

## CHAPTER-VIII: Other Non -Tax Receipts

### 8.1 Results of Audit

Test check of the records of the following receipts conducted in audit during the year 2003-04, revealed losses/non-recovery of revenue etc. amounting to Rs.150.93 crore in 1,033 cases, which broadly fall into the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
<b>FOREST RECEIPTS</b>			
1.	Loss of revenue due to departmental lapses	551	24.41
2.	Less raising of demand	11	20.46
3	Loss of revenue due to delay in initiation of certificate cases	25	1.22
4	Other cases	427	65.09
<b>Total</b>		<b>1,014</b>	<b>111.18</b>
<b>WATER RATES</b>			
1.	Loss of revenue due to non-achievement of target of irrigation	10	0.35
2.	Other cases	8	0.10
<b>Total</b>		<b>18</b>	<b>0.45</b>
<b>INTEREST RECEIPTS</b>			
1.	Other cases	1	39.30
<b>Grand Total</b>		<b>1,033</b>	<b>150.93</b>

During the year 2003-04, the concerned departments accepted loss of revenue of Rs 38.10 crore involved in 27 cases of which three cases involving Rs 6.74 crore has been pointed out in audit during 2003-04 and rest in earlier years.

A few illustrative cases involving Rs 84.02 crore are given in the following paragraphs:

## **8.2 Interest Receipts**

### **8.2.1 Introduction**

Loans and advances to Co-operatives, Governmental Institutions, Private individuals made by the State Government fall under two categories viz. interest bearing loans and advances and interest free loans and advances. These require the sanction of the Government. A specific term is fixed within which each loan and advance be fully repaid with interest at the rate prescribed by the Government for any particular loan. The repayment of loans is to be effected by instalments. Any default in payment of interest upon a loan and advance or in the repayment of principal, the authority, which sanctions a loan, may enforce a penal rate of compound interest upon all over due instalments of interest or principal and interest.

Under the provisions of the Bihar Reorganisation Act, 2000, the right of the existing State of Bihar to recover any loans or advances made before the appointed day (14 November 2000) to any local body, society, agriculturist or other person in an area within that State shall belong to the successor State in which that area is included on that day.

A test check of loan records of Agriculture Department, Industries Department, Urban Development Department and Energy Department conducted between September 2003 and June 2004 with reference to the position of loans and advances revealed that the Departments failed to raise and realise the amount of interest accrued on loans granted to industrial units, urban local bodies and other institutions. The audit findings are given below:

### **8.2.2 Non-maintenance of loan ledger/registers**

The loan ledger is the basic record of loans granted in which initial information such as details of sanction, date of drawals of loans, amount of loan, schedule of repayment, rate of interest and penal interest, particulars of repayments of principal, payment of interest are to be noted. Maintenance of the Demand, Collection and Balance (DCB) register intended for watching recoveries of the loans granted and interest accrued thereon from time to time is also required.

In the course of audit it was revealed that three<sup>1</sup> out of four departments test checked, did not maintain loan ledger and DCB register to watch timely recovery/ re-payment of installment of loans as well as recovery of the amount of interest accrued thereon. As such these departments were not in a position to furnish the details of loans and advances granted before reorganization of

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<sup>1</sup> Agriculture Department, Industries Department and Urban Development Department

the state of Bihar and creation of a new state of Jharkhand to loanees falling under the area of Jharkhand.

After this was pointed out, the departments merely confirmed the non-maintenance of register. However, steps taken for maintenance of records was not made available. Failure of the Department in maintaining any such ledger/register indicated non-existence of any monitoring system in the Departments.

### ***Non-observance of the provisions of Bihar Reorganisation Act, 2000***

#### ***8.2.3 Industry Department***

Under Bihar Industrial Policy of 1979 and 1986, as adopted by Jharkhand, interest free loans were to be given equivalent to the amount of sales tax paid under Bihar Sales Tax Act and Central Sales Tax Act. This incentive was available for five years from the date of commencement of their production. The amount of loan was to be repaid in 10 half yearly instalments after six years of grant of loan. In case of default in repayment of "Interest free Sales tax loan (IFSTL)" to industrial units, interest was realisable at the rate of 13 or 16 *per cent*.

As per information collected by audit from loan ledger of four District Industry Centre (DIC), two Industrial Area Development Authority revealed that 92 loanees did not pay even a single instalment of interest free sales tax loan. Thus they were liable to pay penal interest amounting to Rs 16.64 lakh for the period from 1998-99 to 2002-03.

#### ***8.2.4 Urban Development Department***

As per terms and conditions, interest at the rate of 13 *per cent* was leviable on loans granted to Municipal Corporation, Municipalities and Notified Area Committee (NAC).

- A test check of records of Urban Development Department (UDD) revealed that loan ledger was not maintained by the Department as such the total amount of loan granted to Urban Local bodies (ULB) could not be ascertained. However, information furnished by UDD and collected by audit from loan ledger of Ranchi Municipal Corporation, six<sup>2</sup> Municipalities and five<sup>3</sup> NACs revealed that loans amounting to Rs 46.10 crore were granted to ULB between 1990-91 and 2001-02, but the Department had neither worked out nor raised the demand for realisation of interest of Rs 11.31 crore pertained to the years 1998-99 to 2002-03.

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<sup>2</sup> Chaibasa, Chas, Deoghar, Hazaribagh, Jugsalai and Madhupur

<sup>3</sup> Adityapur, Jamshedpur, Jasidih, Mango and Sindri

After this was pointed out, the UDD directed all ULB in October 2004 to increase their capacity for repayment of loans and commence immediate repayment of loans as per terms and conditions mentioned in the sanction order.

- Further, scrutiny of sanction letters revealed that loans aggregating Rs 1.76 crore was sanctioned to seven Municipalities, two NAC and Ranchi Municipal Corporation, but the terms and conditions for repayment of loan and for payment of amount of interest had not been fixed. Non-finalisation of terms and conditions by the Department resulted in non-assessment and non-realisation of interest amounting to Rs 0.69 crore calculated at the rate prescribed in other sanction letters issued by the Department during the relevant period.

It is apparent from the above findings that the departments failed to adhere to the provisions of the Bihar Reorganisation Act, 2000.

#### ***8.2.5 Non-realisation of amount of interest and penal interest***

As per terms and conditions mentioned in the sanction order, the repayment of the amount of advance is required to be made in equal annual instalments after one year and interest accrued thereon at the rate of 13 *per cent* per annum is realisable. Further, in case of failure to make repayment of loan and payment of interest by the due dates, penal interest at the rate of 2.5 *per cent* per annum on overdue instalment of interest or principal and interest is recoverable.

Test check of records and sanction orders issued by the Energy Department revealed that the Department had sanctioned loans of Rs.187 crore and Rs 15 crore to JSEB and TVNL during 2001-02. The loanees were required to re-pay the loans and interest after one year, but not a single instalment of loan was repaid by the loanees. The Department failed to raise demand and realise the instalment of principal amount of Rs 20.20 crore as well as interest of Rs 26.26 crore accrued thereon. For non- payment of the instalment of the loans and interest, penal interest of Rs 0.74 crore upto March 2004 though leviable was not levied by the departments.

After this was pointed out, the Energy Department stated that a letter had been issued to the units for payment of principal amount and interest.

#### ***8.2.6 Non-finalisation of terms and conditions***

As provided under Rule 373 (1) and 377 (2) of B.F.R. a specific term should be fixed, which should be as short as possible, within which each loan or advance be fully repaid with interest. For the repayment of loans, due dates for payment of instalment of loans and interest accrued thereon should

specifically be prescribed. The rate of interest is 13 per cent and penal rate of interest is 2.5 per cent as prescribed in other sanction letters issued by the Department.

Scrutiny of sanction letter revealed that a loan of Rs. 20 crore was sanctioned in March 2001 to the Bihar State Electricity Board (BSEB), Patna by the Energy Department for payment to National Thermal Power Corporation (NTPC), but no terms and conditions for repayment of the loan and for payment of the amount of interest was fixed. Non-finalisation of terms and conditions by the Department resulted in non-assessment and non-recovery of interest amounting to Rs 7.80 crore and penal interest of Rs 1.39 crore calculated at the rate of 13 and 2.5 per cent respectively for the period 2001-02 to 2003-04.

After this was pointed out in June 2004, the Energy Department stated (December 2004) that the amount was made available to NTPC against purchase of power on behalf of BSE Board, Patna. However reasons for not prescribing terms and conditions for repayment of loan and interest were not furnished.

### **8.2.7 Grant of loan to non-instituted body**

A sum of Rs.3.80 crore was sanctioned in March 2002 as loan for Hydel Power Project by the Energy Department during the year 2001-02. As per the sanction order the amount of loan drawn in March 2002 by the Energy Department was deposited into the account of *Tenughat Vidyut Nigam Ltd.* As per terms and conditions mentioned in the sanction order, the amount of loan was to be spent by the Nodal officer of the project under orders of the Energy Secretary and the repayment of the amount of loan in 10 equal annual instalments and payment of the amount of interest was to commence one year after the constitution of Non-Conventional Source of Energy Authority or Hydel Power Corporation.

The date of constitution of such an Authority or Corporation, though called for, was not made available. The Department stated in December 2003 that a letter was issued in February 2003 for making the amount available to the Chairman, JREDA (Jharkhand Renewable Source of Energy Development Authority), but were not aware as to whether the amount had been transferred or not.

This indicated that sum of Rs 3.80 crore was drawn as loan payable to a body still to be constituted and its retention so far defeated the very purpose for which it was drawn. This has resulted in a loss of interest of Rs. 98.80 lakh to Government revenue worked out at the rate of 13 per cent for the period 2002-03 and 2003-04.

The above findings were reported to the Government in July and November 2004; their final reply is awaited (April 2005).

### .8.3 Loss of revenue due to illegal mining in forest areas

Under the provisions of the Forest (Conservation) Act, 1980, no forest land can be transferred for non forest purposes without the prior approval of Government of India. In the interim order of December 1996, the Honourable Supreme Court had directed<sup>4</sup> to cease all on going activity within any forest in any state throughout the country without the prior approval of the Central Government. In case the forest land is diverted for non forest purposes, net present value (NPV) of land and cost of afforestation was to be realised from the user agency.

During test check of records of Divisional Forest Officers, (DFO) Hazaribagh, North Forest Division, Daltonganj and Ajay Soil Conservation Division, Deoghar it was noticed between August and December 2003 that NPV amounting to Rs 35.88 crore was not raised/ realised as detailed below:-

(Rupees in crore)

Sl. No	Name of forest Division	Name of the forest areas	Area of forest land illegally utilised (in hectare)	Non- raising/ Non-realisation of NPV	Reasons
1	DFO, East Forest Division, Hazaribagh	Karma, Laiyo, Pindra and Pundi	320.99	29.31	The illegal mining was noticed by a Joint survey conducted by Forest Department and Central Coal Field limited in 2002-03. However, demand for NPV was not raised against the user agency resulting in non-realisation of Rs 29.31 crore.
2	North Forest Division, Daltonganj	Hatai, Tali, Pipra and Tamdaga.	35.02	1.59	The renewal of mining lease due in September 1997 was finally rejected by Government of India in March 1999 during which the forest land remained under the occupation of user agency. NPV of Rs 1.59 crore though payable by the user agency was neither paid by it nor demanded by the Department.
3	Ajay Soil Conservation Divn, Deoghar	Punasi Jalasaya Yojana Ajay Barrage Project	160.213	4.98	The land was under the occupation of the user agency without the approval of Government of India. NPV of Rs 4.98 crore though payable by the user agency was neither paid by it nor was it demanded by the Department.
		<b>Total</b>	<b>516.223</b>	<b>35.88</b>	

After this was pointed out, DFO Hazaribagh stated in March and June 2004 that demand of Rs 11.91 crore was raised for Laiyo and Pindra forest on receipts of Government order. In remaining cases reply is awaited. Further reply has not been received (April 2005).

The cases were reported to Government in May 2004. The Government stated in February 2005 that after receiving the final proposal the NPV would be realised in respect of Punasi Jalasaya Yojana under Ajay Soil Conservation Division, Deoghar. Final reply in respect of other cases and report on realisation are awaited (April 2005).

<sup>4</sup> W.P. (Civ) No 202 of 1995 (S.C.)

#### **8.4 Short raising of demand of Net Present Value**

Under the provisions of Forest Conservation Act, 1980 and Government order issued in November 1991, NPV for the diversion of forest land for non- forest purposes is to be realised from the user agency for compensating loss of productive capacity of forest land. It has been judicially held<sup>5</sup> by the apex court that after 30 October 2002 the NPV between Rs 5.80 lakh and Rs 9.20 lakh per hectare depending upon the quality of forest, density and type of species in area was to be realised from the user agencies for all those cases of diversion of forest land for non- forest purposes.

During the course of audit of two Divisional Forest Offices<sup>6</sup> it was noticed in August 2003 and January 2004 that 226.724 hectares of forest land was utilised by two user agencies<sup>7</sup>. The Department erroneously raised demand of Rs 8.69 crore against the user agencies in August 2002 and June 2003 instead of the correct demand of Rs 17.08 crore. This resulted in short raising of demand of Rs 8.39 crore.

After this was pointed out, the DFOs stated in August 2003 and January 2004 that the matter would be examined and revised demand would be raised. Further reply has not been received till April 2005.

The case was reported to Government in May 2004. The Government, in the case of Bokaro stated that the demand raised earlier has been rectified, while in the case of Porahat it was stated that demand for 2.48 hectares of forest areas could not be raised in absence of the guidelines for assessment of NPV. The reply was not tenable as Forest Conservation Act is applicable in such cases and assessment should have been done accordingly.

#### **8.5 Blockage of revenue due to non-disposal of seized forest produce**

Under the provisions of the Indian Forest Act, 1927 and instruction issued by Principal Chief Conservator of Forests Bihar, Ranchi in July 1996, seized forest produce involved in court cases are required to be disposed of after obtaining order of court to avoid natural decay. Revenue realised is to be deposited as per the direction of the court.

In two Forest Divisions Saranda and Daltonganj North, it was noticed that 626 blocks and 536.509 cu. m. of timber valued at Rs 45.19 lakh were seized by the Department during 2002-03. Though the cases were filed in court, but no action was taken by the Department to obtain permission of the court to

<sup>5</sup> I.A. No. 566 in Writ Petition (Civil) No 202 of 1995

<sup>6</sup> Bokaro and Porahat (Chaibasa)

<sup>7</sup> Power Grid Corporation of India and AMLO open cast mining project

dispose of the seized materials to avoid natural decay and loss to the Government.

This was pointed out to the Department in November 2003; their replies have not been received (April 2005).

The cases were reported to Government in May 2004; their final reply has not been received (April 2005).

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