

CHAPTER VII: NON-TAX RECEIPTS

7.1 Results of audit

Test check of the records of the concerned departmental offices, conducted during the year 2007-08, disclosed short realisation or loss of revenue amounting to Rs. 98.07 crore in 97 cases which fall under the following categories:

| (Rupees in crore) | | | |
|--|--|-----------------|--------------|
| Sl. No. | Category | Number of cases | Amount |
| Forestry and Wildlife | | | |
| 1. | Non/short recovery of lease rent | 2 | 12.49 |
| 2. | Non/short recovery of forest development tax | 3 | 4.91 |
| 3. | Other irregularities | 11 | 3.29 |
| Total | | 16 | 20.69 |
| Co-operation Receipts | | | |
| 1. | Non-levy of interest | 13 | 0.24 |
| Total | | 13 | 0.24 |
| Minor Irrigation | | | |
| 1. | Non/short raising of demands for water rate/penal water rate | 18 | 10.36 |
| 2. | Short levy of supervision charges | 3 | 0.39 |
| Total | | 21 | 10.75 |
| Non-ferrous Mining and Metallurgical industries | | | |
| 1. | Non/short levy of interest/penalty | 21 | 47.45 |
| 2. | Non/short levy of royalty/dead rent | 13 | 14.99 |
| 3. | Incorrect fixation of minimum bid amount for ordinary sand | 3 | 2.30 |
| 4. | Other irregularities | 10 | 1.65 |
| Total | | 47 | 66.39 |
| Grand total | | 97 | 98.07 |

During the course of the year 2007-08, the departments accepted audit observations involving Rs. 6.54 crore in 44 cases and recovered Rs. 96.94 lakh in 16 cases pointed out in the earlier years.

After the issue of a draft paragraph, the Government reported recovery of Rs. 38.65 lakh in three cases.

A few illustrative cases involving Rs. 8.79 crore are mentioned in the succeeding paragraphs.

A. OTHER ADMINISTRATIVE SERVICES

7.2 Non-recovery of fuel and maintenance charges

The Revenue Department recovers loans, on behalf of the banks, referred to it as arrears of land revenue. The Government vide its order of May 1998, directed that 2.5 per cent of the bank loans collected as arrears of land revenue should be recovered as fuel and maintenance charges and kept in a separate bank account. Further, the Government vide its order of November 2004, clarified that fuel and maintenance charges recovered from the banks were receipts of the Government and should be remitted to the Government account.

Test check of the records of the offices of eight¹ tahsildars conducted between June and December 2007, revealed that fuel and maintenance charges at the prescribed rates were not deducted from the bank loans of Rs. 7.21 crore recovered as arrears of land revenue during 2002-03 to 2006-07. This resulted in non-realisation of Rs. 18.03 lakh.

After the cases were referred to the Government in April 2008, the Government reported that the bank loans recovered are by way of direct repayment by borrowers to banks and through one time settlement arranged by banks. It was stated that the matter would be taken up with the Finance Department to exempt at least the recovery charges in cases of direct repayment of loan and one time settlement of loans done by banks. The reply is not tenable since the fuel and maintenance charges in these cases have to be recovered as per existing orders.

¹ Arasikere, Bijapur, Jamakhandi, Khanapur, Kundagol, Ramdurga, Ranebennur, Soundatti.

B. CO-OPERATION RECEIPTS

7.3 Non-levy of interest

According to the Karnataka Civil Service Rules, when an addition is made to a regular establishment, its cost or a definite portion of its cost should be recovered from the persons for whose benefit the additional establishment was created. Further, the cost of such service shall be paid within 15 days from the date of raising the demand. For default in payment, an interest at the rate of two paise per day per Rs. 100 shall be levied on the amount due upto the date on which the amount is finally paid.

Test check of the records in two offices of the Assistant Directors of Co-operative Audit (ADA), Bangalore (I and II circles) in March 2008 revealed that in respect of 13 societies, the cost of such service in respect of personnel deputed to these co-operative societies for concurrent audit as on 1 April 2002 was Rs. 46.36 lakh. During 2002-03 to 2006-07, demand for Rs. 1.93 crore was raised. The amount paid by them was Rs. 1.52 crore. The interest for belated payment of dues was, however, not levied. The non-levy of interest amounted to Rs. 23.64 lakh for the period April 2002 to March 2007.

After the cases were pointed out in January 2008, the department reported in June 2008 that the demand for interest had since been raised in March/April 2008. Report of recovery has not been received (November 2008).

The cases were referred to the Government in May 2008; their reply has not been received (November 2008).

C. MINOR IRRIGATION

7.4 Non/short raising of demands for water rate and 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, one officer from the Irrigation 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 charges payable by each landholder and sends it to the Revenue Department (tahsildar concerned) for raising demand and effecting recovery. 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 sent to the concerned village accountants to enable them to serve demand notices on the individual parties and recover the amount.

Cross verification of the demand statements received from the Irrigation Department with the DCB register of the tahsildars in five² taluks of three districts between May 2007 and February 2008 revealed that the Revenue Department had not initiated action to raise demand for water rate and penal water charges of Rs. 4.13 crore for the years 2004-05 to 2006-07. In Channarayapatna taluk (Hassan district) demand of Rs. 5.13 lakh only was booked against the demand of Rs. 22.52 lakh resulting in short booking of Rs.17.22 lakh. This resulted in non/short raising of demands for water rate/penal water charges of Rs. 4.31 crore.

After the cases were referred to the Government in April 2008, the Government reported in September 2008 that demand of Rs. 1.43 lakh in respect of Bagepalli taluk had since been booked in the DCB. Final reply in the remaining cases has not been received (November 2008).

² Bagepalli (Chikaballapur), Kollegal (Chamarajnar), Maddur, Mandya (Mandya), T.Narasipura (Mysore).

D. MINERAL RECEIPTS

7.5 Short levy of interest due to incorrect adjustment of payments

Under the Mineral Concession Rules, simple interest at 24 *per cent* per annum is leviable on the belated payment of dead rent or royalty, beyond 60 days from the due date for payment. Further, as per article 32 (c) of the Karnataka Financial Code, 1956 as amended by a notification of March 2001, any amount received/recovered shall be first adjusted towards the outstanding interest on the tax/revenue and then towards arrears and finally towards the current demand.

Test check of the records in July 2007 revealed that two companies holding mining leases in Sedam division were in aggregate arrears of royalty of Rs. 19.34 crore and interest of Rs. 31.39 crore as of 1 April 2005. During the year 2005-06, fresh demands for royalty of Rs. 36.86 crore and interest of Rs. 4.64 crore were made. Thus, the total due outstanding towards royalty was Rs. 56.20 crore and interest was Rs. 36.03 crore. During 2005-06, the lessees paid Rs. 33.74 crore which were adjusted towards royalty dues instead of interest and the closing balance of royalty and interest as at the end of March 2006 were shown as Rs. 22.46 crore and Rs. 36.03 crore respectively. This incorrect adjustment resulted in reduction of royalty dues by Rs. 16.96³ crore as at the end of March 2006 and consequent short levy of interest amounted to Rs. 4.07 crore.

The cases were reported to the department in September 2007. The department stated that the cement companies were not agreeable to the 1:1.4 ratio factor of clinker to limestone used by the department to compute the production of limestone for levy of royalty and the difference amount had been claimed as arrears on which interest at 24 *per cent* was levied by the department. Since there is a dispute over the issue which is pending before the Government, the department has adjusted the advance royalty paid by the companies towards current demand. The reply is not tenable since the payments made have to be adjusted first towards interest and then principal as per the codal provisions.

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(Rupees in crore)

| Company | Outstanding due | | Payment | Adjustment as per norms | |
|---------|-----------------|----------|---------|-------------------------|----------|
| | Royalty | Interest | | Royalty | Interest |
| A | 28.81 | 6.61 | 23.39 | 16.78 | 6.61 |
| B | 27.39 | 29.42 | 10.35 | 0.00 | 10.35 |
| | 56.20 | 36.03 | 33.74 | 16.78 | 16.96 |

The case was referred to the Government in May 2008; their reply has not been received (November 2008).

**Bangalore
The**

**(C. Gopinathan)
Accountant General
(Works, Forest & Receipt Audit)
Karnataka**

Countersigned

**New Delhi
The**

**(VINOD RAI)
Comptroller and Auditor General of India**