

CHAPTER VI: NON-TAX RECEIPTS

6.1 Results of audit

Test check of the records in departmental offices relating to Urban Development, Home (Police), Public Works, Medical and Public Health, Agriculture, Animal Husbandry, Mines and Geology, Co-operation, Food and Supplies and Forest conducted in audit during the year 2007-08, revealed underassessments of tax and loss of revenue amounting to Rs. 253.84 crore in 27,055 cases which fall under the following categories:

(Rupees in crore)

| Sr. No. | Category | Number of cases | Amount |
|--|--|-----------------|---------------|
| A: Urban Development Department | | | |
| 1. | Non-collection of external development charges | 6 | 103.91 |
| 2. | Short recovery of licence fee and conversion charges | 32 | 85.54 |
| 3. | Non-recovery of service charges | 13 | 3.20 |
| Total | | 51 | 192.65 |
| B: Co-operation Department | | | |
| 1. | Non-recovery of loans and interest | 11 | 17.29 |
| 2. | Short recovery of audit fees | 153 | 1.57 |
| 3. | Non/short recovery of dividend on share capital | 106 | 1.44 |
| Total | | 270 | 20.30 |
| C: Home (Police) Department | | | |
| 1. | Non-recovery of deployment charges/cost of police deployed in other states | 812 | 14.31 |
| 2. | Miscellaneous irregularities | 17,703 | 1.23 |
| Total | | 18,515 | 15.54 |
| D: Forest Department | | | |
| | Miscellaneous irregularities | 338 | 9.03 |
| E: Medical and Public Health Department | | | |
| | Miscellaneous irregularities | 53 | 3.58 |

| Sr. No. | Category | Number of cases | Amount |
|---|--|-----------------|---------------|
| F: Mines and Geology Department | | | |
| 1. | Non-recovery of interest on late deposit of contract money | 50 | 1.70 |
| 2. | Non-recovery of royalty and interest | 249 | 0.52 |
| 3. | Short realisation of contract money due to acceptance of fictitious challans | 19 | 0.33 |
| 4. | Miscellaneous irregularities | 104 | 0.36 |
| Total | | 422 | 2.91 |
| G: Public Works Department | | | |
| (i) Water Services and Sanitation Department | | | |
| 1. | Non-recovery of water and sewerage charges | 45 | 6.61 |
| 2. | Loss due to non-levy of charges on unmetered supply of water to industrial institutions/commercial connections | 1,102 | 1.16 |
| 3. | Miscellaneous irregularities | 5,774 | 0.77 |
| Total | | 6,921 | 8.54 |
| (ii) Irrigation Department | | | |
| | Miscellaneous irregularities | 112 | 0.93 |
| (iii) Buildings and Roads Department | | | |
| | Miscellaneous irregularities | 89 | 0.04 |
| H: Animal Husbandry Department | | | |
| 1. | Non-deposit of revenue receipts into the treasury | 2 | 0.26 |
| 2. | Miscellaneous irregularities | 138 | 0.02 |
| Total | | 140 | 0.28 |
| I: Agriculture Department | | | |
| | Miscellaneous irregularities | 133 | 0.03 |
| J: Food and Supplies Department | | | |
| | Miscellaneous irregularities | 11 | 0.01 |
| Grand total | | 27,055 | 253.84 |

During the year 2007-08, the departments accepted non/short realisation and other deficiencies of Rs. 191.20 crore involved in 255 cases of which 163 cases involving Rs. 182.81 crore had been pointed out during 2007-08 and the remaining in the earlier years. The department recovered Rs. 71.83 crore in 143 cases of which Rs. 63.44 crore related to the year 2007-08 and balance to the earlier years.

After the issue of draft paragraph, the department recovered Rs. 11.23 lakh in one case.

A few illustrative cases involving Rs. 32.21 crore are mentioned in the succeeding paragraphs.

MINES AND GEOLOGY DEPARTMENT

6.2 Short realisation of contract money due to acceptance of fictitious challans

The Punjab Financial Rules (PFR), as applicable to Haryana, require that all monetary transactions should be entered in the cash book as soon as they occur and attested by the drawing and disbursing officer (DDO) in token of check. When Government money is paid into the treasury/bank, the DDO should compare the treasury officer's or bank's receipt on challans with the entry in the cash book before attesting it and satisfy himself that the amounts have been actually credited into the treasury. A consolidated receipt for all the remittances should be obtained from the treasury by the 15th of the following month and compared with the entries in the cash book. Under the Punjab Minor Minerals Concession Rules, 1964 and contract agreement, if the contractor fails to pay any instalment of contract money or part thereof, he will be liable to pay interest at the rate of 24 *per cent* per annum for the period of default.

During test check of the records of the Mining Officer (MO), Ambala Cantonment for the year 2006-07 in September 2007, it was noticed that the contract for 51 mining quarries in the district Ambala for the period from March 2003 to March 2007 was allotted to M/s Markanda Royalty Company, Ambala (contractor) in May 2003 for a consideration of Rs. 1.85 crore per annum. The contractor was required to pay monthly instalment of Rs. 15.45 lakh and furnish treasury challans every month to the MO in token of deposit of the monthly instalment. These challans were entered in the Daily Collection Register (DCR) as well as posted in the contractor's ledger as payment of monthly instalment of the contract money. The department also adjusted security amounting to Rs. 46.34 lakh after the expiry of the contract. The department had obtained consolidated receipts for the period upto July 2006 which were kept on record, without comparing the details of the amount credited into the treasury with the entries in the DCR or contractor's ledger. Cross verification by audit of the challans with the record of remittances into the treasury revealed that 19 challans amounting to Rs. 21.50 lakh pertaining to the period between December 2004 and November 2006 furnished by the contractor and accepted as payment of monthly instalment were fake as the amounts shown in these challans were not credited into the treasury. Thus, non-observance of the financial rules and failure of the DDO in exercising proper checks before accepting payment of monthly instalments of contract money against these challans resulted in short realisation of contract money amounting to Rs. 32.87 lakh (including interest¹).

¹ Interest calculated upto December 2007 at the rate of 24 *per cent* per annum.

After the case was pointed out in September 2007, the MO admitted the facts and served notice on the contractor in September 2007 to deposit the contract money alongwith interest and lodged an FIR with the police in October 2007. The Director, Mines and Geology, had placed the Accountant under suspension vide orders dated 23 October 2007. The MO further stated in May 2008 that action was being taken to recover the dues from the mining contractor as arrears of land revenue.

The matter was reported to the Government in November 2007; their reply has not been received (August 2008).

TOWN AND COUNTRY PLANNING DEPARTMENT

6.3 Short recovery of licence fee and conversion charges

Under Section 3 (1) of the Haryana Development and Regulation of Urban Area Act (HDRUA Act), 1975 read with Rule 3 of the HDRUA Rules, 1976, any owner of land desiring to convert his land into a colony may apply to the Director for the grant of licence to develop a colony in the prescribed form and pay for it such fee and conversion charges as may be prescribed. The Government revised the rates of licence fee in respect of residential (plotted), residential (group housing) and commercial colonies, in September 2005 and December 2006 effective from 23 July 2005 and 4 December 2006 respectively.

During test check of the records of Director Town and Country Planning, (DTCP) Haryana, in March 2008, it was noticed that 10 owners of land applied (between December 2003 and September 2006) for conversion of their land into a plotted colony, group housing colony and commercial/office complexes in residential sectors and individual colony and paid licence fee and conversion charges amounting to Rs. 52.12 crore between December 2003 and November 2006. Though the Government had revised the rates, the department did not ask the applicants to pay the differential amount of licence fee and conversion charges before granting approval in these cases. The approval was granted between July 2005 and January 2007 on the basis of charges received at pre revised rates alongwith the applications and after issue of the letter of intent (LOI). The licence fee and conversion charges at the revised rates worked out to Rs. 79.40 crore. This resulted in loss of revenue of Rs. 27.28 crore due to non-realisation of the differential amount of fee and conversion charges.

After the cases were pointed out in March 2008, the department stated in March 2008 that the licence fee and conversion charges demanded in the LOI were payable by the coloniser in the stipulated time. Once he had complied with the terms and conditions of the LOI and paid the demanded amount, subsequent revision in licence fee and conversion charges were not payable by them. The reply of the department was not tenable since the Government had revised the rates, the department should have asked the applicants to pay the differential charges before granting approval in these cases.

The matter was reported to the Government in March 2008; their reply has not been received (August 2008).

6.4 Non-recovery of service charges from colonisers

Under the HDRUA Act, any coloniser to whom a licence has been given under this Act, shall deposit service charges at the rate of Rs. 10 per square metre of the gross area (plotted and covered area) of all floors in case of flats proposed to be developed into a colony, in two equal instalments. The first instalment shall be deposited within 60 days and second instalment is to be deposited within six months from the date of grant of the licence.

During test check of the records of the DTCP in March 2008, it was noticed that 1,507 colonisers were granted licences for the development of plotted and covered area of floors in the colonies at various towns of Haryana. The department had not maintained any register or any other control record to watch the recovery of service charges from the colonisers. Scrutiny of case files revealed that 13 colonisers were granted licences between January 2006 and January 2007 for development of 948.621 acre (plotted area/group housing). These licensees were required to pay service charges amounting to Rs. 3.84² crore in two instalments between February 2006 and July 2007 against which Rs. 63.61 lakh were deposited. Balance service charges of Rs. 3.20 crore were neither deposited by the colonisers nor demanded by the department.

After the cases were pointed out in March 2008, the DTCP intimated in June 2008 that an amount of Rs. 44.54 lakh had been recovered and notices had been issued to recover the balance amount. A report on action taken to recover the balance amount has not been received (August 2008).

The matter was reported to the Government in March 2008; their reply has not been received (August 2008).

6.5 Short levy of conversion charges

Under the Punjab Scheduled Road and Controlled Areas Restriction of Unregulated Development Rules, 1965, as applicable to Haryana, every person other than the coloniser intending to change the existing use of any land in a controlled area, for the purpose of developing it into buildings for residential, industrial, commercial or other purposes, shall be granted permission after making payment of conversion charges at the prescribed rates. Separate rates of conversion charges have been notified for different places as well as different categories (residential, commercial, institutional, industrial, etc.) by the Government from time to time. Buildings meant to be used for office or for practising any profession or for carrying on any occupation, trade, business etc. fall under the integrated commercial complex.

² 948.621 acre X 4,047 = 38,39,069.187 sq. m. X Rs. 10 = Rs. 3,83,90,692

During test check of the records of the DTCP in March 2008, it was noticed that the department granted permission for change of land use measuring 7,771.06 square yards for construction of Multi Speciality Hospital First Aid Post for Paramedics in the village Badoli (Panipat District) in December 2003 and additional 4,763.37 square metre area for further extension of the hospital in February 2006. Conversion charges in respect of commercial activities were leviable at the rate of Rs. 565 per square yard and Rs. 1,200 per square metre with effect from 28 June 2003 and 27 February 2005 respectively. The department recovered the conversion charges from the land owner at the rates applicable for institutional activities of Rs. 565 per square yard instead of for commercial activities at Rs. 1,200 per square metre. This resulted in short recovery of conversion charges of Rs. 93.05 lakh.

After the case was pointed out in March 2008, the DTCP stated in June 2008 that the project at Panipat was for the improvement of health standard in the rural area and to train and educate rural girls to become economically independent. The proposed activity involved an educational institution which had public/semi-public institutional use. Therefore, the conversion charges for institutional use were charged. The reply is not tenable as this activity of nursing education etc., was not mentioned in the permission letter. Since the permission for change of land use for the construction of Rural Multi Speciality Hospital First Aid Post and Trauma Centre was granted, the project falls under commercial activities and conversion charges at the rates applicable for commercial activities would be leviable.

The matter was reported to the Government in March 2008; their reply has not been received (August 2008).

AGRICULTURE DEPARTMENT

6.6 Non-recovery of interest on purchase tax

Under the Punjab Sugarcane (Regulation of Purchase and Supply) Act, 1953 and the rules framed thereunder, as applicable to Haryana, the occupier or agent of a sugar factory is required to pay tax of Rs. 1.50 per quintal on purchase of sugarcane latest by 14th of the following month. In the event of default in payment, interest at 15 *per cent* per annum shall be charged for the period of default.

During test check of the records of the Assistant Cane Development Officer (ACDO), Meham (Rohtak) in October 2007 for the years 1998-99 to 2006-07, it was noticed that Co-operative Sugar Mill, Meham (sugar mill) purchased 1,21,52,596.55 quintals of sugarcane between April 2001 and January 2005. The sugar mill deposited the purchase tax of Rs. 1.82 crore between December 2003 and May 2005 but did not deposit the interest due thereon for delayed payment of purchase tax. Interest of Rs. 37.58 lakh for the period between May 2001 and December 2007, though payable, was not demanded by the ACDO.

After the case was pointed out in October 2007, the ACDO, Meham intimated in January and May 2008 that efforts were being made to recover the amount of interest from the sugar mill. A report on recovery has not been received (August 2008).

The matter was reported to the department and the Government in October 2007; their reply has not been received (August 2008).

CO-OPERATION DEPARTMENT

6.7 Non-deposit of dividend on State share capital

As per the terms and conditions laid down in the sanction orders issued by the Registrar Co-operative Societies (RCS) Haryana, 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 the Haryana Co-operative Societies Rules, 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 the records of the Assistant Registrar, Co-operative Societies (ARCS), Rewari in February 2008, it was noticed that Central Co-operative Bank Limited, Rewari had been running in profit. The Board of Directors of the bank had passed a resolution in December 2006 for the payment of dividend at the rate of three *per cent* to the shareholders for the years 2004-05 and 2005-06. A dividend of Rs. 9.59 lakh was payable to the Government on the share capital of Rs. 3.19³ crore for this period. The RCS Haryana approved the proposal in April 2007 for the payment of dividend at three *per cent* on the paid up share capital for the year 2004-05 and directed to ensure payment of dividend to the Government and also retirement of due share capital. Dividend of Rs. 4.80 lakh for the year 2004-05 was neither deposited by the bank nor was it demanded by the ARCS. Further, RCS Haryana, to whom the case was sent in May 2007 for approval of proposal for payment of dividend to the Government/shareholders for the year 2005-06, had not granted approval as of February 2008. Thus, non-deposit of dividend for the year 2004-05 and delay in granting approval for the year 2005-06 led to non-deposit of dividend of Rs. 9.59 lakh.

After the case was pointed out in February 2008, the department admitted the audit observation and stated in May 2008 that the concerned bank had deposited dividend amounting to Rs. 4.80 lakh in March 2008 and efforts were being made to recover the balance amount.

³ 2004-05: Rs. 159.90 lakh; 2005-06: Rs. 159.90 lakh

The matter was reported to the Government in March 2008; their reply has not been received (August 2008).

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