

CHAPTER VII : NON-TAX RECEIPTS

7.1 Results of audit

Test check of the records of the concerned departmental offices, during the year 2006-07, disclosed short realisation or loss of revenue amounting to Rs.168.43 crore in 77 cases, under the following broad categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
Miscellaneous General Services			
1	Non-recovery of guarantee commission	1	60.83
Total		1	60.83
Forestry and Wildlife			
1	Non/short recovery of lease rent, interest, penal interest	16	91.29
2	Non/short recovery of forest development tax	8	0.13
4	Other irregularities	34	10.89
Total		58	102.31
Irrigation			
1	Non/short raising of demand for water rate/penal water rate	11	4.76
2	Non/short levy of maintenance cess	04	0.15
3	Short levy of water rates	03	0.38
Total		18	5.29
Grand Total		77	168.43

During the course of the year 2006-07, the departments accepted the audit observations involving Rs.11.87 crore in 59 cases and recovered Rs.1.79 crore in 26 of them which had been pointed out in audit in earlier years.

A few illustrative cases involving Rs.62.45 crore are mentioned in the following paragraphs. Of this, Rs.16 lakh had been recovered.

A. Miscellaneous General Services

7.2 Non-recovery of guarantee commission

In exercise of the powers conferred by Article 293 of the Constitution of India, the State Government guarantees repayment of loans obtained by public sector undertakings, statutory boards and corporations and certain other bodies. Such guarantees constitute contingent liability for the State. Under the Karnataka Ceiling on Government Guarantees Act, 1999 (Act), a commission of minimum of one *per cent* is to be charged by the Government from the beneficiary institutions in all such cases. The Act prohibits waiver of the commission under any circumstances. According to the guidelines issued by Finance Department in September 1969 and September 2002, the amount of commission chargeable is to be calculated on the actual amount of loan due and outstanding including interest at the end of each month and is to be paid once in six months. Finance Department through an official memorandum (November 1971) has also laid down criteria and procedure for adoption by the administrative departments to safeguard the interest of Government in connection with guarantees given by the Government. Accordingly, sanctions for standing guarantee should specify the head of the department who should watch the payment of guarantee commission on the due dates, maintenance of a register in the prescribed proforma, rate of guarantee commission, whether interest is also guaranteed, etc.

A detailed analysis of the data obtained by test check of records of five departments and 28 loanee institutions showed that guarantees given by the Government on loans/bonds for the period from 2001-02 to 2005-06 outstanding as on 31 March 2006 was Rs.1,533.39 crore. Registers and records for watching the payment of guarantee commission were not maintained in two⁴⁸ departments. Details regarding monitoring of payment of guarantee commission were not furnished by other departments (October 2007). The guarantee commission payable by the bodies/institutions worked out to Rs.60.83 crore, as detailed below:

(Rupees in crore)			
Sl. No.	<u>Name of the department.</u> Name of the body	Sums guaranteed outstanding as on 31.3.06	Guarantee commission outstanding as on 31.3.06
1	Co-operation		
	Karnataka State Co-operative Apex Bank	150.00	3.31
	The Karnataka State Co-operative Agriculture and Rural Development Bank Limited	686.20	23.88
2	Forest, Ecology and Environment		
	Karnataka Cashew Development Corporation Limited	1.56 (includes interest of Rs.0.03 crore)	0.15

⁴⁸ Forest, Ecology and Environment, Social Welfare

(Rupees in crore)

Sl. No.	<u>Name of the department.</u> Name of the body	Sums guaranteed outstanding as on 31.3.06	Guarantee commission outstanding as on 31.3.06
3	Health and Family Welfare		
	Sri Jayadeva Institute of Cardiology	2.97	0.66
4	Industries and Commerce		
	Karnataka State Industrial Investment and Development Corporation Limited	158.51	13.61 (2002-03 to 2005-06)
	Karnataka Handloom Development Corporation Limited	27.11	0.86
	Mysore Sugar Company Limited	28.28 (includes interest of Rs.15.56 crore)	2.05
	Mysore Electrical Industries Limited	7.30	0.49
	18 ⁴⁹ Sahakari Sakkare Kharkanis (SSK)	374.70 (includes interest of Rs.29.19 crore)	13.15
5	Social Welfare		
	Karnataka Minorities Development Corporation Limited	43.92	1.54
	Karnataka Residential Educational Institutions Society	52.84	1.13
	Total	1,533.90	60.83

Neither the Act nor the sanctions issued for standing guarantee specifies the consequences of non-payment of the commission on the due dates, such as levy of interest and disqualification for fresh guarantees.

After the cases were referred to the Government in May 2007; the Government (Health and Family Welfare Department) reported recovery of Rs.16 lakh. Reply in respect of remaining cases has not been received (October 2007).

B. Other Administrative Services

7.3 Non-recovery of fuel and maintenance charges

The Revenue Department recovers, on behalf of banks, loans referred to it as arrears of land revenue. The Government vide order dated May 1998 directed that two and a half *per cent* of the bank loans collected as arrears of land revenue should be deducted as fuel and maintenance charges and kept in a separate account. Further, the Government, vide its order dated November 2004, clarified that fuel and maintenance charges recovered from

⁴⁹ Aland SSK, Bidar SSK, Bhagyalaxmi SSK, Dhanalaxmi SSK, Doodhganga Krishna SSK, Ghataprabha SSK, Karnataka SSK, Krishna SSK, Mahatma Gandhi SSK, Markandeya SSK, Malaprabha SSK, Naranja SSK, Pandavapura SSK, Raithara SSK, Raibagh SSK, Someswara SSK, Srirama SSK, Vanivilas SSK

the banks were receipts of the Government and directed that the recoveries be remitted to the Government account.

During the audit of the offices of eight⁵⁰ tahsildars conducted between April 2006 and January 2007, it was noticed that fuel and maintenance charges at the prescribed rates were not deducted from the bank loans of Rs.15.21 crore recovered as arrears of land revenue during 2001 -02 to 2005-06. This resulted in non-realisation of Rs.38.02 lakh.

After the cases were referred to the Government in April 2007, the Government replied that the bank loans recovered are the direct payment of loans from the borrowers to the bank and settlement of old loans by sanction of fresh loans and as such fuel and maintenance charges required to be collected are not collected. However, the matter was being pursued with the concerned banks. The reply is not tenable as revenue recovery procedures had been initiated by the Department in these cases.

C. Irrigation

7.4 Non-raising of demands for water rate/penal water charges

Under the Karnataka Irrigation (Levy of Water Rate) Rules 1965, in respect of each crop or revenue year, as the case may be, an officer from Water Resources department is required to inspect and prepare a statement of survey numbers of lands to which water was supplied, made available or used for irrigation of crop raised therein. On the basis of this statement, the irrigation officer prepares a demand statement of water rate and penal water charges⁵¹ payable by each landholder and sends it to the tahsildar concerned for raising demand and making collection. On receipt of the demand statement from the Irrigation Department, these demands are to be booked in the demand, collection and balance (DCB) register and a copy of the demand statement is sent to the village accountant to enable him to serve demand notices on the individual parties.

It was noticed during cross verification of the demand statements received from the Irrigation Department with the DCB register of the tahsildars in two taluks of two districts that there was omission on the part of the Revenue Department to book and raise demand for water rate and penal water charges

⁵⁰ Athani, Hangal, Hukkeri, Indi, Kalghatgi, Muddebihal, Navalgund, Raibagh

⁵¹ Penal water charges are payable at 15 times the normal water rate for unauthorised use of water and at five times the normal water rate for violation of approved cropping pattern

of Rs.86.15 lakh for the years 2002-03 to 2004-05, as per the details mentioned below:

(Rupees in lakh)

Sl. No.	Taluk (district)	Year to which demand relates	Amount of non-booking of demand for water rate/ penal water charges
1	Athani (Belgaum)	2003-04	1.20
		2004-05	25.76
2	Harapanahalli (Davanagere)	2002-03	40.18
		2003-04	9.81
		2004-05	9.20
	Total		86.15

After the cases were referred to the Government in March/April 2007, the Government reported in September 2007 that the demand in respect of Athani taluk had since been accounted in the DCB. Reply in the remaining case has not been received (October 2007).

7.5 Short levy of water rates

Under the Karnataka Irrigation (Levy of Water Rates) Rules, 1965 when water is used from any irrigation work for any purpose other than agriculture after obtaining necessary permission, water rate shall be levied at prescribed rates. The water rate leviable in case of water drawn for industrial use from canal, tank, reservoir, pond, etc belonging to the Government is Rs.3,200 per mcft from 13 July 2000.

The Government granted the right of construction of bridge-cum-barrage across Kagina and Kamalavathi rivers in Gulbarga district to three⁵² cement companies at their cost and to utilise water for their factory and residential colony and executed agreements on 12 May 2003. The agreements specified the maximum quantity of water that could be drawn by the factories each day at the then prevailing rate. The barrage would revert to the Government after a period of 10 years. The three projects were commissioned between September 2004 and February 2005. Even though the agreements specified installation of water meters by the factories to measure the water drawn from the rivers, none of the factories have installed water meters.

Test check of the records of the Executive Engineer, Minor Irrigation Division, Gulbarga conducted in January 2007 revealed that the three industrial units paid Rs.5.20 lakh against water charges of Rs.43.07 lakh payable by them at prevailing rates for supply of 1,345.96 mcft of water during the period September 2004 to December 2006 as per the requirement of these units. This resulted in short levy of water charges of Rs.37.87 lakh.

⁵² Malkhed, Rajashree Cement, Sedam, Vasavadatta Cement, Wadi, Wadi Cement Works

The cases were reported to the Chief Engineer, Minor Irrigation, North Zone, Bijapur in April 2007 and referred to the Government in May 2007; their replies have not been received (October 2007).

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