

CHAPTER - VI : REVENUE RECEIPTS

GENERAL

6.1 Trend of revenue receipts

The total receipts of Government of Arunachal Pradesh for the year 1999-2000 were Rs.1008.92 crore against the budget estimates of Rs.963.25 crore. Out of the total receipts of Rs.1008.92 crore, revenue raised by the State Government amounted to Rs.80.89 crore, of which Rs.13.88 crore represented tax revenue and Rs.67.01 crore non-tax revenue.

6.2 Analysis of revenue receipts

(a) An analysis of the receipts during the year 1999-2000, alongwith corresponding figures for the preceding two years are given below :-

Sl. No.	Head of revenue	1997-98	1998-99	1999-2000
		(Rupees in crore)		
I.	Revenue raised by State Government			
	(a)Tax Revenue	9.83	11.29	13.88
	(b)Non-tax revenue	57.26	64.54	67.01
	Total:	67.09	75.83	80.89
II.	Receipts from Government of India			
	(a)State's share of divisible union taxes	243.83	268.84	340.77
	(b)Grants-in-aid	524.53	578.90	587.26
	Total :	768.36	847.74	928.03
III.	Total receipts of State (I + II)	835.45	923.57	1008.92
IV.	Percentage of (I to III)	8	8	8

(b) Tax revenue raised by the State

Receipts from tax revenue constituted 17 **per cent** of State's own revenue receipts during the year 1999-2000. Details of tax revenue for the year 1999-2000 and those of the preceding two years are given below :-

Sl. No.	Head of revenue	1997-98	1998-99	1999-2000	Percentage of Increase (+) / Decrease (-) with reference to 1998-99
(Rupees in lakh)					
1.	State Excise	555.69	757.59	1007.90	(+) 33
2.	Taxes on Vehicles	97.23	101.49	111.72	(+) 10
3.	Land Revenue	197.89	132.73	135.66	(+) 2
4.	Other Taxes and Duties on Commodities and Services	58.11	58.93	52.52	(-) 11
5.	Sales Tax	31.55	28.07	35.03	(+) 25
6.	Stamps and Registration fees	41.96	49.88	44.79	(-) 10
7.	Taxes and Duties on Electricity	0.25	0.02	0.004	(-) 80
Total :		982.68	1128.71	1387.624	(+) 23

The reasons for variations, though called for (September 2000) from the Government, have not been received (December 2000).

(c) Non-tax revenue of the State

Details of the non-tax revenue receipts under the principal heads of revenue for the year 1999-2000 and the preceding two years are given below :-

Sl. No.	Head of revenue	1997-98	1998-99	1999-2000	Percentage of Increase(+)/ Decrease (-) with reference to 1998-99
(Rupees in lakh)					
1.	Forestry and Wild Life	759.34	1288.89	1623.28	(+) 26
2.	Power	648.88	1240.20	707.83	(-) 43
3.	Miscellaneous General Services	25.42	659.91	402.05	(-) 39
4.	Interest Receipts	523.98	609.64	422.75	(-) 31
5.	Road Transport	530.54	545.34	607.00	(+) 11
6.	Public Works	209.56	124.89	176.41	(+) 41
7.	Others	1633.91	1128.28	1320.82	(+) 17

Sl. No.	Head of revenue	1997-98	1998-99	1999-2000	Percentage of Increase(+)/ Decrease (-) with reference to 1998-99
(Rupees in lakh)					
8.	Other Administrative Services	807.45	169.27	661.59	(+) 291
9.	Non-Ferrous Mining and Metallurgical Industries	189.45	320.07	432.17	(+) 35
10.	Animal Husbandry	124.76	94.33	92.94	(-) 1
11.	Crop Husbandry	158.90	140.98	162.12	(+) 15
12.	Village and Small Industries	51.35	55.53	36.60	(-) 34
13.	Education, Sports, Art and Culture	63.11	76.61	55.80	(-) 27
Total :		5726.65	6453.94	6701.26	(+) 4

The reasons for variation though called for (September 2000) from the Government, have not been received (December 2000).

6.3 Follow up on Audit Report – Summarised position

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Shakder Committee, appointed to review the response of the State Government to Audit Reports, had recommended (March 1993), inter alia that the concerned departments of the State Government should (i) without waiting for the receipt of any notice or call from the Public Accounts Committee (PAC), submit suo-motu explanatory notes on all paragraphs and reviews featuring in the Audit Reports within 3 months and (ii) submit Action Taken Notes (ATN) in respect of recommendations of the PAC within the dates as stipulated by the PAC or within a period of **six months** whichever is earlier.

While accepting the recommendations (1996), the Government specified the time frame of 3 months for submission of suo-motu replies by the concerned departments. But the time limit for submission of ATN is yet to be fixed.

Review of outstanding ATNs as of 31 August 2000 on paragraphs included in the Reports of the Comptroller and Auditor General of India revealed that :-

i) The departments of the State Government had not submitted suo-motu explanatory notes on 37 paragraphs of Audit Reports for the years 1987-88 to 1998-99 in respect of revenue receipts, the details are given below :-

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of Paragraphs/reviews included in the Audit Report (excluding standard paragraph)		Number of Paragraphs/reviews on which suo-motu replies are awaited		Total (5+6)
		Para-graphs	Reviews	Para-graphs	Reviews	
1	2	3	4	5	6	7
1987-88	18.03.1992	6	-	3	-	3
1988-89	02.12.1992	4	-	4	-	4
1989-90	18.03.1993	3	-	1	-	1
1992-93	27.03.1995	3	-	3	-	3
1993-94	27.06.1995	1	-	1	-	1
1994-95	27.03.1996	2	-	2	-	2
1995-96	05.02.1998	7	-	1	-	1
1996-97	09.11.1998	6	1	5	1	6
1997-98	23.07.1999	5	-	5	-	5
1998-99	24.07.2000	8	1	8	1	9
Total		45	2	33	2	35

ii) The departments failed to submit any ATN out of a total number of 20 paragraphs pertaining to Revenue Receipts for the years from 1983-84 to 1985-86 on which the recommendations were made by PAC in its Reports (23rd, 25th, 32nd and 33rd) presented before the State Legislature between September 1993 and June 1995. The details are given below :-

Year of Audit Report	Number of paragraphs on which recommendations were made by PAC but ATNs are awaited	Particulars of Paragraphs	Number of PAC Report in which recommendations were made
1983-84	8	6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11	1
1984-85	7	6.4, 6.5, 6.6, 6.7, 6.8, 6.10, 6.11	1
1985-86	5	6.4, 6.5, 6.6, 6.7, 6.8	1
Total	20		3

6.4 Response of the departments to Draft Paragraphs

The draft paragraphs are forwarded by the Accountant General (Audit) to the Secretaries of the concerned departments through Demi official letters

drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments are invariably indicated at the end of each such paragraph included in the Audit Report.

10 Draft paragraphs and 1 Review pertaining to Revenue Receipts, proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000, Government of Arunachal Pradesh, were forwarded to the Secretaries of the respective departments during April-June 2000 through Demi official letters.

The Secretaries of the departments did not send replies to 6 paras and 1 Review in compliance to the request of Audit. These paragraphs/Review are being included in this Report without the response of the Secretaries of the departments.

SECTION – A - REVIEW

TRANSPORT DEPARTMENT

6.5 Receipts under Taxes on Motor Vehicle

Highlights

Failure to review the Combined Register of vehicles led to unauthorised use of 1192 transport vehicles without payment of tax of Rs.189.40 lakh and penalty of Rs.47.35 lakh.

(Paragraph 6.5.5(i))

Failure to renew certificate of fitness in respect of 933 transport vehicles led to non-realisation of inspection fee of Rs.9.93 lakh.

(Paragraph 6.5.5 (ii))

Application of incorrect rate resulted in short levy of fine of Rs.10.98 lakh.

(Paragraph 6.5.5 (iii))

Failure to levy and collect annual authorisation fee from 155 National Permit holders and application fee in 185 cases led to short/non-levy of fee Rs.2.55 lakh and Rs.0.93 lakh respectively.

(Paragraph 6.5.5 (iv))

No system existed in the Department for monitoring receipt, issue and disposal of Bank Drafts and consequently revenue of Rs.3.54 lakh remained undeposited into Government account till November 1999.

(Paragraph 6.5.5 (v))

6.5.1 Introduction

The condition for plying of Motor Vehicles and levy and collection of taxes thereon are governed by the provisions of the Motor Vehicles (MV) Act, 1988, Arunachal Pradesh Motor Vehicles Taxation (APMVT) Act, 1984, and the

Rules made thereunder (Arunachal Pradesh Motor Vehicles Rules 1991) as amended from time to time. The Acts empower the Transport Department to levy and collect road tax, registration fee, inspection fee, conversion fee, composite fee, permit fee etc.

6.5.2 Organisational set-up

Prior to February 1997, the function of the Director of Transport were carried out by General Manager, State Transport Department. However, in February 1997, a new Directorate of Transport was created and the Director of Transport (DT) was posted since then with his headquarter at Naharlagun. The Director of Transport is the head of Department who is assisted by one Assistant Director at headquarters. At the field level, he is assisted by three District Transport Officers (DTOs) stationed at Itanagar, Khonsa and Pasighat. In other districts, function of the District Transport Officer is carried out by Circle Officer/Extra Assistant Commissioner, in ex-officio capacity under the concerned Deputy Commissioner.

Function of the Chairman and the Secretary of the State Transport Authority (STA) is carried out by the Secretary and the Under Secretary to the Government of Arunachal Pradesh (Transport Department) respectively. In his capacity as Chairman of the STA, the Secretary (Transport Department) is responsible for the grant and realisation of fee of national permit, tourist permit, stage carriage permit and contract carriage permit as specified in the Motor Vehicle Act and Rules framed thereunder.

6.5.3 Scope of audit

A review on receipts under Motor Vehicles Taxes was conducted covering the period from 1994-95 to 1998-99 with a view to examine the effectiveness and adequacy of rules and procedures, assessment and collection of taxes, fees and fines due thereof. For this purpose, records of eight* (out of fifteen) unit offices, were test checked between October and December 1999.

6.5.4 Trend of revenue

Taxes on Motor Vehicles are one of the major sources of tax revenue of the Government of Arunachal Pradesh. Targets and achievements for the years 1994-95 to 1998-99 were as under :-

* (1) Director of Transport, Naharlagun (2) Secretary, State Transport Authority, Itanagar (3) District Transport Officer (DTO), Itanagar (4) Deputy Commissioner (DC) incharge Motor Vehicles Taxes (MVT), Ziro (5) Deputy Commissioner (DC) incharge Motor Vehicles Taxes (MVT), Along (6) District Transport Officer, Pasighat (7) Deputy Commissioner (DC) incharge Motor Vehicles Taxes (MVT), Tezu (8) Deputy Commissioner (DC) incharge Motor Vehicles Taxes (MVT), Roing

(Rupees in lakh)

Year	Targets	Actuals	Variation between target and actuals Excess (+) Shortfall (-)
1994-95	Not fixed	81.14	-
1995-96	100	99.10	(-) 0.90
1996-97	120	108.90	(-) 11.90
1997-98	120	97.23	(-) 22.97
1998-99	130	101.49	(-) 28.51

The reason for non-fixation of target in the year 1994-95 was, however, not on record. The basis for fixation of targets could not be furnished by the department though called for (August, October 1999 and August 2000). The department stated (November 1999) that shortfall in actuals during the years 1996-97 to 1998-99 was due to withdrawal of most of the trucks from the State owing to ban on timber operation imposed by the Honourable Supreme Court.

6.5.5 Growth of registration of vehicles

The position of the number and types of vehicles registered in the State during 1994-95 to 1998-99 was as under :-

Year	Types of vehicles and number registered during the year								Total No. of vehicles at the end of the year	Percentage of increase of registered vehicles over preceding year
	No. of vehicles at the beginning of the year	Trucks	Buses	Cars (Jeep, Gypsy & Van)	Three Wheelers	Two Wheelers	Tractor	Trailer/Other		
(1)	(2)	(3)	(4)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1994-95	5415	775	140	660	84	1825	40	74	9013	N.A
1995-96	9013	768	222	880	188	2423	36	86	13616	51
1996-97	13616	368	86	1466	1175	2134	58	30	18933	39
1997-98	19833	27	10	204	33	359	9	9	19584	3
1998-99	19584	68	6	308	86	596	14	8	20670	6

There has been a progressive increase in the number of vehicles registered from 1994-95 to 1998-99. Despite increase in the number of registered vehicles, there was constant shortfall in actual collection of revenue particularly during 1995-96, 1996-97, 1997-98 and 1998-99 due to the failure in monitoring the collection of revenue. A few illustrative cases are highlighted in the succeeding paragraphs.

(i) Unauthorised use of Motor Vehicles without payment of tax

The Arunachal Pradesh Motor Vehicles Taxation Act, 1984, provides that a tax at prescribed rate shall be levied and collected annually /quarterly/monthly, as the case may be, on all motor vehicles used or kept for use in the State unless the owner of such vehicle is exempt from tax by granting certificate to the effect that the vehicle shall not be used in any public place and the registration certificate is surrendered. The Act further provides that in the event of failure to pay the tax due by any owner of vehicle, the Taxation officer shall, in addition to the tax payable, levy and recover a penalty not exceeding one fourth of the annual tax.

1192 vehicle owners defaulted in payment of tax of Rs.189.40 lakh for which a maximum penalty of Rs.47.35 lakh was leviable, but was not levied

Test check of records of the six* out of thirteen unit offices revealed (October to December 1999) that 1192 owners of heavy transport vehicles neither paid the prescribed annual tax of Rs.189.40 lakh for different periods falling between January 1979 and October 1999 nor obtained any certificate by surrendering their registration certificates to the effect that these vehicles would not be used in any public place of the State during the corresponding period. Maximum penalty of Rs.47.35 lakh for failure to pay tax, was not levied.

Despite failure to pay tax by the owners of the vehicles, no action was initiated at any level of the department till date (December 1999) to review the combined registers of vehicles and to assess the tax and to issue demand notices for recovery of tax except in 48 cases (out of 1192 cases) where demand notices were issued (April 1998 and August 1999) by the DTOs of Pasighat and Itanagar but it evoked no response. Thus failure on the part of the department to initiate any action resulted in unauthorised use of 1192 transport vehicles without payment of tax. None of these cases were referred to the concerned Deputy Commissioners for effecting recovery of dues till the date of audit (December 1999).

(ii) Non-realisation of inspection fee

Under the provision of the Motor Vehicles Act, 1988 and the Rules framed thereunder, a certificate of fitness granted on realisation of the prescribed inspection fee shall remain valid for a period of two years from the date of registration in case of a new transport vehicle and thereafter certificate of fitness shall be renewed annually on realisation of the prescribed fee.

Failure to renew fitness certificates in respect of 933 transport vehicles led to non-realisation of inspection fee of Rs.9.93 lakh

Test check of records of six** unit offices revealed (November-December 1999) that certificates of fitness in respect of 933 heavy transport vehicles were neither renewed after expiry of the validity periods nor the prescribed annual inspection fee of Rs.9.93 lakh realised for the different periods falling between October 1988 and October 1999. The department also did not initiate any action for renewal of certificate of fitness in respect of these vehicles for

* Along, Itanagar, Pasighat, Roing, Tezu and Ziro.

** Along, Itanagar, Pasighat, Roing, Tezu and Ziro.

the corresponding period despite deployment of Enforcement Inspectors. Thus, failure on the part of the department as well as Enforcement wing to initiate any action in this regard resulted in non-realisation of inspection fee of Rs.9.93 lakh.

(iii) Short levy of fine

Under the provision of the Motor Vehicle Act, 1988, a fine of Rs.1000 shall be levied for first offence on any person who drives or causes or allows to be driven in any public place a motor vehicle in violation of the standard prescribed for road safety, control of noise and air pollution. However, the amount of fine shall be Rs.2000 for commitment of any subsequent such offence. The Act further provides for levy of a minimum fine of Rs.2000 for the first offence on any person who drives or causes or allows to be driven a motor vehicle without valid registration certificate or without valid permit, or drives a motor vehicle carrying load in excess of the permissible registered weight. However, the minimum fine for any subsequent offence shall be Rs.5000.

A. A test check of records of the Motor Vehicle Taxation Officers of Itanagar, Ziro and Pasighat revealed (November-December 1999) that 224 persons allowed or caused their vehicles to be driven in public places either in violation of the standards prescribed for pollution control and noise control or without valid registration certificates and permits, on different dates falling between September 1993 and October 1999, for which a fine of Rs.0.91 lakh, against the minimum fine of Rs.3.81 lakh was levied and collected during the corresponding periods. This resulted in short levy of fine of Rs.2.90 lakh.

Non-imposition of minimum fine, as prescribed in the Motor Vehicles Act, led to short realisation of fine of Rs.8.08 lakh in respect of 493 vehicle owners

B. Similarly, a cross check of records of the Superintendent of Police, Along and Pasighat revealed (November 1999) that 493 owners of vehicles allowed or caused their vehicles to be driven in public places either in violation of the standard prescribed for pollution control or without valid permits and registration certificates or carried load in excess of the permissible registered weight, on different dates falling between August 1993 and August 1999, for which the traffic Police of Pasighat, Boleng, Ruskin and Along collected fine of Rs.0.79 lakh against the minimum fine of Rs.8.87 lakh during the corresponding periods. This resulted in short levy of fine of Rs.8.08 lakh.

(iv) Short/Non-levy of authorisation fee/application fee

The Government of Arunachal Pradesh in their notification of July 1991 fixed the authorisation fee of Rs.500 per annum for grant of a National Permit to the owner of Home State Vehicle. Further, the Arunachal Pradesh Motor Vehicles Rules 1991, provides that application fee of Rs.500 per application for grant of National Permit to the owner of Home State goods carriage vehicle shall be realised.

Test check of records of the State Transport Authority, Arunachal Pradesh, Itanagar revealed (November 1999) that 155 National Permits were granted (between September 1992 and October 1997) with validity periods falling between August 1997 and October 1999. However, for grant of authorisation for the corresponding periods authorisation fee of Rs.1.14 lakh was realised against Rs.3.69 lakh. This resulted in short realisation of authorisation fee of Rs.2.55 lakh.

It was also noticed (November 1999) in audit from the records of the same unit office that 185 National Permits were granted (between April 1992 and March 1999) to the owners of Home State goods carriage vehicles. However the application fee was not realised till the date of audit (November 1999). This resulted in non-realisation of application fee of Rs.0.93 lakh.

(v) *Non-accounting of receipt, issue and disposal of Bank Drafts*

Under the Central Treasury Rules, all demand drafts, as and when received, should be entered in a Register of Valuables which is required to be maintained in the prescribed form and their disposal is to be watched regularly.

Test check of records of the State Transport Authority, Arunachal Pradesh, Itanagar, revealed (October-November 1999) that the register of valuables for recording the particulars of Bank Drafts received towards composite fee, authorisation fee etc., was not maintained to watch receipt and disposal of the same.

As a result, the information regarding actual number of Bank Drafts received, number of Bank draft returned to issuing Banks/State Transport Authority for revalidation/correction, number of Bank Drafts deposited into the Bank for credit into the Government account and the number of Bank Drafts in hand as on 31 October 1999 were not available.

It was however, noticed (October-November 1999) in audit that 189 Bank Drafts of different dates between April 1987 and April 1998 for Rs.3.54 lakh were returned (between April 1994 and March 1999) to different issuing Banks/State Transport Authorities for revalidation/correction. But there was no record to show that these Bank Drafts were received back and subsequently deposited into the Government account. Thus, the entire amount of Rs.3.54 lakh remained out of Government account till the date of audit (November 1999).

(vi) *Non-maintenance of proper records to watch recovery of composite fee due from other States*

In order to keep a watch over the demand, recovery, computation of arrears, the composite fee actually received and the follow up action for realisation of

composite fee due from other States in respect of motor vehicles covered by National Permits, it is incumbent upon the department to have complete details of all the permits issued from time to time by other States for operating the vehicles in the State of Arunachal Pradesh. The information regarding the national permits issued by other States for plying of vehicles in Arunachal Pradesh were not available with the State Transport Authority. In the absence of these basic information, the composite fee due from other States, but not received, could neither be determined nor any action could be taken for its recovery by the State Transport Authority.

(vii) *Non-reconciliation of revenue figures*

Under the Central Treasury Rules (as applicable to Arunachal Pradesh) where the head of the office is making any remittance of revenue, he should, as soon as possible, after the end of the month, obtain from the Treasury a consolidated receipt of all remittance made during the month, and verify the same with the entries made in the Remittance Register /Cash Book for ascertaining the correctness of deposit into the Government account.

Test check of records of the State Transport Authority, Arunachal Pradesh, Itanagar, revealed (November 1999) that 3399 Bank Drafts for Rs.39.51 lakh were deposited into the Treasury for credit into the Government account during April 1994 to March 1999 as per the entries in Bank Draft Deposit Registers. But the entries made in these Registers were neither reconciled with that of the Treasury figures nor the copies of Treasury Receipt Schedule of remittance obtained during the entire period covered by this review.

Similarly, it was noticed (October to December 1999) from the records of six* Taxation offices that none of them reconciled the figures of revenue deposited through Treasury challans for credit into the Government account with those of the treasury during the entire period covered by this review.

Such lapse on the part of the department in reconciliation of departmental receipts with the treasury receipts may lead to misclassification/misappropriation of Government revenue. On this being pointed out (November 1999) by audit the department stated (December 1999) that due to non-receipt of treasury receipt schedule, reconciliation with treasury figure could not be done.

6.5.6 Internal Audit

It was noticed that the Department had no Internal Audit Wing. As such, no checks were being exercised on effective application and administration of the

* Along, Itanagar, Pasighat, Roing, Tezu and Ziro.

Acts and Rules and related administrative instructions in order to enhance the collection of revenue under Motor Vehicles Tax, etc.

6.5.7 Monitoring and evaluation

The Government of Arunachal Pradesh, Transport Department, did not formulate any system for monitoring and evaluation of the performance of the Department particularly in respect of assessment, raising of demand and collection of tax, fees and fines. Further, no check-gate of Transport Department has so far been created at any entry and exit point of inter-state boundary of the State for monitoring the movement of incoming and outgoing vehicles. As such, there was no internal control system existing in the Transport Department to exercise check on the movement of incoming and outgoing vehicles.

The foregoing points were reported (January 2000) to the Department and the Government, their replies have not been received (December 2000) despite reminder.

SECTION – B – PARAGRAPHS

EXCISE DEPARTMENT

6.6 Loss of revenue

Under the provision of the Arunachal Pradesh Excise Act, 1993 a retail licence shall be cancelled if the prescribed annual licence fee payable by the licensee has not been paid within the prescribed date. Further, the Arunachal Pradesh, Excise Rule 1994 provides that a licensee shall return his licence to the authority who granted the licence after expiry of the validity period of licence.

A test check of records of the Superintendent of Excise, Pasighat, revealed (March 2000) that seven retail licences were cancelled on 3 February and 24 December 1999 without realising the prescribed annual renewal fee of Rs.6.11 lakh payable by these licensees from the date of expiry (on different dates falling between October 1995 and June 1998) of their respective licences upto the date of cancellation (February and December 1999). However, prior to this cancellation, the department did not ascertain whether these licenced premises were closed during the corresponding period. These licensees also, neither returned their licences nor they intimated about the closure of their licenced premises even after lapse ranging from 261 days to 1212 days from the date of expiry of their respective licences. Thus, incorrect cancellation of licences resulted in loss of revenue of Rs.6.11 lakh.

On this being pointed out (April and May 2000) by audit, the department stated (June 2000) that these licences were cancelled without realising licence fee as these retail premises were closed from the date of expiry of validity period of their licences. The reply is not tenable since there was no record to show that these licenced premises were closed after expiry of validity period of these licences. Besides, the departmental cancellation orders of February and December 1999 indicated that these licenced premises were not closed during the corresponding period.

The case was reported (April, May and June 2000) to the Government; their reply has not been received (December 2000).

6.7 Non-payment of excise duty

The Arunachal Pradesh Excise Rules, 1994 provides that the excisable articles viz., IMFL etc., shall not be allowed to be removed from the distillery or excise warehouse before making payment of excise duty on such goods unless the movement of such goods was occasioned by way of bond transfer.

Test check of records of the Commissioner of Excise, Arunachal Pradesh, revealed (November 1999) that an Excise Officer of a bonded warehouse permitted a wholesale vendor to lift 6948 cases of IMFL from that bonded warehouse during the period from 18 November 1998 to 16 February 1999 without payment of excise duty/without executing any bond for lifting of such goods. This resulted in unauthorised lifting of IMFL without payment of excise duty of Rs.3.80 lakh.

On this being pointed out in audit (February 2000), the Department stated (May 2000) that the matter was taken up with the Excise Officer concerned and the action taken in this regard would be intimated soon. However, further reply has not been received (July 2000).

The case was reported to the Department and the Government (February and May 2000); their replies have not been received (December 2000).

FOREST DEPARTMENT

6.8 Loss of revenue due to deterioration of seized logs

According to the instructions issued by the Government of Arunachal Pradesh in April 1985, seized timber should be removed to the nearest Administrative or Range Offices with the help of local administration for their safe custody. Timber of soft wood species, such as Hallong etc., lose their commercial value after three months from the date of felling due to infections and adverse effect of weather. As such protection of such timber from vagaries of weather and damage, is also the primary responsibility of the Department. Therefore, such timber need expeditious disposal.

Test check of records of Khonsa Forest Division revealed (May 1999) that out of 1404.9818 cum of timber of soft wood species seized on different dates falling between April 1997 and January 1998, timber measuring 438.5477 cum having royalty value of Rs.34.63 lakh was neither brought to the safe custody nor was any action initiated for expeditious disposal through tenders. However, as the aforesaid timber was of soft wood species, it lost its value due to exposure to the vagaries of weather for which the Division proposed (March

1999) for writing off the value thereof. Thus, inaction as aforesaid on the part of the Division led to loss of revenue of Rs.34.63 lakh.

On this being pointed out in audit (June 1999), the department stated (September 1999 and January 2000) that due to non-receipt of financial assistance, as sought for (August 1997 and April 1998), the logs could not be transported/dragged to a safer place to prevent deterioration. The Government however, stated (July 2000) that these seized logs were brought to a safer place. But the contention of the Government was not correct as these seized logs were not brought to a safer place for want of necessary fund from the Government. Therefore failure on the part of the Government to release necessary fund to facilitate early transportation of these logs to safer place led to loss of revenue of Rs.34.63 lakh.

6.9 Loss of revenue

The Government of Arunachal Pradesh in their notification of January 1997 has fixed the royalty on 'Oleo resin' (a minor forest produce) at Rs.15 per blaze and monopoly fee leviable at the rate of 35 **per cent** on royalty value of such minor forest produce in all ranges under Bomdila Forest Division with effect from 2 November 1996.

Test check of records of the Bomdila Forest Division revealed (September 1999) that royalty of Rs.80.09 lakh was realised during April 1997 to March 1999 for collection of 'Oleo resin' of 5.34 lakh blazes. But monopoly fee of Rs.28.03 lakh at the rate of 35 **per cent** on the aforesaid royalty was not recovered. This resulted in loss of revenue of Rs.28.03 lakh.

On this being pointed out (November 1999 and May 2000) by audit, the Government stated (July 2000) that monopoly fee was not charged on 'blazes' as these were methods of producing resin. But the reply was not tenable since the audit observation was raised for non-recovery of monopoly fee on 'Oleo resin' a minor forest produce extracted from pine trees but not on the method of collection of 'Oleo resin' as stated by the Government.

6.10 Non-realisation/Blockage of Government revenue

Under the provision of Assam Forest Regulation, 1891 (as adopted by the Government of Arunachal Pradesh) and the rules made thereunder, transit passes for removal of forest produce shall be issued to the forest contractors only on realisation of prescribed royalty in advance.

Test check of records of the Principal Chief Conservator of Forests, Arunachal Pradesh, revealed (April 1998) that transit passes were issued on different dates falling between August 1985 and April 1998 by ten forest officials to private individuals for removal of different forest produces without realising

the advance royalty of Rs.37.30 lakh. Subsequently, the department without initiating any action to realise the aforesaid royalty, accounted the said amount as outstanding revenue against these ten officials, of whom seven officials had already retired (between August 1985 and July 1997). Thus, failure of the department to take timely action against the defaulters led to loss of Rs.25.76 lakh for which seven retired officials were responsible and non-realisation of balance amount of Rs.11.54 lakh from the remaining three officials.

On this being pointed out in audit the department stated (November 1998 and May 1999) that action had been initiated for realisation of the amount outstanding against the officials but report on realisation has not been received (December 2000).

The matter was reported (June, November 1998, May 1999 and May 2000) to the Government; their reply has not been received (December 2000).

6.11 Loss of revenue

The Government of Arunachal Pradesh instructed (June 1989) that the upset price of seized log is to be fixed by taking into account the schedule rate of royalty, additional royalty, prevalent rate of monopoly fee (on royalty plus additional royalty), departmental charges and actual or notional extraction cost upto the point of disposal irrespective of whether timber in question is from Reserve Forest or Unclassified State Forest. The departmental charges should be levied at the rate of Rs.15 per cft for all species except (i) Hallong (ii) Makai (iii) Tita Sopa and (iv) Gonsori where it would be Rs.30 per cft. Further, Government valuation/upset price assigned to a forest produce serves as reserve price.

Test check of records of the Khonsa and the Nampong Forest Divisions revealed (May and June 1999) that 117 and 93 seized logs of mixed species measuring 150.9127 cum and 68.0230 cum involving upset price of Rs.9.06 lakh and Rs.4.28 lakh were departmentally processed into veneer after incurring an expenditure of Rs.5.66 lakh and Rs.2.21 lakh towards transportation and peeling charges respectively during April 1998 to March 1999. Thus, the cost of production of veneer including the upset price of seized logs was Rs.21.21 lakh. However, the Division, during the corresponding period, sold the veneer at Rs.11.01 lakh against Rs.21.21 lakh. Thus, incorrect determination of sale value of veneer led to loss of revenue of Rs.10.20 lakh.

On this being pointed out (June, July 1999 and February 2000) in audit, the Government stated (July and November 2000) that the logs were departmentally processed into veneer and sold thereafter as per the order dated

15 January 1998 of the Hon'ble Supreme Court. But the reply was silent about the basis of fixing the sale value of veneer without taking into account the elements of upset price of seized logs.

Reply of the Government and the Department in respect of the Nampong Division has not been received (December 2000) despite reminders.

POWER DEPARTMENT

6.12 Misappropriation of revenue

Central Treasury Rules Vol - I lays down that all money received or tendered to any Government Officer on account of revenue shall without undue delay be deposited in full into the treasury and shall be included in the accounts of the Government.

A test check of records of the Sub-Divisional Officer, Ziro Electrical Sub-Division under Ziro Electrical Division, Ziro, revealed (November 1998) that collection of electricity charges of Rs.3.56 lakh made during the period from 25 March 1998 to 26 May 1998 was neither accounted for in the cash book nor deposited into the Treasury/Bank till the date of audit (November 1998). Thus, the action on the part of the division to keep the entire amount of Rs.3.56 lakh out of Government account for a period ranging from six to eight months amounted to misappropriation of revenue of Rs.3.56 lakh.

On this being pointed out (February 1999) in audit, the department and the Government stated (December 1999 and May 2000) that an amount of Rs.0.88 lakh was recovered (April 1999) and the erring officer was placed (November 1999) under suspension pending departmental enquiry. The report on further progress of the case and recovery of the balance amount of Rs.2.68 lakh has not been received (December 2000).

PUBLIC WORKS DEPARTMENT

6.13 Short realisation/loss of forest revenue

The Government of Arunachal Pradesh in their notification of January 1997 enhanced the rate of royalty of sand and stone from Rs.10.90 and Rs.21.20 per

cum to Rs.16.35 and Rs.31.95 per cum respectively with effect from 2 November 1996. In addition to royalty on sand and stone, monopoly fee ranging from 35 *per cent* to 65 *per cent* on royalty shall be charged.

Test check of records (October 1997 – December 1998) of Doimukh, Ziro and Daporijo Public Works Division revealed that the Divisions recovered/deducted Rs.6.05 lakh from the contractor's bills paid between January 1997 and March 1998 towards forest royalty and monopoly fee on 20419.181 cum of stone and 2270.688 cum of sand at the pre-revised rates instead of at the revised rates. This resulted in short realisation/loss of forest revenue of Rs.3.78 lakh.

On this being pointed out (January 1998 and March 1999) in audit, the department stated (July and August 1999) that short realisation of forest royalty was due to un-awareness of revised rates and the recovery as pointed out in the para was not feasible as they were petty local contractors and no longer working under these divisions. The contention of the department was not acceptable since notification enhancing the rate of royalty from 2 November 1996 was issued in January 1997 to all units of Public works Department for recovery of royalty as per revised rates.

The matter was reported to the Government (between January 1998 and March 1999); their reply has not been received (December 2000).