

CHAPTER VI : NON TAX RECEIPTS

6.1 Results of audit

Test check of records of non tax receipts conducted during the year 2005-06 revealed underassessment/short levy/loss of revenue etc., of Rs 1,083.01 crore in 52 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Loss of revenue in tendu leaves	12	12.93
2.	Loss of forest revenue	9	7.79
3.	Loss of revenue due to deterioration in transit in sale, non extraction/lifting of material other than tendu leaves and bamboo	6	5.76
4.	Miscellaneous	22	16.93
5.	Others	1	1.27
6.	Review: “Levy and Collection of Mineral Receipts”	1	816.12
7.	Levy and collection of guarantee fees	1	222.21
	Total	52	1,083.01

During the course of the year 2005-06, the department accepted underassessment etc., in 14 cases involving Rs 1.56 crore and recovered the same. Of this, Rs 1.54 crore related to earlier years and Rs 0.02 crore to the year 2005-06.

A review on **“Levy and Collection of Mineral Receipts”**, involving financial effect of Rs 816.12 crore and a few illustrative cases involving Rs 256.12 crore are given in the following paragraphs:

6.2 Review on Levy and collection of mineral receipts

6.2.1 Highlights

Failure to adhere to the norms for inspections indicated lack of proper monitoring and internal control.

(Paragraph 6.2.9.1)

Non functioning of Central Flying Squad in the Directorate of Geology and Mining upto 2003-04 and non functioning in the Deputy Directors' offices indicated inadequate vigilance on mining activities in the State.

(Paragraph 6.2.9.2)

Irregular adjustment of royalty towards surface rent resulted in short recovery of royalty of Rs 2.92 crore.

(Paragraph 6.2.10)

Non/short recovery of royalty amounted to Rs 13.37 crore.

(Paragraph 6.2.11 & 6.2.15)

Interest of Rs 2.53 crore was not levied on belated payments of royalty.

(Paragraph 6.2.12)

Penalty of Rs 796.53 crore for illicit extraction of minor minerals by the five irrigation development corporations in the State was not levied and demanded.

(Paragraph 6.2.14.1)

6.2.2 Recommendations

For improvement of collection of revenue and enforcement of the provisions of the Act and the Rules, Government may consider to:

- enforce the internal control and monitoring mechanism scrupulously for plugging of leakage of revenue and timely detection of illegal extraction of mineral wealth;
- provide adequate staff for maintenance and checking of records and returns for timely and effective recovery of dues; and
- provide for levy of interest on belated payment of dues in the Maharashtra Minor Mineral Extraction Rules, 1966.

6.2.3 Introduction

The grant of concessions and leases for prospecting, mining or extracting major minerals is regulated by the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act) and the Mineral Concession Rules, 1960, (MC Rules) framed thereunder. In so far as minor minerals are concerned, the Maharashtra Minor Minerals Extraction (MMME) Rules, 1966 and the Bombay Minor Mineral Extraction (BMME) Rules, 1955 have been framed by the State Government for regulation of mining and extraction of minor minerals. The MMDR Act, MC Rules, MMME Rules and BMME Rules, provide that no person should undertake mining operations in any area except with a licence or mining lease granted under the said Act and Rules. If any

person undertakes mining operations or removes minerals in contravention of the provisions of the Act and Rules, the same tantamounts to unauthorised extraction/despatch of minerals. In such an event, the State Government is empowered under the provisions of MLR Code to recover the minerals so extracted or where such minerals have already been disposed of, to levy penalty not exceeding three times the market value of the minerals.

Mineral receipts mainly consist of royalty, surface rent, dead rent, application fees, applicable cess, penalties and interest on belated payment of dues. Royalty is recoverable in respect of any mineral removed or consumed from the leased area. Surface rent is recoverable for the surface area used for the purposes of mining operations. Dead rent is recoverable for the entire area included in the instrument of the lease; however, a lessee is liable to pay dead rent or royalty, whichever is higher. Interest is recoverable on belated payment of royalty, rent, fees or other sums due to Government in respect of major minerals. In addition, stamp duty and registration fees are also leviable on mining lease deeds under the Indian Stamp Act, 1899 and the Indian Registration Act, 1908.

The mineral resources of the State are broadly classified as under:

- major minerals: coal, lime stone, bauxite, manganese and iron;
- minor minerals: sand, stone, murum and ordinary earth.

6.2.4 Organisational set up

At the apex level, the administration of the Act and the Rules framed thereunder is entrusted to the Secretary, Industries, Energy and Labour Department (IE&LD) for major minerals and the Secretary, Revenue and Forest Department (R&FD) for minor minerals. The Director, Geology and Mining (DGM), Nagpur is the head of the department and is assisted by six regional deputy directors for each region and district mining officers (DMOs) at the district level. The tahsildars, sub divisional officers (SDOs) and collectors grant concessions by way of permits for mining/quarrying of minor minerals as per powers delegated to them by Government. The collectors are empowered to grant leases for mining/quarrying of minor minerals.

6.2.5 Audit objectives

Test check of records was conducted to ascertain whether:

- levy and collection of royalty, rent, fees, penalty and interest etc., under the Act and the Rules was correctly done; and
- adequate control and monitoring mechanisms were in place for timely detection of illegal exploitation of the mineral wealth to prevent loss/leakage of revenue.

6.2.6 Scope of audit

Test check of records was conducted between September 2005 and March 2006 with a view to examine the correctness of levy and collection of mineral receipts excluding sand. Scrutiny was carried out in the office of the DGM at

Nagpur, in 12¹ out of 34 DMOs in the State and all the five irrigation development corporations² for the period from 2000-01 to 2004-05. The selection of units was done keeping in view the revenue collection and location of deposits of major minerals in the State. The results of test check are detailed in the following paragraphs.

6.2.7 Trend of revenue

The budget estimates (BEs), actual receipts and percentage of increase/decrease of revenue under the major head "Non ferrous mining and metallurgical industries" for the years 2000-01 to 2004-05 were as under:

Year	BEs	Actual receipts	Variation increase (+) decrease (-)	Percentage of variation (Col 4 to 2)
(Rupees in crore)				
(1)	(2)	(3)	(4)	(5)
2000-01	336.00	350.47	(+) 14.47	(+) 4.31
2001-02	363.73	347.17	(-) 16.56	(-) 4.55
2002-03	382.22	400.61	(+) 18.39	(+) 4.81
2003-04	400.01	475.50	(+) 75.49	(+) 18.87
2004-05	438.50	574.80	(+) 136.30	(+) 31.08

Government stated in January 2006 that the increase in revenue during the year 2000-01 and from 2002-03 to 2004-05 was due to enhancement of the rates of royalty and increased transportation of minerals during 2003-04 and 2004-05.

6.2.8 Arrears

The arrears of revenue from major and minor minerals as on 31 March 2005 as furnished by DGM were Rs 13.36 crore. The position of arrears at the end of the years 2000-01 to 2004-05 was as follows:

(Rupees in crore)			
Year	Major minerals	Minor minerals	Total
Upto 2000-01	1.11	15.90	17.01
2001-02	1.28	17.22	18.50
2002-03	2.72	12.80	15.52
2003-04	2.51	16.17	18.68
2004-05	2.22	11.14	13.36

Stagewise position of arrears was as follows:

¹ Aurangabad, Bhandara, Chandrapur, Jalgaon, Kolhapur, Nagpur, Nashik, Pune, Ratnagiri, Satara, Thane and Yavatmal.

² Godavari Marathwada Irrigation Development Corporation (GMIDC), Aurangabad; Konkan Irrigation Development Corporation (KIDC), Thane; Maharashtra Krishna Valley Development Corporation (MKVDC), Pune; Tapi Irrigation Development Corporation (TIDC), Jalgaon and Vidarbha Irrigation Development Corporation (VIDC), Nagpur.

(Rupees in crore)

Sl. No.	Reasons for arrears	Major minerals	Minor minerals	Total
1.	Recovery under stay/pending with the court or the Government	Nil	2.44	2.44
2.	Companies in liquidation	0.01	--	0.01
3.	Whereabouts of defaulters not known	0.01	0.02	0.03
4.	Revenue Recovery Certificates (RRCs) sent to collectors of other States for recovery	0.03	0.03	0.06
5.	Intimations sent to collectors within the State for issue of RRCs	0.05	1.80	1.85
6.	Recoveries in progress	2.12	6.85	8.97
	Total	2.22	11.14	13.36

6.2.9 Lack of monitoring and internal control

6.2.9.1 Inspections

Government instructions of May 2000 prescribed norms for monthly inspections to be conducted by DGM, Dy. Directors and DMOs of offices subordinate to them. In addition, norms for monthly surprise checks of mines were also prescribed for the Dy. Directors and DMOs.

- According to the instructions, the DGM is required to inspect every month one office of a Dy. Director and one DMO. As against the requirement of inspecting 60 offices of Dy. Directors and 60 DMOs during the period 2000-01 to 2004-05, DGM had inspected only eight offices of Dy. Directors and no office of DMO was inspected.
- Dy. Directors are required to inspect DMO offices under their jurisdiction every month. The position of inspections due and conducted by five of the six Dy. Directors during the period 2000-01 to 2004-05 was as follows:

Sl. no.	Dy. Director	No. of DMOs	Total inspections due	Inspections conducted	Percentage shortfall in inspection
1.	Aurangabad	8	480	Nil	100
2.	Chandrapur	2	120	N.A.	--
3.	Jalgaon	5	300	12	96
4.	Kolhapur	10	600	Nil	100
5.	Nagpur	9	540	N.A.	--

N.A. indicates information not furnished.

The table indicates that while no inspection was conducted by Dy. Directors, Aurangabad and Kolhapur, the shortfall was 96 *per cent* in respect of Dy. Director, Jalgaon. Dy. Directors, Chandrapur and Nagpur did not furnish details of inspections carried out.

- DMOs are required to conduct 10 regular visits and 10 surprise visits to the mines every month and submit a report to Dy. Director concerned. In respect of five DMO offices dealing with major minerals, the shortfall in inspections conducted during the years 2000-01 to 2004-05 was as under:

Sl. No.	Name of DMO	No. of inspections due	No. of inspections conducted	Percentage shortfall in inspection
1.	Bhandara	1200	119	90
2.	Chandrapur	1200	196	84
3.	Nagpur	1200	N.A.	--
4.	Ratnagiri	1200	Nil	100
5.	Yavatmal	1200	N.A.	--

N.A. indicates information not furnished.

The shortfall in inspections in DMOs, Bhandara, Chandrapur and Ratnagiri varied between 84 and 100 *per cent*. DMOs, Nagpur and Yavatmal did not furnish information.

After this was pointed out, DGM stated in October 2005 that 37 *per cent* of the sanctioned technical posts were vacant. Hence, the norms prescribed by Government for inspections could not be adhered to.

Government stated in August 2006 that efforts would be made to comply with the inspection norms after the organisational set up was reviewed.

6.2.9.2 Inadequate vigilance on mining activities

As per Government resolution dated 3 May 2000, a Central Flying Squad headed by a Joint Director/Dy. Director is to be set up in DGM office to carryout effective survey of mines, exercise check on illegal mining activities and plug leakage of revenue. The squad is to inspect the records of one Dy. Director, one DMO and 10 mines every month and submit a monthly inspection report to Government. Similarly, a flying squad headed by Sr. Geologist is to be formed in every Dy. Director's office which will pay surprise visits to DMO offices under his jurisdiction and review the position of levy and collection of royalty, dead rent and surface rent etc., in respect of all the mines and submit a monthly report to DGM.

According to information furnished by DGM, no flying squad was functioning upto 2003-04. During 2004-05, inspection of two DMOs, Nagpur and Bhandara, out of 12 DMOs was conducted by the flying squad.

No flying squads were formed in the offices of Dy. Directors due to paucity of technical staff. This indicated inadequate vigilance of the mining activities in the State.

Government stated in August 2006 that the issue of establishing a flying squad was under active consideration.

6.2.9.3 Absence of procedure for measurement of quarries and mines

Under the provisions of MMDR Act, State Government could make rules for preventing illegal mining, transportation and storage of minerals and require the maintenance of registers and records for the purpose. However it was observed that no records for noting the measurements of mines and quarries had been prescribed.

Test check of records in eight districts³ revealed that the measurements of quarries and mines were not kept on record before commencement as well as after completion of lease periods. In the absence of these measurements, no checks could be exercised on the total quantity of minerals extracted and the royalty paid by lessees during the lease periods.

6.2.9.4 Non maintenance of records

- **Major minerals**
- **Absence of challans and non submission of returns**

The amount of royalty is to be remitted into Government account by challan and a copy of challan is to be furnished to DMO along with returns by the lessee.

- In DMO, Chandrapur, two lessees paid royalty of Rs 10.94 crore during the period between June 2000 and March 2005. These remittances could not be verified in audit as challans as a proof of payments were not produced to audit.
- In DMO, Bhandara, one lessee dealing in kyanite and sillimanite had not submitted quarterly returns since August 2003 despite continued mining activity. In the absence of the returns, the amounts of royalty due and paid could not be verified in audit.

After the above was pointed out, DMOs agreed in December 2005 to update the records.

- **Non availability of lease deeds**

Test check of records in DMOs, Bhandara, Chandrapur and Yavatmal revealed that in 43 cases, the lease deeds of major minerals were not on record in the DMO offices.

After this was pointed out, DMOs stated in December 2005 that the records would be updated.

- **Minor minerals**

As per condition 16 of the quarry lease sanction orders issued by collectors under the BMME Rules, the lessees are required to keep an account of the total quantity of minerals extracted and despatched and submit periodical returns along with challans as a proof of payment of royalty into Government account.

³ Aurangabad, Bhandara, Chandrapur, Nagpur, Ratnagiri, Satara, Thane and Yavatmal

- Test check of records of five districts⁴ revealed that 62 lessees had not submitted 232 returns pertaining to the period 2000-01 to 2004-05.

After this was pointed out, DMOs, Bhandara, Chandrapur, Nagpur and Yavatmal agreed in September and December 2005 to update the records. The DMO, Pune stated in October 2005 that due to heavy workload, no action beyond serving notices to the lessees was taken.

- Tahsildars, Karad, Wai and Jawali in Satara district had claimed to have credited Rs 27.06 lakh to Government account. However, the supporting challans were not available on record. In the absence of challans, the correctness of recovery and remittance of royalty into Government account could not be verified in audit.

- Scrutiny of the records of SDO, Sillod under the jurisdiction of DMO, Aurangabad revealed that to achieve the target assigned by Government for collection of royalty, the lessees of minor minerals were instructed to pay ad hoc royalty of Rs 50,000 during 2000-01 to 2002-03, Rs 60,000 during 2003-04 and Rs 1.20 lakh during 2004-05, irrespective of the area leased out, the area under mining or the mining capacity of the lessee etc. The royalty of Rs 1.20 lakh for 2004-05 included Rs 90,000 for despatch of minerals and Rs 30,000 for crushers. Due to ad hoc recovery of royalty, no records in support of extraction and despatch of minerals were maintained. The entire system of collection of royalty followed by the SDO was not in consonance with the rules.

After this was pointed out, DMO, Aurangabad stated in November 2005 that ad hoc royalty was fixed to achieve the assigned targets of revenue and the prescribed procedure would be followed henceforth.

- As per BMME Rules, the tahsildars are authorised to issue permits for extraction of minor minerals not exceeding the specified quantity limit within their jurisdiction.

Tahsildar, Bhandara district did not produce any record of permits issued for extraction and utilisation of minor minerals during the period 2000-01 to 2004-05.

Major minerals

6.2.10 Irregular adjustment of royalty towards surface rent

Under the provisions of MMDR Act, the holder of a mining lease is liable to pay royalty in respect of any mineral removed or consumed from a leasehold area at rates specified by the Central Government from time to time. Surface rent and water rate is payable by the lessee for the surface area used by him for the purpose of mining operation.

In DMO, Yavatmal it was noticed from the monthly returns of Western Coalfields Limited (WCL) Wani North Area and Wani Area that the lessee remitted royalty aggregating Rs 26.91 crore for the months of December 2001, December 2002, November 2003 and January 2005. The DMO, Yavatmal unilaterally adjusted, Rs 2.92 crore therefrom towards surface rent payable for

⁴ Bhandara, Chandrapur, Nagpur, Pune and Yavatmal

the years 2001 to 2004. WCL was neither informed of the adjustment nor was any demand raised by DMO for the amount of Rs 2.92 crore adjusted towards surface rent.

After this was pointed out, DMO, Yavatmal stated in December 2005 that the differential amount of royalty would be recovered.

6.2.11 Non/short recovery of royalty

6.2.11.1 Under the provisions of MMDR Act, the holder of a mining lease is liable to pay royalty in respect of any mineral removed or consumed from a leasehold area at rates specified by the Central Government from time to time. The Supreme Court held⁵ that removal of any mineral from the seam of a mine and extracting the same through the pit's mouth to the surface satisfied the requirement of the Act *ibid* for the purpose of charging of royalty.

In Ratnagiri district, royalty on silica sand and bauxite was recovered on the despatched quantities of minerals instead of on the quantities of minerals removed from the seam of the mine. The royalty recoverable on the balance stock of bauxite as on 30 September 2004 and of silica sand as on 31 March 2005 amounted to Rs 20.72 lakh.

6.2.11.2 Test check of records of the DMOs, Chandrapur, Kolhapur and Yavatmal revealed that as per the quarterly returns submitted by eight lessees during the period from 2000-01 to 2004-05, the lessees were required to pay royalty of Rs 12.79 crore, whereas the lessees deposited Rs 11.50 crore. The lessees neither paid the balance royalty of Rs 1.29 crore nor was any demand raised by the DMOs due to non verification of the correctness of royalty payable/paid by the lessees. This resulted in short recovery of royalty of Rs 1.29 crore.

After this was pointed out, DMOs stated in November and December 2005 that recovery would be effected. Further reply was awaited (December 2006).

6.2.11.3 In DMO, Chandrapur it was observed that a lessee reduced the stock of limestone by 86,850.768 MT treating it as lime shell in the quarterly return for the period ending September 2001. The DMO failed to detect this mistake. This resulted in short levy of royalty of Rs 34.74 lakh.

After this was pointed out, DMO stated in October 2006 that demand had been raised against the lessee in September 2006. Report on recovery had not been received (December 2006).

6.2.12 Non levy of interest

Under the provisions of MCR, State Government may charge simple interest at the rate of 24 *per cent* per annum on any rent, royalty or fee or other sums due from the 60th day of the expiry of the date fixed by Government for payment of such dues till payment is made.

In DMOs, Chandrapur, Nagpur and Yavatmal, it was noticed that eight lessees paid royalty of Rs 148.09 crore pertaining to the period 2000-01 to 2004-05 with delays ranging between 3 to 678 days. The department failed to levy interest of Rs 2.53 crore for the period of delay.

⁵ State of Orissa v/s Steel Authority of India (SC 281 of 1998) decided on 10 August 1998.

After this was pointed out, DMOs, Chandrapur and Nagpur stated that recovery of Rs 1.30 lakh had been made in two cases. Report on recovery in the remaining cases had not been received (December 2006).

Minor minerals

6.2.13 Non execution of lease deeds

As per BMME Rules, 1955, where a quarrying lease is granted, the formal lease shall be executed within three months of the orders sanctioning the lease and if no such lease is executed within the said period, the lease shall be deemed to have been revoked.

Test check of records of DMO, Pune revealed that despite continued mining activity in 218 leases for the lease periods between 1995 and 2010, sanctioned between December 1986 and September 2005, lease agreements were not executed by the lessees. Consequently, stamp duty and registration fees remained to be levied and recovered. No action had been taken to revoke the leases.

After this was pointed out, DMO, Pune stated in October 2005 that due to non measurement of the leased areas by Taluka Inspector of Land Records, Pune, the lease agreements could not be executed. On completion of the measurements, the needful would be done for collecting stamp duty and registration fees.

6.2.14 Illicit extraction of minerals

As per BMME Rules, 1955, every quarrying lessee shall pay royalty on minor minerals dispatched from the leased area at the rates specified in the rules. According to MLR Code, Government is empowered to recover illegally extracted minerals. Where minerals have already been disposed of/utilized, penalty not exceeding a sum determined at the rate of three times the market value of the minerals is to be levied.

As per an R&FD resolution dated 18 October 2001, royalty on minor minerals utilised on works of Government, Zilla Parishads, City Industrial Development Corporation and Maharashtra State Road Development Corporation is to be levied and collected at prevailing market rate. Royalty at the rate of Rs 28 per brass⁶ was recoverable on all minor minerals upto 14 January 2003 and Rs 50 per brass thereafter.

6.2.14.1 Scrutiny of information furnished by five⁷ irrigation development corporations revealed that 265.51 lakh brass of minor minerals viz. murrum, stone, crushed stone and ordinary earth were extracted and utilised on 307 schemes and projects between 2001 and March 2005, involving royalty of Rs 96.30 crore. None of the corporations produced details of permits issued by the revenue authorities for extraction and use of minerals in the schemes/projects. Based on the market value of the minor minerals at the rate of Rs 100 per brass levied by the DMOs in similar cases of illicit extraction, penalty upto a maximum of Rs 796.53 crore on 265.51 lakh

⁶ Brass: One brass is equal to 4 metric tonnes or 2.83 cubic metres of a mineral.

⁷ GMIDC Aurangabad, KIDC Thane, MKVDC Pune, TIDC Jalgaon and VIDC Nagpur.

brass of minor minerals which could have been levied, was not levied and recovered.

After the above observation was pointed out, MKVDC Pune and KIDC Thane confirmed the observation. The other corporations had not furnished their final replies.

The matter was reported to DMOs, Aurangabad, Jalgaon, Nagpur, Pune and Thane as to whether permits for excavation/removal of minerals were issued and demands raised for recovery of royalty. The Tahsildar, Thane and Additional Collector, Pune stated in December 2006 that no permits were issued by department as no permission was sought and stated that the action would be taken as per MLR Code for recovery of dues. Replies from the remaining DMOs had not been received (December 2006).

6.2.14.2 Test check of records of SDOs, Kelapur and Pusad in Yavatmal district revealed that SDOs had detected in February 2005 that a lessee and four permit holders had illicitly extracted 20,318.02 brass minor minerals. However, no demands were raised against the concerned parties. This resulted in non realisation of revenue of Rs 77.13 lakh at the market rate applicable.

After this was pointed out, DMO Yavatmal stated in December 2005 that the matter had been reported to the respective SDOs for recovery. Further, reply had not been received (December 2006).

6.2.15 Non recovery of royalty

As per MMME Rules, the holder of a mining lease is liable to pay royalty in respect of any mineral removed or consumed from the leasehold area at the rates specified by Government from time to time.

6.2.15.1 Scrutiny of six monthly returns furnished by 116 lessees in four districts⁸ revealed that as per the returns filed, the lessees were liable to pay royalty of Rs 4.69 crore on account of extraction of minor minerals during the period between December 2000 and March 2005. The DMOs failed to scrutinise the returns and raise the demands. This resulted in non realisation of royalty of Rs 4.69 crore.

6.2.15.2 Test check of records of DMO, Ratnagiri revealed that the Executive Engineer, Minor Irrigation Division, Chiplun executed 15 works departmentally and utilised 21.89 lakh brass of minor minerals involving royalty of Rs 6.83 crore during the period 2001-02 to 2004-05 but did not deposit the royalty for want of provision of funds. However, DMO did not raise any demand against the Irrigation Department.

After this was pointed out, DMOs agreed between September 2005 and March 2006 to issue demand notices to the defaulters.

6.2.16 Absence of provision for levy of interest

The MMME Rules do not contain any provision for levy of interest on belated payment of Government dues.

⁸ Bhandara, Chandrapur, Pune and Yavatmal

There was a need for making a provision for levy of interest at the appropriate rate for non payment/delay in payment of dues to discourage non payment of Government dues.

After this was pointed out, Government stated in February 2006 that while finalising the revised rules, the recommendation would be considered.

6.2.17 Conclusion

It would be seen that there was lack of monitoring and internal control. Royalty was irregularly adjusted against surface rent without raising demand against the lessee. The DMOs had not exercised proper checks on the returns filed by the lessees which resulted in non/short recovery of royalty on major minerals. There was, illegal extractions of minor mineral by the corporations for which royalty as per rules was not demanded.

6.2.18 Acknowledgement

The audit findings as a result of test check of records were reported to the Government and the DGM in July 2006 with a specific request to attend the meeting of the Audit Review Committee (ARC) for State Revenue Receipts. The meeting of the ARC was held on 4 August 2006 and the views of the Government are duly incorporated in the review.

6.3 Non payment of guarantee fees

According to the powers conferred by Article 293 of the Constitution of India, the State Government gives guarantees on the Consolidated Fund of the State, to various lending institutions/bond holders to assure them repayment of principal amount of loans/investments and interest payable thereon. Such guarantees constitute contingent liabilities for the State.

As per Government resolutions dated 18 November 1988 and 15 April 1997, the rate of guarantee fees varies between 0.50 to 2 *per cent* per annum. The guarantee fees on the guaranteed sum outstanding on 31 March and 30 September is to be credited to Government account on 1 April and 1 October respectively every year by the loanee corporations/organisations. For delay in payment of guarantee fees, penal interest is payable at the rate of 16 *per cent* per annum for the first three months and at the rate of 24 *per cent* thereafter.

Detailed analysis of the records of the eight units under five administrative departments relating to the funds raised through bonds and loans on the basis of guarantees given by Government, revealed non payment of guarantee fees and penal interest aggregating Rs 222.21 crore during the period between April 2003 and April 2006 as follows:

Sl No.	Name of department Name of the unit	Amount guaranteed	Date of guarantee Due date of payment	Amount (Rs. in crore)		
				Guarantee fees	Penal interest	Total
I. Irrigation						
(1)	Maharashtra Krishna Valley Development Corporation, Pune (Bond series No. 2003/A)	412.33	<u>1 February 2003</u> April 2003 to April 2006	27.50	8.38	35.88
(2)	Godavari Marathwada Irrigation Development Corporation, Aurangabad (Bond series No. VI)	36.06	<u>14 February 2003</u> April 2003 to April 2006	2.37	0.70	3.07
(3)	Vidarbha Irrigation Development Corporation, Nagpur (Bond series No. VIII)	17.29	<u>7 February 2003</u> April 2003 to April 2006	1.13	0.33	1.46
(4)	Konkan Irrigation Development Corporation, Thane (Bond series No. VI)	85.48	<u>1 February 2003</u> April 2003 to April 2006	5.69	1.70	7.39
Total		551.16		36.69	11.11	47.80
II. Public Works, Maharashtra State Road Development Corporation, Mumbai						
A)	Bonds Series No. XIX to XXII	406.98	<u>30 December 2003</u> October 2003 to April 2006	20.01	3.78	23.79
	Series No. XXIII	380.00	<u>15 January 2005</u> October 2003 to April 2006	9.55	0.75	10.30
B)	Loans from banks (14 loans)	1,115.67	<u>17 November 2005</u> October 2003 to April 2006	50.93	10.17	61.10
Total		1,902.65		80.49	14.70	95.19
III. Water Supply and Sanitation, Maharashtra Jeevan Pradhikaran, Navi Mumbai						
A)	Open market borrowings	94.60	<u>7 December 1993 & 14 March 1997</u> October 2001 to April 2006	3.29	1.96	5.25
B)	Loans from Life Insurance Corporation of India	486.56	<u>27 August 2002</u> October 2003 to April 2006	21.31	11.83	33.14
Total		581.16		24.60	13.79	38.39
IV. Industry, Energy and Labour (Industry), Maharashtra State Financial Corporation, Mumbai						
	Open market borrowings	385.57	<u>25 March 1997 to 9 January 2004</u> April 2003 to April 2006	20.43	6.63	27.06
V. Rural Development and Water Conservation Maharashtra Water Conservation Corporation, Aurangabad						
	Bonds Series No. I and II	100.03	<u>22 November 2000</u> April 2001 to April 2006	9.11	4.38	13.49
	Series No. III	3.01	<u>3 September 2002</u> April 2001 to April 2006	0.21	0.07	0.28
Total		103.04		9.32	4.45	13.77
Grand Total		3,523.58		171.53	50.68	222.21

The matter was reported to Government in June 2006; their reply had not been received (December 2006).

6.4 Non realisation of cost of police

As per the Government Resolution of May 1998, an independent police force was created to provide protection to the team of the Municipal Corporation of Aurangabad (corporation) while taking action against encroachments/ unauthorised construction within the corporation limits and for upkeep of law and order of the place. Further, the resolution also stipulated that the expenditure incurred on account of salary/wages of this force was to be borne by the corporation, which was to be deposited with the Commissioner of Police, Aurangabad (CP) in advance for each quarter.

During scrutiny of records of CP in March 2005, it was noticed that CP neither raised any demand nor took any action to recover the dues for the expenditure so incurred for facilitating the task of action against encroachments/ unauthorised construction, from the corporation. This resulted in non recovery of Rs 1.39 crore for the period from April 2000 to November 2005 towards the cost of police force deployed for the corporation.

After this was pointed out, the CP in December 2005 stated that efforts were being made for recovery.

The matter was reported to Government in March 2006; their reply had not been received (December 2006).

6.5 Unauthorised retention of revenue receipts

Under the provisions of Maharashtra Zilla Parishad and Panchayat Samiti Act, 1961 (Act) and Government Resolution (GR) of 26 February 2001, cess at Rs 0.20 on each rupee of water charges is to be levied and collected along with water charges collected by the Irrigation Department for supply of water from irrigation projects. The cess so collected is to be credited to the revenue head after retaining half *per cent* as collection charges by the department and subsequently the amount allocated to the respective local bodies/authorities as grants by the Government.

Scrutiny of records of Godavari Marathwada Irrigation Development Corporation (GMIDC), Aurangabad revealed that GMIDC Aurangabad collected Rs 34.45 crore during the period from 2001-02 to 2004-05 as cess along with the water charges. After deducting collection charges of Rs 0.17 crore, the remaining amount of Rs 34.28 crore was to be credited into Government account. GMIDC, however, deposited (March 2005) only Rs 2 crore and unauthorisedly retained the balance amount of Rs 32.28 crore, and utilised the same to meet its own expenditure, which was not only irregular but also violative of the provisions of the Act and GR referred to above. This unauthorised retention of revenue receipts of Rs 32.28 crore had an adverse impact on Government assistance to the local bodies/ authorities.

After this was pointed out in September 2004, GMIDC accepted the omission in December 2005. Further action taken in the matter is awaited (December 2006).

The matter was reported to Government in March 2006; their reply had not been received (December 2006).

6.6 Short recovery of service charges

As per Government resolution issued in February 2001, the rates of service charges to be recovered from employees occupying Government quarters were revised with effect from 1 April 2001. The revised rates were also applicable for personnel entitled for rent free accommodation.

Scrutiny of records of CP, Nagpur in July 2004 revealed that the CP, directed the field offices in April 2001 to recover the service charges at revised rates from the occupants of Government accommodation from April 2001. It was however, observed that recovery of service charges as per the orders of the Director General of Police of July 1997 was continued to be effected till January 2006. Information collected in July 2006 from the CP, Amravati also revealed a similar omission. This resulted in short realisation of Rs 24.33 lakh from 1,375 occupants for the period from April 2001 to February 2006.

The matter was reported to Department and Government in April 2006; their reply had not been received (December 2006).

**Mumbai,
The**

**(MALASHRI PRASAD)
Principal Accountant General (Audit)-I,
Maharashtra**

Countersigned

**New Delhi,
The**

**(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India**