnel deployed to 12 states during various periods between 2008-09 and 2012-13 as given below:

(₹ in crore)		
Regional office	Period	Amount to be recovered
Special IGP (SRPF), Pune	2008-13	6.22
Special IGP (SRPF), Nagpur	2008-13	9.98
<b>Total</b>		<b>16.20</b>

We noticed that the information was not being compiled at the Headquarters i.e. DGP. As such, the cost of police outstanding was not readily available with the DGP indicating therein weak monitoring resulting in heavy pendency of earlier periods from 1968 as mentioned above.

After this was pointed out, the DGP stated that it was the responsibility of Addl. DGP to compile the information and prepare Statements of Expenditure. However the fact remains that non-adherence of the laid down procedure of preparation and compilation of Statement of Expenditure of the police deployment provided to other states and non-follow-ups resulted in non-realisation of ₹ 38.32 crore towards COPs deployed to other states.

The Department accepted the fact (May 2013).

### 7.3.3.2 Non-raising of demands for Government Railway Police (GRP)

As per para 856 of Indian Railway Financial Code Volume-I and Rule 138, 139 of MPM Vol-II the cost of Government Railway Police (GRP) staff deployed to the Railways was to be shared between the State Government and the Railways on a 50:50 basis, provided that the strength of the GRP force was determined with the approval of Railways.

As per the information furnished by the office of the ADGP (Railways), it was noticed that 50 per cent of the cost of GRP provided during the period from 1 April 2008 to 31 March 2013 aggregating ₹ 274.81 crore was raised and

₹ 124.39 crore was recovered during the period (dates on which the demands were raised and recoveries effected were not available on record). Statement of Expenditure of GRP was required to be prepared by ADGP (Railways). This was not prepared for the period from 1 April 2010 to 31 March 2013, pertaining to Pune and for the period 2012-13 pertaining to Mumbai. As such the amount due from those regions for the respective period could not be ascertained and demands could not be raised by the Department.

It was also noticed that demands aggregating ₹ 193.90 crore related to periods prior to 2008-09 (from 1979-80) towards cost of deployment of GRP were pending for recovery. Scrutiny of files revealed that, follow-up action was not adequate for recovery of the dues. The reasons for such huge arrears and efforts made by the department to recover the arrears though called for were not furnished by the Department.

The Department in reply stated that efforts for the clearance were being continued. However the fact remains that huge amounts are pending for recovery from the Railways due to absence of concerted efforts by the Department. The State Government may take up the matter on top priority with the Railways.

### 7.3.3.3 Recovery of cost of police deployed for Indian Premier League (IPL) and other cricket matches

Police personnel are deployed at the IPL and other cricket match venues for providing security and managing traffic. As per the circular instructions issued by the DGP from time to time, the rates at which the police cost recoverable are on the basis of eight hour shifts.

As per the information furnished, an amount of ₹ 4.39 crore was outstanding as follows:

Name of the office raising the Demand	Name of the organiser/ Purpose	Dates on which security provided	Amount billed/ recovered
Commissioner of Police, Mumbai	BCCI - Mumbai Cricket Association/ World cup 2011	6.3.2011,7.3.2011, 12.3.2011,13.3.2011, 18.3.2011,28.3.2011, 1.4.2011,2.4.2011 and 4.4.2011	₹ 2.65 crore/ Nil
Commissioner of Police, Nagpur	Vidarbha Cricket Association/IPL 2010	5.4.2010, 10.4.2010 and 12.4.2010	₹ 0.20 crore/ Nil
Superintendent of Police, Nagpur (Rural)	Vidarbha Cricket Association / IPL 2010	5.4.2010, 10.4.2010 and 12.4.2010	₹ 1.54 crore/ Nil
<b>Total</b>			<b>₹ 4.39 crore/ Nil</b>

Thus it would be seen from the above that even after a lapse of two to three years, the amounts have not been recovered till date.

Further, the details of police deployed for IPL matches held in Mumbai during the year 2008 and details of demands raised were neither produced to audit,

nor were these found on record. As such, the amounts outstanding on account of cost of police could not be ascertained.

We recommend that the Department may consider keeping a separate register for determination of police cost for deployment of police personnel for such events so that the recovery is effected and followed up at appropriate levels.

(ii) IPL franchisee Sahara Adventure Sports Ltd. is responsible for paying the cost of police deployed for IPL matches in Pune. The CP, Pune raised a demand of ₹ 1.94 crore on shift basis and thereafter on the request of franchisee, reduced it to ₹ 1.12 crore by considering the entire deployment for one match as single shift irrespective of the actual time of deployment. Due to this there was a reduction of demand of ₹ 82 lakh. We further noticed that the department had worked out the demand incorrectly by depicting less working hours. The police cost as per the circular guidelines comes to ₹ 4.64 crore. Thus non following of the guidelines resulted in short realisation of ₹ 3.52 crore.

Similarly, cost of police deployed for additional shifts by the SP, Pune for the Twenty-20 cricket match between India and England, held on 20 December 2012 was not recovered. The short recovery in this regard worked out to ₹ 17.02 lakh.

The above facts indicate that the Department was not following its own instructions. After this being pointed out (May 2013), the CP, Pune stated that recovering the cost for additional hours of police deployment may be challenged in the court.

The reply is not correct as in respect of IPL matches conducted in Mumbai, the cost of police was recovered taking into consideration the number of shifts for which the personnel were actually deployed as provided in the circular. It is in the interest of revenue to follow a uniform procedure.

#### **7.3.3.4 Individuals**

The detailed record of police protection provided is maintained in the concerned police stations. Though para 484 of MPM require COP to be recovered in advance when protection is provided to private individuals, neither the recovery was made in advance nor any procedure was prescribed for the same. Details of the protection provided to individuals were called for from all the test checked offices. However, except Mumbai and Thane none of the other offices provided the information.

Scrutiny of the records made available in the offices of the CP and SP at Thane revealed that the COP in respect of protection provided to 19 individuals, during various periods between 2008-09 and 2012-13, had not been recovered till date. This resulted in non-realisation of ₹ 3.63 crore in the office of SP Thane and ₹ 1.09 crore in the office of CP, Thane.

Similarly in CP Mumbai, an amount of ₹ 1.23 crore on account of COP in respect of protection provided to 17 individuals during various periods between 2008-09 and 2012-13 had not been recovered till date (January 2014).

After this being brought to notice, the CP and SP Thane stated that the correspondence with the Collector on the recovery of dues is in progress. The

CP Mumbai stated that the amount would be recovered. Further progress in the matter is awaited.

### 7.3.3.5 Municipal Corporations

No registers indicating cadre-wise police deployment, COP demanded, amount pending for recovery, etc. were being maintained and the recovery of COP was not computerised by the Department. Further, no periodical returns were prescribed with the above details for monitoring recovery of COP.

(i) Scrutiny of files relating to police deployment to Municipal Corporations in the offices of eight<sup>12</sup> CPs and two<sup>13</sup> SPs for various periods between 2008-09 and 2012-13 revealed that the COP towards deployment amounting to ₹ 45.01 crore was not recovered as listed out in **Appendix XVI**.

(ii) It was also noticed from the files made available in the office of the CP, Mumbai that details of COP towards deployment to Municipal Corporation of Greater Mumbai (MCGM) prior to 2008-09 were not available with the Department.

(iii) In the office of the CP Solapur, an amount of ₹ 2.93 crore towards COP deployed to Solapur Municipal Corporation, for the period up to 2007-08 was pending for recovery.

(iv) In SP Nanded, an amount of ₹ 21.31 lakh pertaining to the COP provided to Nanded Waghala Municipal Corporation, during the period from March 2007 to February 2008 was pending for recovery.

It is pertinent to mention here that had the instruction contained in the Government Resolutions issued between 1993 and 1998 for recovery of COP in advance been followed the current situation of huge pending recoveries from the Local Bodies could have been avoided.

### 7.3.3.6 Banks and other Government/ non-Government organisations

Scrutiny of the records in the offices of five<sup>14</sup> CPs and four<sup>15</sup> SPs, revealed that amounts aggregating ₹ 16.77 crore for deployment of police personnel to various banks and other Government and non-Government organisations as listed out in **Appendix XVII**, during various periods between 2008-09 and 2012-13 were pending for recovery as of May 2013. There was nothing on record to indicate whether, the recoveries were followed up periodically by these offices. Further, pendency in recovery of COP for personnel deployed to Maharashtra State Power Generation Corporation Ltd. during the period January 2013 to June 2013 was not available in SP Nagpur. Non-recovery of COP in advance resulted in accumulation of huge arrears.

After this being pointed out, CP Thane had intimated (August 2013) that ₹ 1.17 crore has been recovered from Bank of Maharashtra.

<sup>12</sup> Amravati, Aurangabad, Mumbai, Nagpur, Nashik, Pune, Solapur and Thane.

<sup>13</sup> Nanded and Thane.

<sup>14</sup> Mumbai, Nagpur, Pune, Solapur and Thane.

<sup>15</sup> Nanded, Nashik, Solapur and Thane.

### **7.3.4 Non-recovery of 6th Pay Commission Arrears of cost of police**

The Sixth Pay Commission was adopted by the Government of Maharashtra with effect from 1 January 2006. In this regard circular instructions issued by the DGP on 14 January 2010 required action to be taken at the level of CPs/SPs for recovery of the differential amount arising on account of the revision in respect of the police deployed for protection to individuals and other organisations with effect from 1 January 2006.

Scrutiny of the records in CP Pune, SP Nashik, SP Pune and SP Solapur revealed that no action was taken in this regard. Further, even the differential amount recoverable had not been determined. This was done in audit and we noticed that the differential amount recoverable was ₹ 5.81 crore, ₹ 95.29 lakh and ₹ 16.38 lakh in CP Pune, SP Nashik and SP Pune. In respect of SP Solapur, the differential amount could not be quantified due to absence of the requisite data of police personnel provided.

After this being brought to notice, the concerned offices stated that the differential amount would be recovered after due verification.

### **7.3.5 Incorrect computation of cost of police**

**7.3.5.1** As per Government Resolution issued in August 2011, refreshment allowance was included as part of salary of police officials. Subsequent circulars prescribing the rate of COP also included refreshment allowance as a component of cost. Hence the rate at which the cost of police was to be recovered was also inclusive of refreshment allowance.

In CP Pune, refreshment allowance amounting to ₹ 33.52 lakh was not recovered from banks and other Government/semi Government organisations while recovering the COP.

After this being pointed out CP Pune issued (August 2013) demand notices for recovery of expenditure towards refreshment allowance from banks and other government/semi government organisations.

**7.3.5.2** As per circular instructions issued on 3 January 2000 and 14 January 2010, the COP is computed on the average pay (based on scale of pay of the post), grade pay, HRA, other allowance, leave salary contribution, pension contribution, etc. This indicates that the COP in respect of any two police personnel in the same pay scale but drawing different basic pay should be the same.

Test check of the records for the period from 2008-09 to 2012-13 in CP Thane, revealed that the COP was computed on the actual pay drawn by the personnel provided for deployment to Kalyan Dombivli Municipal Corporation which was not in conformity with the provisions of the aforementioned circulars. Further it was noticed that due to recovery of cost as per actual pay drawn, no HRA was recovered in respect of those personnel who were staying in Government accommodation. The amount of short recovery, arising out of the incorrect computation of COP could not be quantified on account of non-availability of requisite information.

After this being brought to notice, the CP Thane office stated that the aspect of short recovery would be verified and action taken would be intimated to audit.

### 7.3.6 Adjustment against cost of police recoverable

Scrutiny of records in CP Thane revealed that the payment of cost of police deployment provided to Thane Municipal Corporation (TMC) was received after deducting the property tax amounting to ₹ 1.29 crore during the period from March 2009 to March 2012. Further, in SP Nagpur, it was noticed that the receipts on account of cost of police deployment provided to Maharashtra State Power Generation Company Ltd (MSPGCL) were received after deduction on account of rent and electricity charges of the quarters allotted to police personnel amounting to ₹ 15.37 lakh during the period from 1 April 2008 to 31 December 2012. Such allowance of deduction of expenditure from police receipts under Major Head 0055 would lead to anomaly in accounting of expenditure within budget allocation and understatement of police receipts.

After this brought to notice, CP Thane stated that the issue would be taken up with TMC and recovery details would be intimated. The SP Nagpur stated that revised demand notices for effecting recovery would be issued. A report on recovery has not been received (January 2014).

### 7.3.7 Irregularities in cash management

As per Rule 8(1) of the Maharashtra Treasury Rules, 1968, all moneys received by or tendered to Government Officers were to be paid in full within two days of their receipt into a treasury/bank. Further, as per Rule 98 (2), all monetary transactions should be entered in the cash book as soon as they occur and the cash book has to be closed at the end of the day which should be attested by the Head of the office. Scrutiny of records in the test checked offices revealed the following irregularities:

- In the office of the SP Nagpur and CP Amravati, demand drafts (DDs) totalling ₹ 17,700 and ₹ 1,080 respectively received during various periods between September 2010 and August 2012, on account of fees for issue of character verification certificates (CVCs) had not been realised as the DDs were credited into the designated bank for realisation after its date of expiry was over. These DDs were not sent to the concerned persons for revalidation (May 2013).

In reply, SP Nagpur and CP Amravati intimated that efforts would be taken to recover the unrealised amount from the concerned individuals.

- In the Traffic Division of the office of the CP Nagpur, there were four instances between 11 March 2013 and 8 April 2013 wherein there was delay up to 117 days in crediting cash amounting to minimum of ₹ 75,000 collected from traffic offenders. This happened on account of delay in submission of cash by the concerned field officials who had actually collected the amount.

In reply, CP Nagpur intimated that concerned official has been transferred from the respective charge and explanation for delay in crediting the government revenue had been called for. Further, it was stated that necessary instructions had been issued for crediting the Government revenue within the stipulated time.

- In the office of the CP Amravati, there were two instances wherein receipts amounting to ₹ 56,203 received on 27 April 2012 and 5 July 2012 were entered in the cash book after delay of three and seven days respectively. Further, receipts amounting to ₹ 89,431 were credited to Government treasury in nine instances with delays ranging from six to 17 days. In Ashegaon Police Station of SP Amravati, instances of delayed credit to Government treasury ranging from 23 days to 26 days were noticed.

In reply, CP Amravati intimated that the delays happened by oversight and assured that same would be avoided in future.

- In the office of the SP Thane, all DDs received during the month of March 2013 were credited into the treasury after more than a month of their receipt. Further, in respect of 12 DDs dated between 17 February 2012 and 21 March 2013 involving ₹ 1,600, the corresponding challans in support of the amounts having been credited into the treasury was not available on record. At Bhayandar police station, the receipts were credited to Government account with a delays ranging from three days to 29 days.

In reply, SP Thane intimated that with regard to non-availability of challans, the matter would be pursued with the treasury office and report would be submitted to audit in due course. Further, it was intimated that delay in crediting the amounts in the Government account would be avoided in future.

- In the office of the SP Aurangabad, it was noticed that though challans for deposits made into treasury after June 2012 were available, the cash book was not being maintained. Due to non-maintenance of cash book we could not verify whether all the DDs received from the persons concerned were deposited into the treasury and were accounted for.

After this being brought to notice, it was replied that as the fees for CVC were now being received in the form of DDs and not in cash, cash book was not being maintained.

Reply of the department is not acceptable to audit as the DDs received has to be treated as cash and was to be entered in cash book. Thus a vital aspect of cash management was being overlooked.

- In SP Nanded, DDs received for issue of CVCs were credited into the treasury after delays ranging from 29 days to 129 days.

In reply, SP Nanded intimated that there was delay in receipt of DDs in the Accounts Branch from the DD collection branch. Further it was intimated that the delay will be avoided in future.

- Cash book, challan register and receipt books were not being maintained in the Character Verification Division of the SP Solapur, and hence there was no proper accounting of the cash receipts.

In reply, SP Solapur intimated that proper system will be followed in future.



- Receipts amounting of ₹ 3.49 lakh on account of issue of CVCs during the period July 2012 to September 2012 were not entered in the cash book of the SP Pune. Further, the cash balances in the cash book were not verified and certified as required by the Maharashtra Treasury Rules, 1968 during the period from April 2008 to March 2013. In addition, there were instances of overwriting and erasures in the cash book which were not attested by the Head of Office.

In reply, the SP Pune stated that the DDs will be entered in cash book in future and added that instructions are noted with respect to other irregularities and this will be avoided in future.

These illustrative instances are indicative of deficiency in management of cash and such lapses are fraught with the risk of misappropriation of public funds.

### 7.3.8 Insufficient control over issue and return of receipt books

As per the prevailing procedure, receipt books for recovery of fines and penalties were distributed to different police officers (traffic) who were authorised to collect fines and penalties from the traffic offenders. On recovery of fine and penalty, the amount was required to be remitted to treasury/bank through traffic divisions or the concerned office of the CP/SP and on completion of the receipt book, the same was to be returned to the traffic district headquarters for accounting and safe custody. The issue and return of the receipt books were to be monitored through a register.

Scrutiny of receipt book issue registers and receipt books in CP Nagpur and CP Thane revealed instances of issue of receipt books without obtaining acknowledgement from the recipients, non-submission of receipt books even after use, and issue of fresh receipt books without obtaining the earlier issued receipt books.

Laxity in monitoring on issue and return of receipt books would lead to possible misappropriation of Government revenue.

### 7.3.9 Non-reconciliation of receipts with treasury records

As per the provisions of Rule 98(2) (v) of the Maharashtra Treasury Rules, all moneys received by a Government officer on behalf of the Government and remitted into the treasury were required to be reconciled with the figures booked by the concerned treasury officer and to be kept on record.

Scrutiny of the records in the test checked offices revealed that in the offices of eight CPs (Amravati, Aurangabad, Mumbai, Nagpur, Nashik, Pune, Solapur and Thane) and six SPs (Amravati, Aurangabad, Nanded, Pune, Solapur and Thane) no such reconciliations were carried out during various periods between April 2008 and March 2013. Further, in three<sup>16</sup> CPs and SP Thane, where reconciliations were carried out, the treasuries concerned had intimated non-accounting of credits aggregating to ₹ 6.04 crore for different periods between September 2008 and December 2011. These are detailed in **Appendix XVIII**.

<sup>16</sup> Mumbai, Solapur and Thane

After this was brought to notice, the CP Mumbai intimated (November 2013) reconciliation in respect of period from June 2008 to August 2008 as well as certification of credits aggregating ₹ 79.59 lakh in respect of Traffic Division. Action in respect of the other offices is awaited (January 2014).

Failure of the Department to reconcile the remittances with the treasury exposed the Department to the risk of mismanagement of cash.

### **7.3.10 Conclusion**


During the audit we noticed that information relating to deployment of SRPF personnel to other states was not available in the DGP office. No register in this regard was maintained by that office. Further, our test check revealed that Demand and Collection registers were not being maintained in the office of the CPs and SPs test checked to monitor the recovery of cost of police personnel deployed within their jurisdiction. Details of cadre-wise manpower provided, amount demanded, amount recovered, balance amount to be recovered, etc. were not available with the Department. Due to this, overall information regarding deployment of police and recovery against the deployment could not be collected for determining the gross position of pendency in recovery, demands raised, follow-up action taken, etc.

Mention of the above deficiencies was made in the Report of the Comptroller and Auditor General of India (Revenue Receipts), Government of Maharashtra for the year ending 31 March 2008. However, the irregularities have persisted.

Lack of monitoring and timely follow up action to recover the COP resulted in huge accumulation of arrears.

After we pointed out the matter, the DGP Mumbai issued (May 2013) instructions to all CPs/SPs for submission of periodical returns giving details of arrears of cost of police, recovery, etc.

**Mumbai**  
**The 12 March, 2014**



**(MALA SINHA)**  
**Principal Accountant General (Audit)-I,**  
**Maharashtra**

**Countersigned**

**New Delhi**  
**The 20 March, 2014**



**(SHASHI KANT SHARMA)**  
**Comptroller and Auditor General of India**