

CHAPTER-VI: Non-Tax Receipts

6.1 Results of Audit

Test check of records in departmental offices relating to Home (Police), Public Works (Building and Roads and Public Health), Finance (State Lotteries), Forest, Agriculture (Crop-Husbandry), Medical, Food and Supply, Co-operation and Mines and Minerals conducted in audit during the year 2004-2005, revealed under assessments and losses of revenue amounting to Rs.283.78 crore in 9,129 cases as depicted below:

Sl. No.	Name of departments	Number of cases	Amount (Rupees in crore)
1.	Home (police)	883	1.77
2.	Public Works Department		
	(i) Building and Roads	71	4.17
	(ii) Public Health	7,586	4.36
3.	Finance (State Lotteries)	3	4.80
4.	Forest	67	4.70
5.	Agriculture (Crop Husbandry)	3	0.05
6.	Medical	69	0.40
7.	Food and Supply	35	0.01
8.	Co-operation	110	10.82
9.	Mines and Minerals	301	0.63
10.	Review on Recovery of Water Rates from Canal Water	1	252.07
	Total	9,129	283.78

The Department accepted under assessments of revenue amounting to Rs.261.85 crore in 535 cases during the year 2004-05. An amount of Rs.5.14 crore had been recovered in 269 cases during 2004-05 of which Rs.5.11 crore recovered in 268 cases pertains to earlier years.

A few illustrative cases involving Rs.1.01 crore and a review on “Recovery of Water Rates from Canal Water” involving Rs.252.07 crore highlighting important cases are mentioned in this Chapter.

6.2 Recovery of Water Rates from Canal Water

Highlights

Arrears of abiana accumulated to Rs.25.04 crore as on 31 March 2004.

(Paragraph 6.2.6)

Non reconciliation between Irrigation and Revenue Department resulted in non realisation of demand of Rs.1.48 crore in eight divisions.

(Paragraph 6.2.7)

Lack of co-ordination between Irrigation and Public Health Department resulted in accumulation of arrears of water charges of Rs.444 crore.

(Paragraph 6.2.8)

Non/delayed payment of water charges bills resulted in non/short levy of surcharge of Rs.251.99 crore.

(Paragraph 6.2.9)

Introductory

6.2.1 Levy and collection of charges for canal water supplied for irrigation and non irrigation purposes are governed by provisions of the Haryana Canal Drainage Act (Drainage Act), 1974 and the Rules framed thereunder. The extra supply of canal water for gardens and orchards is governed under the provisions of relevant Punjab Government Rules, 1946, amended from time to time, as applicable to Haryana. Maintenance of revenue records are governed by the provisions contained in "Revenue Manual". The rates charged for irrigation purposes are called "water rates" (abiana) or "occupier's rates" and those for non irrigation purpose, are called "water charges". In case of canal water used unauthorisedly for irrigation purposes or allowed to run waste, special charges called tawan are leviable. The rates of tawan were six times the ordinary rates upto 18 June 1999 and 30 times thereafter.

Public Works Department Irrigation Branch {(PWD (IB))} supplies water from canals both for irrigation and non irrigation purposes. Demand for water rates (abiana) is raised by the PWD (IB) through khataunis* in respect of land irrigated by flow of irrigation and lift irrigation. These are collected by Revenue Department through lambardars (headmen of the villages), who are paid three *per cent* of the amount so collected as remuneration called

* Khatauni is a statement prepared by the Irrigation Department to show demand for water rates for irrigation purpose.

lambardari fee. The demand for water charges is raised and collected by Irrigation Department.

Organisational set up

6.2.2 Financial Commissioner and Principal Secretary (Irrigation and Power) is the overall incharge at Government level for the purpose of canal administration. The State is divided into eight irrigation systems, under overall charge of Engineer in chief and each system is under the charge of a Chief Engineer who exercises control through 12 Superintending Engineers (SE), 46 Divisional Canal Officers (Executive Engineer) and Sub Divisional Officers (SDO) alongwith supporting staff. Canal patwaris prepare the field measurement papers (khasras) which include the details of area of irrigation under different crops, liable to water rates. From khasras, statements indicating demands for water rates (khataunis) are prepared by Divisional Canal Officer (Executive Engineer) and sent to Tehsildar in the District (Revenue Department) for collection.

For the purpose of revenue administration, the state has been divided into four commissionerates and 19 districts, each under the charge of a Commissioner and Deputy Commissioner (Collector) respectively. The Deputy Commissioner exercises control through Tehsildars, Naib Tehsildars and other staff in his district. Recovery of water rates from the cultivators is made through the village lambardars (headman).

Audit Objectives

6.2.3 The detailed analysis of levy and collection of water charges/rates from the canal water supplied for irrigation and non irrigation purposes, was conducted with a view to:

- ascertain whether rules framed and orders issued by the Government are being followed correctly.
- ascertain whether water rates and water charges have been levied and collected correctly, and
- ascertain whether any internal control mechanism exists to monitor collection of water rates/charges from consumers/users.

Scope of Audit

6.2.4 The records of 18* out of 46 Water Services Divisions and 10** out of 19 District Collectors (Revenue Department) for the years from 1999-2000 to 2003-04 were test-checked in audit during July 2004 to December 2004.

* Ambala, Siwani (Bhiwani), Bhiwani-I and II, Loharu at Charkhi Dadri, Fatehabad, Hisar, Hansi, Jhajjar, Jind, Narwana, Pundri at Kaithal, Rohtak, Sampla (Rohtak), Sirsa, Sonipat, Safidon and Tohana.

** Ambala, Bhiwani, Fatehabad, Hisar, Jind, Jhajjar, Kaithal, Rohtak, Sirsa and Sonipat.

Audit findings as a result of test check of records of Irrigation Department, Haryana were reported in May 2005 to the Government with a specific request in June 2005 for attending the meeting of the Audit Review Committee so that the viewpoint of the Government may be taken into account before finalising the review. The meeting was held on 4 July 2005 which was attended by the Special Secretary and Engineer in Chief, Irrigation Department.

Trend of revenue

6.2.5 As per the Budget Manual, budget estimates are framed after taking into account actual receipts of the preceding year and continuance of any growth or decline in income indicated by it.

The position of budget estimates and actual receipts for the years 1999-2000 to 2003-04 was as under:

(Rupees in crore)				
Year	Budget estimates	Actuals	Shortfall (-)/ Excess (+)	Percentage in shortfall/Excess
1999-2000	42.65	38.30	(-) 4.35	10.2
2000-01	53.50	54.30	(+) 0.80	1.4
2001-02	62.90	68.51	(+) 5.61	8.9
2002-03	77.00	52.05	(-) 24.95	32.4
2003-04	80.85	183.00	(+) 102.15	126.34

It would be seen from the above table that there was shortfall in receipt of revenue during 1999-2000 and 2002-2003 which ranged between 10.2 to 32.4 *per cent* and steep hike in receipt during 2003-04. The Department stated that budget estimates were based on receipt of demand from field SEs and as per advice of Finance Department and in case no demand was received from field, the budget estimates were prepared by adding 10 to 20 *per cent* in the original estimates. The shortfall in revenue was due to non adjustment of funds received from other departments and steep hike was due to receipt of Rs.114 crore from Uttar Pradesh Government as apportionment of cost of Hathini Kund Barrage.

Arrear position of Abiana

6.2.6 Under the Drainage Act, khataunis for recovery of water rates are raised on six monthly basis and sent to Revenue Department for collection. The Act further provides for recovery of water rates as arrears of land revenue by the Collector if these dues are not paid in time. However, there is no provision in the Act/Rules for levying interest/penalty for non/belated payment of water rates.

The position of recovery of abiana in the state as a whole, as furnished by Engineer in Chief, for the period from 1999-2000 to 2003-04 was as under:

(Rupees in crore)						
Sr. No.	Year	Opening Balance	Addition during the year	Total amount	Amount received during the year	Balance amount outstanding
1.	1999-2000	15.85	19.63	35.48	17.29	18.19
2.	2000-2001	18.19	21.65	39.84	20.36	19.48
3.	2001-2002	19.48	20.62	40.10	21.12	18.98
4.	2002-2003	18.98	20.99	32.97	20.51	19.46
5.	2003-2004	19.46	31.62	51.08	26.04	25.04

It would be seen from the above table that collection of water rates due for each year was recovered less than demand raised for that year except in 2001-02. No action to recover the balance amount as arrears of land revenue was initiated by any of the divisions through revenue authorities. This resulted in accumulation of arrears of Rs.25.04 crore as on 31 March 2004. The age wise breakup was not made available to audit.

The Divisional Canal Officers of 13* out of 18 Water Services Divisions test checked stated that it was the responsibility of the revenue authorities to effect the recovery of abiana. However, matter was being pursued with the revenue authorities.

Lack of Co-ordination between Irrigation and Revenue Departments

6.2.7 The Irrigation Department is required to send information in Form V to the Revenue Department about the demand to be raised against the khataunis maintained. The Revenue Department in turn is required to send Form VI showing the position of recoveries taken into account against the khataunis. A comparison of khatauni and Form VI of eight** irrigation divisions with tehsil records revealed that abiana demand of Rs.1.48 crore was not accounted for

* Ambala, Bhiwani, Hansi, Jind, Jhajjar, Loharu (Charkhi Dadri), Narwana, Pundri (Kaithal), Rohtak, Rai (Sonapat), Sampla (Rohtak), Safidon and Siwani (Bhiwani).

** Ambala, Bhiwani, Hisar, Hansi, Narwana, Siwani (Bhiwani), Sirsa and Safidon.

recovery by Tehsildars as tabulated below:

(Rupees in crore)			
Year	Khatauni as per Form V	Accounted for as per Form VI	Difference
1999-2000	3.64	3.56	0.08
2000-01	4.14	3.62	0.52
2001-02	3.61	3.19	0.42
2002-03	2.93	2.51	0.42
2003-04	3.78	3.74	0.04
Total	18.10	16.62	1.48

It would be seen from the above table that the difference of figures between the two departments has been since 1999-2000. However, the reconciliation of the figures was never attempted by the departments. This led to non raising of demand for Rs.1.48 crore. The reasons for accepting less recovery of water rates by the Irrigation Department were not made available to audit.

The Divisional Canal Officers of four* Water Services divisions, stated that difference would be reconciled with revenue authorities. Replies from other divisions had not been received (August 2005).

Arrear of water charges

6.2.8 Drainage Act provides for charging water rates for canal water supplied for various purposes. Under the Haryana Canal and Drainage Rules, 1976, charges for canal water supplied in bulk to any Department and industry are recoverable at the rates prescribed from time to time (Rs.13 and Rs.67 per 2,500 cubic feet respectively from 30 September 1998 to 26 July 2000 and thereafter at the rate of Rs.10 and Rs.100 per 2,500 cubic feet respectively).

* Ambala, Hansi, Sirsa, and Siwani (Bhiwani).

The position of recovery of water charges as furnished by the Department in the State as a whole for the years from 1999-2000 to 2003-04 was as under:

(Rupees in crore)					
Year	Opening balance	Addition during the year	Total amount	Amount received during the year	Closing balance
1999-2000	14.07	23.12	37.19	18.29	18.90
2000-01	18.90	24.95	43.85	19.43	24.42
2001-02	24.42	29.22	53.64	1.37	52.27
2002-03	52.27	79.97	132.24	16.90	115.34
2003-04	115.34	210.21	325.58	3.78	321.77

The position of 17* water services divisions test checked in audit was as under:

(Rupees in crore)					
Year	Opening balance	Addition during the year	Total amount	Amount received during the year	Closing balance
1999-2000	11.86	3.70	15.56	0.42	15.14
2000-01	15.14	12.90	28.04	0.71	27.33
2001-02	27.33	45.84	73.17	1.86	71.31
2002-03	71.31	120.61	191.92	1.79	190.12
2003-04	190.12	255.41	445.53	1.21	444.32

It would be seen from the above tables that the position of outstanding water charges for the whole State was Rs.321.77 crore as shown by the Department which was less than the figures collected by audit from 17 divisions. This shows that the position compiled by the Department was not correct and needs verification and reconciliation.

The realisation during each year was far less than the demands raised during that year resulting in heavy accumulation of arrear of Rs.444.32 crore as on 31 March 2004.

* Ambala, Siwani (Bhiwani), Bhiwani-I and II, Loharu at Charkhi Dadri, Fatehabad, Hisar, Hansi, Jhajjar, Jind, Narwana, Sampla (Rohtak), Rohtak, Sirsa, Sonipat, Safidon and Tohana.

After this was pointed out, 12* out of 17 divisions stated that the matter was being taken up with the Public Health Department to realise the arrears of water charges. The reply from remaining five divisions had not been received (April 2005).

Non/short levy of additional charge/surcharge

6.2.9 Under the Drainage Act and Rules framed thereunder, agreement for supply of canal water is required to be entered into between the Department and the consumer. In accordance with the notification dated 27 July 2000, 10 per cent surcharge was to be charged extra for not releasing the payment within one month of raising of bills by the irrigation divisions from 27 July 2000. Prior to this addition, surcharge at the rate of half per cent was leviable.

Test check of 10 Water Services Divisions for the period from 1999-2000 to 2003-04 revealed that Public Health Divisions to whom water was supplied did not release the payment till May 2005. However, surcharge was either not levied or levied short on unpaid bills. This resulted in short raising of demand of Rs.251.99 crore as detailed below:

(Rupees in crore)					
Sr No.	Name of the Division	Period	Surcharge leviable	Surcharge levied	Surcharge short levied
1	Loharu Water Services Division, Charkhi Dadri	4/99 to 7/2000 and 8/2000 to 3/2003	10.16	0.09	10.07
2	Pundri Water Services Division, Kaithal	8/2000 to 3/2003	6.39	0.04	6.35
3	Water Services Division, Rohtak	8/2000 to 3/2004	32.15	10.08	22.07
4	Sampla Water Services Division, Rohtak	1/2004 to 3/2004	13.00	-	13.00
5	Water Services Division, Bhiwani	8/2000 to 3/2004	34.50	1.68	32.82
6	Siwani Water Services Division, Bhiwani	8/2000 to 3/2004	12.59	0.25	12.34

* Ambala, Siwani (Bhiwani), Bhiwani-I, Loharu at Charkhi Dadri, Hansi, Jhajjar, Jind, Narwana, Sampla (Rohtak), Rohtak, Sonipat and Safidon.

(Rupees in crore)					
Sr No.	Name of the Division	Period	Surcharge leviable	Surcharge levied	Surcharge short levied
7	Water Services Division, Hansi	8/2000 to 12/2002	1.35	0.41	0.94
8	Water Services Division, Fatehabad	8/2000 to 3/2004	0.69	-	0.69
9	Bhiwani Water Services Division, Bhiwani	8/2000 to 3/2004	142.54	1.24	141.30
10	Water Services Division, Safidon	8/2000 to 3/2004	12.43	0.02	12.41
		Total	265.82	13.83	251.99

After this was pointed out between March 2003 and December 2004, the Divisional Canal Officers of two divisions (Loharu at Charkhi Dadri and Pundri at Kaithal) stated between February and March 2005 that revised bills had been sent and remaining eight* divisions stated between March 2003 and December 2004 that the revised bills in the light of audit observations would be sent to the Public Health Department.

Non/short imposition of penalty for un-authorized supply of water to gardens

6.2.10 As per provisions of Punjab Government Rules, 1946 for extra supply of canal water for gardens and orchards, as applicable to Haryana, as amended from time to time, an agreement is required to be entered into between the Government and the owner receiving extra supply of water for gardens/orchards in the prescribed form. The water rates were less in case of supply of water of gardens than the supply made to agricultural fields. However, for unauthorised use of water, penalty at 30 times the normal water rates was leviable. As per clause six of agreement, Superintending Engineer is competent to stop the supply of water.

In three** divisions, it was noticed during annual verification conducted jointly by District Horticulture Officer and Canal Deputy Collector that 39 gardens to whom water was supplied were not in existence between 1999-2000 to 2003-04. The unauthorised withdrawal of supply of water in all these cases was forwarded by the Divisional Canal Officers to Superintending Engineer in November 2000 and thereafter no action was taken in these cases to stop

* Bhiwani (I&II), Fatehabad, Hansi, Rohtak, Saffidon, Sampla and Siwani.

** Hisar, Hansi and Sonipat.

supply of water. Further, the owners of 16 gardens/orchards of two* divisions were utilising water without entering into agreement with the Department. For unauthorised use of water the owners of gardens/orchards were liable to pay a penalty of Rs.7.57 lakh which was not levied.

Conclusion and Recommendations

6.2.11 Audit scrutiny revealed that the Department failed to utilise the full potential of water available with it. Co-ordination between the Irrigation Department and Revenue Department was also lacking resulting in difference in figures between the two departments. The position of arrears on account of water charges was also not reliable.

To improve revenue collection of the state, the Government may consider to:

- take steps to tap the potential of water so as to enhance the receipts of the State Government.
- ensure that a system is put in place for proper co-ordination between Irrigation and Revenue Department so as to safeguard and watch the collection of Government revenue.
- a strong internal control system is required to be developed for levy and collection of water charges and water rates ensure that arrears pending collection are correctly accounted for and the process of recovering the outstanding is strengthened and monitored at apex level.

Agriculture Department

6.3 Non/short recovery of purchase tax and interest

According to the notification issued in October 1977 under the Punjab Sugarcane (Regulation of Purchase and Supply) Act, 1953, and the Rules framed thereunder, as applicable to Haryana, a sugar factory is required to pay tax of Rs.1.50 per quintal on purchase of sugarcane latest by 14 of the following month and send a monthly return to the Cane Commissioner in the prescribed format. In the event of default in payments or for belated payments, interest at 15 *per cent* per annum shall be charged for the period of default. The Act, further provides that all sums payable to Government, but not paid by the due date, shall be recoverable as arrears of land revenue.

* Kaithal and Narwana.

During test check of records of Assistant Cane Development Officer, (ACDO), Panipat, it was noticed in December 2004 that Sugar Mill, Panipat purchased 17,41,589.31 quintals of sugarcane between November 2003 and February 2004. Purchase tax and interest of Rs.29.64 lakh, though payable was neither demanded nor paid by the mill as on February 2005.

After this was pointed out in December 2004, the Department admitted the facts in February 2005. However, report on recovery had not been received (August 2005).

The matter was referred to the Government in December 2004; reply had not been received (August 2005).

Co-operation Department

6.4 Non deposit of dividend on State share capital

6.4.1 As per terms and conditions laid down in the sanction orders issued by the Registrar, Co-operative Societies, Haryana, Chandigarh from time to time, every co-operative society shall give a suitable return in the form of dividend on contribution of Haryana Government's share capital on the basis of resolutions passed by the Board of Directors. Under the provisions of Haryana Co-operative Societies Rules, 1989, the dividend shall not exceed 10 *per cent* per annum of the paid up share capital of a co-operative society.

During test check of records of the Assistant Registrars, Co-operative Societies of Sirsa and Kurukshetra, it was noticed between July 2003 and November 2004 that seven* co-operative societies, one central co-operative bank of Sirsa and one co-operative sugar mill, Shahbad had been running in profit during the years 2001-2002 and 2002-2003, but their Board of Directors had not declared any dividend for this period. A dividend of Rs.42.70 lakh was payable to Government for this period but the same was neither deposited by any of the societies in Government account nor demanded by the Department.

After this was pointed out in July 2003, four out of seven co-operative societies deposited the amount of Rs.8.31 lakh from December 2004 to July 2005. The Department admitted the facts however, action taken to recover the amount had not been received (August 2005).

The matter was referred to the Government between September 2003 and December 2004; reply had not been received (August 2005).

* Rania Co-operative Marketing-cum-Processing Society Ltd., Rania; Ellenabad Co-operative Marketing Processing Society Ltd, Ellenabad; Ding Co-operative Marketing Ltd., Ding; Kalanwali Co-operative-cum-Processing Society Ltd., Kalanwali; Kariwala Co-operative Society; Santnagar Co-operative Society and Amritsar Nova Co-operative Society.

Non realisation of dividend on share capital of State Government

6.4.2 During test check of records of the Assistant Registrars, Co-operative Societies (ARCS) Rewari and Panipat, it was noticed between January 2002 and November 2004 that two central co-operative banks had been running in profit and their Board of Directors had passed resolutions (August 2001 and August 2004) for the payment of dividend amounting to Rs.20.39 lakh at rates ranging between two *per cent* and five *per cent* on share capital of Rs.4.42 crore for the years 1998-99, 1999-2000 and 2002-2003, but the same was neither deposited by any of the societies (Bank) into Government account nor demanded by the Department. This resulted in non recovery of Rs.20.39 lakh.

After this was pointed out between January 2002 and November 2004, the ARCS Rewari intimated in June 2005 that the entire amount of dividend of Rs.7 lakh was deposited in January 2003. Final reply from Panipat had not been received (August 2005).

The matter was referred to the Government between August 2002 and December 2004; reply had not been received (August 2005).

Mines and Geology

6.5 Non/short recovery of royalty and interest

Rule 24 of Punjab Minor Minerals Concession Rules, provides that brick kiln owners (BKO) shall pay royalty at the prescribed rate in advance by 30 April every year. In case of default, interest at the rate of 24 *per cent* per annum is chargeable for the period of default. BKOs register is maintained at each mining office for levy and collection of royalty. The permits of such BKOs were required to be cancelled by the Department, in case royalty was not paid by them and sum due from the permit holders on account of royalty and interest thereon was recoverable as arrears of land revenue.

During test check of the records of Mining Officers, Sonipat and Panipat, it was noticed between May and September 2004 that 56 BKOs were issued permits between March 2002 and July 2003. The BKOs were required to pay royalty before 30 April every year. Though a period of 14 months to 22 months for payment of royalty had elapsed upto January 2005 but royalty of Rs.5.60 lakh was neither paid by the BKOs nor was it demanded by the Mining Officers. No action was taken to cancel the permits or to recover the dues. The lack of action on the part of the Department resulted in non realisation of revenue of Rs.7.75 lakh including interest amounting to Rs.2.15 lakh.

After this was pointed out between May 2004 and September 2004, the Department intimated in February 2005 that royalty amounting to Rs 3.20 lakh and interest of Rs.1 lakh in 32 cases had been recovered. Final reply on recovery of balance amount had not been received (August 2005).

The matter was referred to the Government in June 2004; reply had not been received (August 2005).

Chandigarh

Dated:

(ASHWINI ATTRI)

Accountant General (Audit) Haryana

Countersigned

New Delhi

Dated:

(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India