

**CHAPTER VII**  
**NON-TAX RECEIPTS**

**7.1. Results of Audit**

Test check of the records of Offices of the Forest and Co-operative Departments conducted in audit during 2002-03 revealed non-levy/short realisation of revenue amounting to Rs 47.84 crore in 44 cases which may broadly be categorised as under.

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
<b>FOREST RECEIPTS</b>			
1.	Non/short realisation of Sales Tax/Income Tax	12	1.44
2.	Short/non-realisation of value of forest produces	10	0.56
3.	Short/non-demand of lease rent on forest lands	10	0.32
4.	Loss in auction/re-auction, disposal of forest produce, short/non-realisation of penalty and other charges	5	0.09
5.	Other lapses	6	0.09
<b>CO-OPERATION</b>			
1.	<b>Review</b> : Receipts from the Co-operative Department	1	45.34
	<b>Total</b>	<b>44</b>	<b>47.84</b>

During 2002-03, the Departments accepted underassessments of Rs 40.62 lakh involved in 13 cases of which 9 cases involving Rs 26.11 lakh were pointed out in audit during 2002-03 and the rest in earlier years.

During the year the Departments recovered Rs 14.51 lakh in 4 cases pointed out prior to 2002-03. A few illustrative cases involving Rs 47.98 lakh and the results of a review, '**Receipts from the Co-operative Department**' involving Rs 45.34 crore are given in the following paragraphs.

**FOREST RECEIPTS**

**7.2. Non realisation of Forest Development Tax and additional price**

Agreements executed between the Government of Kerala and two industrial undertakings [Hindustan Newsprint Ltd. (HNL) and Grassim Industries] provided for the supply of specified quantities of eucalyptus, every year at the value (i.e, royalty) agreed upon from time to time and taxes thereon. Under the Kerala Forest Produce (Fixation of Selling Price) Act, 1978, any industrial establishment which purchases eucalyptus from the Government as raw

materials, in pursuance of a contract, shall pay an additional price at the rate of Rs 25 per metric tonne. Under the Kerala Forest Act, 1961, forest development tax at the rate of five *per cent* of the amount of consideration paid therefor is leviable on specified forest produce disposed of by the Government. Government order issued in July 1997 stated that in case the Forest Department failed to supply the agreed quantity of eucalyptus to these industries, it may direct the Kerala Forest Development Corporation (KFDC) to supply specified quantity of eucalyptus at the rate agreed upon.

In the Office of the Chief Conservator of Forests, Thiruvananthapuram it was noticed that KFDC supplied 58935.798 metric tonnes of eucalyptus between 1997-98 and 2000-01 to the two industrial undertakings, at Government rates and collected from them the additional price and the tax amounting to Rs 29.50 lakh payable to Government. No action was, however, taken by the Forest Department for the realisation of the amounts irregularly collected and retained by the KFDC.

On this being pointed out, the Department stated that they had proposed to the Government for withholding Rs 29.50 lakh, from the subsidy due to KFDC.

The matter was reported to Government in March 2003; their reply has not been received (October 2003).

### **7.3. Excess payment of subsidy**

Agreement executed in October 1974 between the Government of Kerala and the Hindustan Paper Corporation Ltd. (HPCL) provides for the supply of specified quantity of raw materials like eucalyptus, bamboo and reeds every year to HPCL's factory viz. Hindustan Newsprint Ltd. (HNL) at the value (i.e. royalty) agreed upon from time to time and taxes thereon. When the Government fails to supply the specified quantity of eucalyptus to HNL, it may direct the Kerala Forest Development Corporation (KFDC) to supply specified quantity of eucalyptus at the rate agreed upon, and shall pay by way of subsidy to KFDC the difference between the rate agreed upon with HPCL and the price fixed by KFDC on no profit no loss basis. Government raised in December 2000 the rate of royalty on eucalyptus from Rs 438 to Rs 518 per metric tonne for the period from 1 September 1999 to 31 March 2000.

The KFDC fixed the rate of eucalyptus at Rs 1,120 per metric tonne for 1999-2000 and supplied 21038.72 metric tonnes to HNL as per the orders issued by Government in September and December 1999 and collected royalty at Rs 438 per metric tonne instead of Rs 518 per metric tonne and realised (August 2000) from Government subsidy of Rs 1.44 crore at the differential rate of Rs 682 per metric tonne. On enhancement of royalty payable by HNL, the Forest Department had to realize from KFDC subsidy of Rs.16.83 lakh paid in excess at the differential rate of Rs 80 per metric tonne. However, no action was taken by the Department for realising the excess subsidy paid over to KFDC (August 2003).

This was pointed out to the Department in August 2002 and reported to Government in February 2003. The Department stated in September 2003 that

they had directed KFDC to remit the excess claim back to the Forest Department and if it was not paid, the same would be recovered from the subsidy due to it. Further report has not been received (October 2003).

#### **7.4. Short demand of interest**

Government leased out forest land to Kerala Forest Development Corporation for raising plantation and other purposes. Lease rent at the rate prescribed by Government from time to time is payable by the lessees. If lease rent for each financial year is not paid before the last day of that year, compound interest at the rate of 2.5 *per cent per annum* is recoverable for the period of default. Government fixed (January 2002) the rate of lease rent for lands cultivated with trees and that cultivated with cash crops at Rs 25 and Rs 100 per hectare *per annum* respectively from the date of lease till 31 March 2002 and at the rate of Rs 50 per hectare and at Rs 200 per hectare respectively thereafter.

In Divisional Forest Office, Achencovil, on 791.01 hectares of forest land leased out to the Corporation, lease rent for the period from 15 September 1977 to 31 March 2002 and interest due thereon was correctly worked out to Rs 6.75 lakh by the Department. However, only Rs 5.10 lakh was actually demanded. This resulted in short demand of interest of Rs 1.65 lakh.

The matter was pointed out, to the Department in June 2002, no reply has been received (October 2003).

The matter was reported to Government in March 2003. They stated in October 2003 that direction had been given to the Corporation to remit Rs 1.65 lakh. Further report has not been received (October 2003).

#### **OTHER NON-TAX RECEIPTS**

#### **7.5. Review : Receipts from the Co-Operative Department**

##### ***Highlights***

- **There was no follow up action to realise the arrears of Rs 67.77 crore.**  
*(Paragraph 7.5.6)*
- **The Department failed to maintain proper accounts of disbursements of Rs 164.30 crore.**  
*(Paragraph 7.5.8)*
- **There was no entry in any records of the Department for disbursement of Rs 21.88 crore.**  
*(Paragraph 7.5.8)*
- **The Department had to forego audit fee/cost of Rs 30.55 crore due to not conducting audit.**  
*(Paragraph 7.5.10.)*

- **The Department failed to raise demand of interest/penal interest of Rs 8.47 crore due on loans and share capital contribution.**  
(Paragraphs 7.5.11. and 7.5.12.)
- **The Department failed to raise demand of guarantee commission of Rs 6.32 crore due from a Bank.**  
(Paragraph 7.5.13.)

### ***Introduction***

**7.5.1.** The Kerala Co-operative Societies Act, 1969, and the rules made thereunder provide for promotion, registration, development, supervision, inspection and annual audit of co-operative societies. Major receipts from the Co-operative Department are audit fee, arbitration fee, liquidation charges, fee for appeal or revision, interest/penal interest on loan, penal interest for delay on retirement of share capital, dividend on share capital and guarantee fee, etc. As on 31 March 2002, there was one State Co-operative Bank, one State Co-operative Agricultural and Rural Development Bank, 14 District Co-operative Banks and eight apex societies in the State. There were 11,927 registered societies out of which 2181 were defunct as on 31 March 2001.

### ***Organisational set up***

**7.5.2.** The Department is headed by the Registrar of Co-operative Societies who is assisted by five Additional Registrars and three Joint Registrars at Headquarters. There are separate wings for the administration and the audit of Co-operative institutions under him. The Department is to recover audit fee, dividend, loans with interest thereon and retirement of share capital with penal interest, etc. At the District level, there are two Joint Registrars, one to look after the administration of co-operative societies and the other to oversee the audit of accounts of the societies, while at the Taluk level there are two Assistant Registrars, one for administration and the other for audit. Under them there are Inspectors and Auditors for inspection, audit and other field duties.

### ***Audit Objectives***

**7.5.3.** A review of the accounts of the Department for the years 1997-98 to 2001-2002 was conducted during the period from October 2002 to February 2003 in the offices of the Registrar of Co-operative Societies, six<sup>♦</sup> out of 14 District Offices of the Joint Registrars (General) and the Joint Registrars (Audit) and the Assistant Registrar (General) and the Assistant Registrar (Audit), Thiruvananthapuram to ascertain whether

- audit fees/audit cost, dividend, interest/penal interest on loan/ penal interest on share capital contribution etc., was demanded in accordance

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<sup>♦</sup> Alappuzha, Ernakulam, Kozhikode, Pathanamthitta, Thiruvananthapuram and Thrissur

with the provisions in the Act/Rules and timely action was taken for their realisation;

- the accounts/registers were maintained properly;
- audit of the institutions/societies was being conducted regularly; and
- proper internal control mechanism existed for the implementation of the provisions in the Act/Rules.

**Trend of revenue**

**7.5.4.** Audit fee, grant from National Co-operative Development Corporation (NCDC), arbitration fee, cost of audit and interest from co-operative societies constituted the major source of income of the Department. The revenue receipts for five years from 1997-98 to 2001-02 were as under.

(Rupees in crore)

Sl. No.	Category of receipts	Years				
		1997-98	1998-99	1999-00	2000-01	2001-02
1	Audit fees	1.06	1.20	1.46	2.27	2.12
2	Cost of Audit	7.92	9.69	14.47	13.10	10.86
3	Arbitration fees	3.34	4.20	5.20	5.53	5.24
4	Interest from Co-operative Societies	7.22	3.91	3.97	2.46	2.42
5	Liquidation charges appeal fees and other receipts	0.88	0.67	1.05	1.43	1.33
6	Grants from NCDC	1.02	3.31	1.31	1.13	1.57
<b>TOTAL</b>		<b>21.44</b>	<b>22.98</b>	<b>27.46</b>	<b>25.92</b>	<b>23.54</b>

The total revenue declined by Rs 2.38 crore in the year 2001-02 when compared with the receipt for the previous year.

Reasons for the reduction though called for (July 2003) from the Department have not been received as of date (October 2003).

**Budget estimates and actuals**

**7.5.5.** The budget estimates and the actuals during the period 1997-98 to 2001-02 were as under.

(Rupees in crore)

Year	Receipt head of account in the State budget								
	0425 Co-operation			0049 Interest – Receipts 195- Interest from Co-operative Societies			0050 Dividend and Profits 200 Dividends from other Investments (02) Other Co-operatives		
	Budget estimates	Actuals	Variation	Budget estimates	Actuals	Variation	Budget estimates	Actuals	Variation
1997-98	15.58	14.22	(-)1.36	3.16	7.22	(+) 4.06	0.65	0.72	(+) 0.07
1998-99	19.84	19.08	(-) 0.76	4.03	3.91	(-) 0.12	0.65	0.90	(+)0.25
1999-00	26.31	23.49	(-)2.82	4.58	3.97	(-) 0.61	0.65	0.96	(+) 0.31
2000-01	25.48	24.36	(-)1.12	5.83	2.46	(-) 3.37	1.25	1.57	(+) 0.32
2001-02	35.67	21.12	(-)14.55	4.08	2.42	(-) 1.66	1.15	0.63	(-) 0.52

There was a short fall of Rs 14.55 crore (41 *per cent*) in actual receipt under Co-operative Receipts in the year 2001-02. Reason for variation though called for in February 2003 has not been furnished (October 2003).

**Arrears of revenue**

**7.5.6.** Arrears of revenue pending collection as per the Demand Collection and Balance (DCB) statements of Registrar of Co-operative Societies under various categories as on the dates specified against them were as under.

**(Rupees in crore)**

Category of arrears	Period up to which DCB is prepared	Outstanding balance
a. Interest and penal interest on loan due from		
(i) apex societies	31 March 2002	54.75
(ii) other societies	31 December 2001	2.99
b. Penal interest on share capital over due from		
(i) apex societies	31 March 2002	1.05
(ii) other societies	31 December 2001	0.51
c. Audit Fee	31 March 2002	1.65
d. Audit cost	31 March 2002	1.26
e. Dividend	31 December 2001	0.13
f. Guarantee Commission	31 March 2001	5.43
<b>TOTAL</b>		<b>67.77</b>

- Arrears of Rs 52.27 crore which constituted 77 *per cent* of total arrears were due from Kerala State Co-operative Marketing Federation (Rs 26.78 crore), Kera Karshaka Federation (Rs 20.35 crore) and Kerala State Co-operative Consumer Federation (Rs 5.14 crore).
- The year-wise details of arrears of revenue on account of interest and penal interest on loans, penal interest on overdue share capital, audit fee/cost etc., pending collection were not available with the Registrar of Co-operative Societies.
- Audit cost recoverable in advance for conducting concurrent audit is based on the average cost of officials deputed for the purpose at the rates fixed by Government from time to time. The Government had also reiterated in February 1987 that the cost of concurrent audit be realised in advance.

It was, however, observed that audit cost was not being realised in advance in accordance as it was clear from the above table that a sum of Rs 1.26 crore was in arrears as on 31 March 2002.

***Failure of special drives for collection of arrears***

**7.5.7.** The Registrar of Co-operative Societies launched a special drive on 1 March 2001 for 20 days to collect 100 *per cent* arrears of Rs 14.07 crore due to Government from co-operative institutions towards audit fee and interest including penal interest as on 28 February 2001. It was, however, noticed that the Department could realise Rs 1.47 crore, which was only 10 *per cent* of the total arrears.

Again in December 2001, another special drive was launched to recover within one month at least 80 *per cent* of the arrears. However, the Department could collect only Rs 1.41 crore out of total arrears of Rs 27.64 crore as on 30 November 2001 which was five *per cent* of the total arrears.

The special drives launched by the Department to recover the arrears could not achieve the desired results.

***Non-maintenance of basic records by the Registrar***

**7.5.8.** The responsibility for watching recoveries of loans and other repayable financial assistance with interest thereon rests with the disbursing officer. The disbursing officer has, therefore, to maintain loanee-wise/beneficiary-wise accounts of disbursements and recoveries.

- The outstanding balance of loan and share capital contribution disbursed by the Registrar to the State Co-operative Bank, the apex societies and the District Co-operative Banks, amounted to Rs 66.34 crore and Rs 67.67 crore respectively as at the end of March 2001. However, loanee-wise/beneficiary-wise accounts of disbursements and repayments were not maintained by him. The Registrar, instead of preparing the DCB statement by himself, consolidated the DCB statements of the loanee/beneficiary institutions prepared by the concurrent auditors attached to such institutions.

- Share capital contribution and loan assistance to District Co-operative Banks were envisaged under the Integrated Co-operative Development Project (ICDP) implemented in the State from 1988-89 onwards. As of 31 March 2001, the Registrar disbursed share capital contribution and loan assistance aggregating Rs 30.29 crore to four\* District Co-operative Banks for which proper accounts were not maintained; beneficiary-wise DCB statements were not prepared and recoveries thereof not watched.

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\* Kottayam, Palakkad, Pathanamthitta and Thrissur

- As per the information collected by audit, the following disbursements on account of share capital/loans were not accounted for by the Registrar though the recipients accounted for the receipts in their books.

(Rupees in crore)

Sl. No.	Name of recipients of financial assistance	Nature of receipt	Period/date of disbursement	Amount
1.	Kerala State Co-operative Agricultural and Rural Development Bank, Thiruvananthapuram	Share capital contribution	31 March 1996	1.00
			31 March 1997	1.00
			31 March 1998	2.00
			31 March 2000	2.00
2.	Federation of SC/ST Development Co-operative Society, Thiruvananthapuram.	Share capital contribution	1982-83 to 1997-98	1.23
3.	Kerala State Co-operative Bank, Thiruvananthapuram	Share capital contribution	24 August 1988	1.20
			31 March 1998	2.00
4.	District Co-operative Bank, Kottayam	Share capital contribution	Up to 1992-93	4.27
		Loan	Up to 1992-93	2.78
5.	District Co-operative Bank, Palakkad	Share capital contribution	Up to 1992-93	2.66
		Loan	Up to 1992-93	1.07
6.	Federation of SC/ST Development Co-operative Society, Thiruvananthapuram	Loan	1985-86 to 1997-98	0.67
<b>TOTAL</b>				<b>21.88</b>

The reasons for omissions though called for have not been furnished (July 2003) by the Department.

**7.5.9.** According to the Registrar, he disbursed the following amounts to the Federation of SC/ST Development Corporation Ltd. towards share capital contribution.

(Rupees in lakh)

Sl. No.	Date of disbursement	Amount
1.	31 March 1998	33.95
2.	23 December 1998	20.00
3.	January 1999	5.80
4.	25 March 2000	30.00
5.	31 March 2000	15.00
<b>Total</b>		<b>104.75</b>

However, these amounts were not accounted for in the books of accounts of the recipient resulting in non-repayment of instalments thereof with interest due to Government.

From the above it was evident that there existed no internal control mechanism to ensure that all disbursements made by the Registrar were properly accounted for in his accounts and the recoveries thereof watched.



***Pendency in audit***

**7.5.10.** The Act provides for the audit of every society at least once every year by the auditors appointed specially and exclusively for the purpose. The audit is either unit audit which is conducted after the expiry of the accounting year and audit fee charged at the rate fixed by Government, or concurrent audit of society by charging audit cost of the staff deployed.

Number of audits fallen due for completion was 38,791 as on 31 March 2002. The age-wise break-up of arrears was as under.

Period for which audit was pending	Number of audit pending		Total
	unit audit	concurrent audit	
5 years	285	39	324
4 years	950	51	1,001
3 years	2,543	177	2,720
2 years	5,026	450	5,476
1 year	10,816	1,047	11,863
Current	15,784	1,623	17,407
	<b>35,404</b>	<b>3,387</b>	<b>38,791</b>

During the year 2001-02 the Department completed 11,236 unit audits and 1,528 concurrent audits, and realised audit fee worth Rs 2.12 crore and audit cost worth Rs 10.86 crore. The average fee/cost worked out to Rs 1,890 per unit audit and Rs 70,449 per concurrent audit. At this average rate the Department had forgone Rs 30.55 crore during last five years due to not conducting of 38,791 unit/concurrent audits.

***Non-demand/short demand of interest/penal interest on loans***

**7.5.11.** According to the Rules for financial assistance to primary societies for various NCDC sponsored schemes, the assistance by way of share capital contribution and loan shall be released through the district co-operative bank which is the implementing agency. Responsibility for recovery of loan with interest according to the formula and time schedule fixed by NCDC vested with the bank. The bank should repay the amount to the Government as per the terms and conditions.

- It was noticed that three district co-operative banks<sup>▼</sup>, short remitted interest of Rs 3.30 crore on loan aggregating Rs 8.37 crore disbursed to primary societies during the period from 1988-89 to 2001-02. The Registrar neither worked out the interest payable to Government by the banks nor ensured the correctness of the interest remitted by the banks.

<sup>▼</sup> Kottayam, Palakkad and Pathanamthitta,

On this being pointed out by audit, the Registrar stated in March 2003 that the District Co-operative Bank, Pathanamthitta remitted Rs 1.10 crore in March 2003.

- Government in March 1997 released loan of Rs 0.97 crore at the interest rate of 16.75 *per cent* and penal (overdue) rate of interest of 19.25 *per cent* to the Kerala State Co-operative Rubber Marketing Federation for undertaking marketing and distribution activities. The loan was repayable in 10 annual equal installments after a moratorium period of one year. The federation had not remitted any amount towards principal. The interest of Rs 0.85 crore due up to 31 March 2002 on the principal repayable was neither remitted by the federation nor demanded by the Registrar.
- Under the Rules framed in January 1979 for loans by Government to Co-operative Marketing Societies for establishing processing units, the loan shall bear interest at the rate fixed by Government from time to time on the basis of the rates Government has to pay to NCDC.

As per the information collected by audit, the Kerala State Rubber Marketing Federation received (between 1986-87 and 1996-97) from Government loan aggregating Rs 7.17 crore with moratorium period ranging from one to five years for repayment, for establishing processing units. Interest due on the loan for the moratorium period up to 31 March 2002 worked out to Rs 3.21 crore against Rs 0.35 crore reckoned by the Registrar resulting in short demand of interest of Rs 2.86 crore.

The Department accepted in January 2003 the omission. However, no demand has been raised so far (October 2003).

- Loan of Rs 1.80 lakh bearing interest at the rate of 10 *per cent* and repayable in 12 annual instalments after a moratorium of three years was released to the North Malabar District Co-operative Supply and Marketing Society, Kozhikode in June 1983 and March 1984. The Society repaid the loan in lump in August 2000. Interest of Rs 3.02 lakh due up to the date of repayment was neither remitted by the Society nor demanded by the Department.

On this being pointed out by Audit, the Department issued in November 2002 demand notice. Further report has not been received (October 2003).

- Loan of Rs 12.29 lakh, with interest of 9.5 *per cent* and penal interest of 2.75 *per cent* for delay in payment, was outstanding out of earlier loans against Alappuzha District Co-operative Consumer Store as at the end of March 1988. Government while sanctioning re-vitalisation in September 1990 with moratorium of ten years, waived interest due up to the end of March 1988

As per the revised schedule, repayment of principal along with interest was to be made in 10 equal annual instalments commencing from 31 March 1999. Interest and penal interest amounting to Rs 16.55 lakh as of 31 March 2002 was neither demanded by the Department nor remitted by the Society.

The Department accepting the audit observation stated in January 2003 that action would be taken to collect the dues.

***Short-demand of penal interest on share capital retirement***

**7.5.12.** According to the Rules for the grant of share capital contribution to Apex and district marketing societies for implementing the scheme to provide margin money to co-operative societies for marketing fertilisers, agricultural inputs and other agricultural products, the share capital shall be retired completely in 10 equal annual instalments, the first instalment being payable on the sixth anniversary of the date on which the share contribution was made. Penal interest of 2.5 *per cent* shall be charged on belated repayments of share capital.

As per the DCB register of the Registrar for the year ended 31 March 2002, penal interest due from the apex societies on share capital investments of Government, aggregated Rs 1.05 crore which included Rs 0.04 crore due from Kera Karshaka Federation.

As per the information collected by audit, repayment of instalments of share capital contribution of Rs 4.13 crore disbursed to Kera Karshaka Federation from Government during the period April 1990 to March 1995, was to commence from April 1996 onwards. The Federation failed to retire the instalments of share capital contribution payable up to March 2002. Penal interest due from April 1996 to March 2002 on the defaulted instalments correctly worked out to Rs 1.30 crore against Rs 0.04 crore worked out and demanded by the Department. This resulted in short demand of penal interest of Rs 1.26 crore.

***Non-demand of guarantee commission***

**7.5.13.** Government gives guarantee to loans, cash credit accommodation, over drafts and other working capital requirement of Public Sector Undertakings and realises guarantee commission at the rate of 0.75 *per cent* on the outstanding balance of principal as at the end of each financial year and the interest due thereon, unless specifically exempted.

On Government guarantee, the Kerala State Co-operative Agricultural and Rural Development Bank received Rs 190 crore from NABARD between

March 1994 and March 1997. The rate of interest fixed by NABARD ranged from 6.50 *per cent* to 9.50 *per cent*. Department neither calculated nor demanded the guarantee commission. However, the bank on its own made payment of guarantee commission of Rs 1.51 crore during 1998-99. On reckoning interest at the lowest rate of 6.50 *per cent*, guarantee commission due as on 31 March 1998 worked out to Rs 3.28 crore resulting in short-remittance of Rs 1.77 crore. Guarantee commission due from 1 April 1998 to 31 March 2002 worked out to Rs 4.55 crore. The Department neither calculated nor demanded the guarantee commission of Rs 6.32 crore due up to the end of March 2002.

### ***Internal control***

**7.5.14.** Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and Departmental instructions. They also help in prevention of loss of revenue and in the creation of reliable financial and management information system for prompt and efficient services and for adequate safeguards against evasion of duties. Internal audit is expected to provide an assurance regarding the adequacy and effectiveness of internal controls.

In the Co-operative Department, the internal control mechanism should normally ensure that the unit audit/concurrent audit of the Co-operative institutions is regularly conducted and interest/penal interest of loans and penal interest of share capital contribution overdue for retirement is demanded and realised regularly.

The Department had not constituted an Internal Audit Wing (IAW). Hence there existed no institutional arrangement to systematically provide assurance on the adequacy and effectiveness of internal controls.

### ***Recommendations***

**7.5.15.** Government may consider the following measures in public interest.

- Registrar of Co-operative Society should take effective steps to clear the arrears in audit within a time frame and conduct unit/concurrent audit regularly.
- Government may take effective steps to recover the arrears, if necessary by denying fresh loans/guarantee to the defaulters.

- A system may be put in place for the maintenance of proper accounts of loan and share capital contribution for preparation of its own DCB registers.
- A system may be evolved to raise demand of interest and penal interest on loans/ retirable share capital contribution promptly from the beneficiaries. The Government may call for periodical returns from the department in this regard for effective monitoring.
- Direction may be issued for conduct of internal audit to ensure the compliance with various provisions in the Act/Rules for effective internal control.

The above defects were brought to the notice of Government in April 2003. Their reply has not so far been received (October 2003).

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