

CHAPTER VI : Non-Tax Revenue

6.1 Results of audit

Test check of records of non-tax receipts conducted during the year 2003-2004 revealed under-assessment/short levy/loss of revenue *etc.*, of Rs 846.61 crore in 54 cases, which broadly fall under the following categories:

Sl. No.	Category	No. of cases	Amount (in crore of rupees)
1	Loss of tendu leaves	4	1.87
2	Loss of forests revenue	24	17.76
3	Loss of revenue due to deterioration in transit, on sale, non-extraction/non-lifting of material other than tendu leaves and bamboo	13	4.23
4	Miscellaneous	9	47.35
5	Other	1	0.14
6	Levy and collection of guarantee fees	1	504.55
7	Review on Interest Receipts	1	247.23
8	Review on Non-tax receipts of Co-operation Department	1	23.48
Total		54	846.61

During the course of the year 2003-2004, the Department accepted under-assessments, *etc.*, in 23 cases involving Rs 68.22 crore. Of this two cases involving Rs 67.70 crore related to the year 2003-04 and the rest to earlier years. The departments recovered Rs 4.48 crore.

Two reviews on **Interest Receipts and Non-Tax Receipts of Co-operation Department** involving financial effect of Rs 247.24 crore and Rs 5.41 crore respectively and one paragraph having financial effect of Rs 13.05 crore are given in the following paragraphs:

6.2 Review on Interest Receipts

6.2.1 Highlights

Complete details of principal and interest, essential for effective and meaningful control over the total amount of loans/advances of Rs 9,693.37 crore were not available with the Finance Department.

(Paragraph 6.2.7)

Lack of monitoring and internal control was noticed in the administrative departments regarding repayment of principal and recovery of interest by field offices due to improper maintenance of records.

(Paragraph 6.2.8)

Principal and interest amounting to Rs 347.65 crore and Rs 206.54 crore respectively was outstanding from 13 loanees.

(Paragraph 6.2.10)

Maharashtra Electronics Corporation Limited had not repaid loans and interest amounting to Rs 11.09 crore.

(Paragraph 6.2.11)

Failure to prescribe terms and conditions of loans advanced resulted in non-recovery of interest of Rs 30.97 crore from 71 co-operative sugar factories and Rs 3.78 crore from 30 Fisheries Co-operative Societies for the periods between April 1998 and March 2003.

(Paragraph 6.2.15)

6.2.2 Introduction

Interest receipts is the major source of non-tax revenue of the State Government. This comprises interest charged on loans advanced by Government to various co-operative societies, local bodies, corporations, autonomous bodies, Government companies, non-government institutions and individuals including Government servants. The loans advanced by Government usually carry interest at the rates fixed by the sanctioning authority keeping in view the financial resources and purpose for which the loan is provided. The period and manner of repayment of the loan as well as the rate of interest and the mode of its payment are generally specified before grant of loan and are indicated in the sanction order itself. Penal interest is chargeable on instalments of principal and interest not paid as per conditions of sanction.

6.2.3 Organisational set up

Proposals for grant of loans are processed by the Heads of departments and then recommended to the administrative departments which issue sanction orders with the concurrence of the Finance Department. Recovery of loans alongwith interest and penal interest, wherever applicable, is watched by the various controlling and recovery officers (subordinate officers under the respective administrative departments) designated for the purpose.

6.2.4 Audit objectives

A test check of records was conducted to verify and ascertain

- whether the loan ledgers and other related records were properly maintained to determine the interest due and outstanding at the end of the year.
- whether demands were raised for recovery of interest on due dates and penal interest was levied and recovered in cases of default in repayment of principal and interest.
- the existence of internal control mechanism to ensure compliance of the terms and conditions of sanction with particular reference to maintenance of records and recovery of interest.

6.2.5 Scope of audit

Test check of records and accounts for the period 1998-99 to 2002-03 maintained by six¹ out of 16 departments which had advanced loans at Mantralaya and 19 controlling and recovery officers² thereunder who are responsible for disbursement and recovery of loans and interest and three corporations³ responsible for repayment of loans and payment of interest was conducted between December 2003 and April 2004. The findings of the review are given in succeeding paragraphs.

6.2.6 Trend of Revenue

Details of budget estimates(BEs) and actuals of interest receipts, variation between budget estimates and actuals of interest receipts and percentage of variation for the years 1998-99 to 2002-03 were as under:

¹ Agriculture, Animal Husbandry, Dairy Development and Fisheries; Water Supply and Sanitation; Housing; Co-operation & Textiles; Urban Development and Industries, Energy & Labour Department.

² Commissioner of Agriculture, Commissioner of Animal Husbandry, Commissioner of Fisheries, Commissioner of Sugar, Directorate of Marketing, Commissioner of Co-operation and Registrar of Co-operative Societies.

District Dy. Director of Animal Husbandry (Poultry) Pune; District Dy. Director of Animal Husbandry (Poultry) Nashik; District Dy. Registrar of Co-operative Societies Pune; District Dy. Registrar of Co-operative Societies Nashik; Regional Joint Director of Animal Husbandry Pune, Joint Registrar of Sugar, Pune; Regional Dy. Director Fisheries Bandra, Mumbai; Regional Joint Director of Marketing Pune; Assistant Director of Fisheries, Raigad, Thane; Mumbai; Director of Industries, Mumbai; Director of Municipal Administration, Mumbai.

³ Maharashtra State Farming Corporation Pune; Maharashtra State Cotton Growers Marketing Federation Ltd. Mumbai; Brihan Mumbai Municipal Corporation.

(Amount in crore of rupees)

Year	BE	Actuals	Variation	Percentage of variation
1998-1999	1,510.55	1,653.89	(+) 143.34	9.49
1999-2000	1,163.48	1,724.16	(+) 560.68	48.19
2000-2001	1,226.21	3,161.63	(+) 1,935.42	157.84
2001-2002	982.42	1,845.60	(+) 863.18	87.86
2002-2003	1,136.58	1,777.27	(+) 640.69	56.37

The table indicates that the percentage of variation between budget estimates and actuals increased from 9.49 in 1998-99 to 157.84 in 2000-01 and thereafter decreased to 87.86 in 2001-02 and 56.37 in 2002-03.

The variation of 157.84 *per cent* during 2000-01 was attributed by the Finance Department mainly due to increase in recoveries of arrears of interest of the years 1998-99 and 1999-2000 from Maharashtra State Electricity Board (MSEB) by adjustment in 2000-01. As for the years 2001-02 and 2002-03 the receipts on account of interest from MSEB were pending. The variations were indicative of defective budgeting and lack of scientific approach in preparation of budget estimate.

6.2.7 Arrears of revenue

- According to circular instructions of Finance Department issued in December 1985, Administrative departments in Mantralaya/Heads of departments thereunder are required to maintain detailed accounts of loans indicating year-wise breakup of arrears of interest pending collection at the beginning of each year, interest receivable for the year, amount of interest waived or written off during the year, amount collected during the year and the balance recoverable at the end of the year. Except for the Commissioner of Fisheries, Mumbai and Commissioner of Animal Husbandry, Pune in none of the departments selected for audit detailed and complete loan accounts were maintained.

As per Finance Accounts of the Government of Maharashtra, the total arrears of loans and advances under different heads stood at Rs 9,693.37 crore as on 31 March 2003. Details of principal and interest thereon outstanding were not available in the Finance Department despite it being responsible for monitoring the debt and loan position.

As per information furnished by five controlling officers, loans and interest amounting to Rs 233.84 crore and Rs 276.20 crore respectively were outstanding as on 31 March 2003 as follows:

(Amount in crore of rupees)

Sl. No.	Name of the controlling officer	Loans outstanding as on 31 March 2003	Interest
1.	Commissioner of Sugar, Pune	172.82	191.50
2.	Commissioner for Co-operation & Registrar of Co-operative Societies, Pune	1.23	1.45
3.	Director of Marketing, Pune	22.06	43.85
4.	Commissioner of Fisheries, Mumbai	18.51	4.08
5.	Commissioner of Animal Husbandry, Pune	19.22	35.32
Total		233.84	276.20

Except, for the Commissioner of Fisheries at Mumbai and Commissioner of Animal Husbandry at Pune, none of the remaining controlling and recovery officers concerned in the review had details of the year-wise break up of the arrears.

- During test check of records maintained by three controlling officers⁴ in the Co-operation and Animal Husbandry departments, it was noticed that Rs 212.19 crore including interest and penal interest was recoverable from 51 co-operative societies as on 31 March 2003. Of these, 35 societies were closed and 16 were under liquidation. The details of loans disbursed and outstanding interest as on 31 March 2003 in respect of two Marketing Co-operatives under liquidation were not available with the Department.

6.2.8 Lack of monitoring and internal control

According to orders issued by the Finance Department in February 1966 and reiterated in May 1999, the Administrative departments are required to intimate to the Accountant General every year by 15 July, the arrears in recovery of principal and interest on loans at the end of the preceding month of March. Further as per circular instructions of Finance Department of December 2000, the Administrative departments at Mantralaya are required to collect information from their subordinate controlling and recovery officers for compilation and consolidation.

Mention was made in paragraphs 6.2.6 and 6.3.6 of the Report of the Comptroller and Auditor General of India for the years ended 31 March 1998 and 31 March 1999 (Revenue Receipts), Government of Maharashtra respectively about the non-existence of a monitoring system in Government departments for periodical review of the demand, collection and balances

⁴ Commissioner of Sugar Pune, Director of Marketing Pune and Commissioner of Animal Husbandry, Pune.

under the different classes of loans. The Reports are yet to be discussed by the Public Accounts Committee. There was no change in the position as observed in the six departments reviewed. Mention was also made in paragraph 1.12 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2001 regarding management of loans given by the State Government.

Government had not prescribed any return detailing the amount of loan outstanding at the beginning of the year, disbursement during the year, recovery made during the year of old arrears and current dues and balance outstanding at the end of the year. As a result, neither at Mantralaya nor at the level of controlling officers under any Department (except Fisheries and Animal Husbandry), information regarding the year-wise details of loans disbursed, recovery effected and outstanding balances were available.

None of the recovery officers were furnishing progress reports to Government regularly. There is no independent Internal Audit Wing functioning in any of the departments selected for review which is indicative of lack of internal control in the administrative departments.

6.2.9 Invocation of guarantees

Information furnished by the Finance Department revealed that the entire amount of Rs 24.06 crore paid during 2002-03 by Government on invocation of 16 guarantees⁵ by the lending institutions was yet to be recovered from the borrowers (September 2003). In addition, interest recoverable at the rate of 14.5 per cent for the period March 2002 to March 2003 worked out to Rs 2.23 crore. Details of follow up action taken to recover the principal and interest was not furnished by Government.

6.2.10 Non-recovery of principal and interest

Loans aggregating to Rs 353.53 crore were sanctioned to co-operative societies/public sector undertakings/municipal councils and corporations between 1995 and 1999-2000 which were repayable in periods ranging between six months and 20 years along with interest. For default in payment, penal interest was to be levied.

Test check of records revealed that 13 loanees had not repaid the loans alongwith interest as per repayment schedule. Penal interest was, however, not levied. The outstanding amounts of principal of Rs 347.65 crore and interest and penal interest of Rs 206.54 crore for the periods between April 1998 and March 2003 was as follows:

⁵ Co-operative Sugar Factories.

(Amount in crore of rupees)

Sl. No.	Name of the Department Name of the office	No. of societies /loanees	Month of sanction Between	Amount of loan	Repayment period	Rate of interest in per cent	Period for which interest is payable Between	Amount due	
								Principal	Interest including penal interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	<u>Co-operation and Textiles</u>								
	Maharashtra State Co-operative Cotton Growers Marketing Federation Ltd.	1	11/99 and 3/2000	334.40	Within 6 months	14.5 penal interest 2	11/99 and 3/03	334.40	196.49
2.	<u>Urban Development</u>								
	(i)Municipal Corporation	2	2/95 and 3/2000	5.66	10/20 years	Between 12.75 and 14.5 18 for default	1998-99 and 31.3.03	1.80	3.59
	(ii) Director of Municipal Administration	9	3/99 and 3/2000	2.27	15 annual instalments	13	2000 and 3/2003	0.25	0.42
3.	<u>Revenue and Forests</u>								
	Maharashtra State Farming Corporation	1	5/99 and 8/2000	11.20	5 annual instalments	18.5 for default 2.75 additional	5/99 and 3/03	11.20	6.04
		13		353.53				347.65	206.54
								554.19	

6.2.11 Non-recovery of principal and interest from the Maharashtra Electronics Corporation Limited (MELTRON)

The State Government had sanctioned loans amounting to Rs 7.60 crore to MELTRON between July 1999 and September 2000. The loans carried interest at the rate of 15.5 per cent per annum repayable in two annual instalments. For default in payment of principal and/or interest, penal interest at the rate of two per cent per annum was also leviable.

Scrutiny of records relating to loans given to the corporation revealed that loans amounting to Rs 7.60 crore and interest of Rs 3.49 crore including penal interest of Rs 0.53 crore for periods between July 1999 and March 2003 had not been recovered.

After this was pointed out, the Directorate of Industries stated in June 2004 that MELTRON had been asked to credit the loan with interest.

6.2.12 Non-conversion of special redeemable share capital into loan

Under the scheme of mechanisation of fishing vessels, if the entire loan amount was repaid in 12 years, 20 *per cent* of the total assistance being the Special Redeemable Share Capital (SRSC) was to be converted into subsidy, otherwise, it was to be treated as loan and recovered along with interest.

Test check of records maintained by the recovery officers at Mumbai, Raigad and Thane, revealed that in 57 cases loans amounting to Rs 2.16 crore were disbursed between June 1979 and October 1990 to the fisherman co-operative societies out of which Rs 1.21 crore were recovered and balance loan of Rs 0.95 crore was outstanding at the end of 12th year. However, SRSC amounting to Rs 57.67 lakh was not treated as loan on failure to repay the instalments within the stipulated period. Interest recoverable thereon at various rates ranging from 10 to 12 *per cent* amounted to Rs 10.66 lakh for periods between April 1998 and March 2003.

6.2.13 Forfeiture of rebate and liability towards interest

Funds in the form of loans are placed at the disposal of the State Government by the National Co-operative Development Corporation (NCDC) for disbursement to the co-operative bodies. The loans are repayable in instalments and carry varying rates of interest. A rebate is given to the State Government by NCDC for repayment of principal and interest due during any financial year by 20 September of the ensuing year. In case of delay in remittance of instalment beyond the due date, penal interest at the rate of 2.5 *per cent* is payable for the period of delay.

It was seen from the records in Agriculture, Animal Husbandry, Dairy Development and Fisheries Department that loans were advanced for various schemes by NCDC. In respect of loans advanced upto 2001-02, an amount of Rs 30.52 crore was payable by 20 September 2002 after allowing rebate. As against this, Rs 28.90 crore was paid on 20 September 2002 leaving a balance of Rs 1.62 crore. NCDC communicated to Government in April 2003 that for default in payment it was liable to pay Rs 16.51 lakh as under:

	Amount (in lakh of rupees)
1. Forfeiture of rebate on Rs 1.62 crore	4.50
2. Interest at the rate of 14.5 <i>per cent</i> for default in payment.	10.19
3. Penal interest at the rate of 2.5 <i>per cent</i>	1.82
	16.51

On representation by Government in June 2003 for waiver of penal interest and normal interest, NCDC stated in July 2003 that it may consider the waiver of penal interest of Rs 1.82 lakh only after payment of Rs 14.69 lakh was made and subject to approval by the Board.

Failure to make timely payment of the dues to NCDC resulted in Government forgoing rebate of Rs 4.50 lakh and being liable for interest and penal interest of Rs 12.01 lakh.

6.2.14 Non-payment of instalments of interest free loans

Government converted between March 2000 and May 2002 outstanding loan of Rs 22.59 crore and interest of Rs 13.17 crore due from six sugar co-operatives into interest free loan of Rs 29.87 crore (Rs 22.59 crore principal and Rs 7.28 crore interest) after waiving interest of Rs 5.89 crore due from Bhogawati Sahakari Sakhar Karkhana, Solapur. The loan was repayable in seven to 15 annual instalments fixed by Government commencing from March 2000. Each instalment was to be paid before 31 March every year. In case of default, the amount was to be recovered in lump sum with penal interest. Accordingly, Rs 8.95 crore were due for payment upto 31 March 2003 as per instalments fixed by Government.

A scrutiny of records in the office of the Commissioner of Sugar, Pune, revealed that none of the sugar co-operatives had paid the instalments fixed by Government. No action was taken to recover the dues as arrears of land revenue.

6.2.15 Failure to prescribe terms and conditions of loans

- The sanction orders for the payment of loans issued by Government should specify the terms and conditions of their payment, such as, number of instalments in which principal is to be repaid, the date of commencement of repayment, rate of interest including penal interest *etc.*

During scrutiny of records in the office of the Commissioner of Sugar, Pune it was noticed that in respect of loans amounting to Rs 57.08 crore sanctioned to 71 co-operative sugar factories between August 1993 and December 2002 the terms and conditions had neither been specified nor communicated by Government. The omission resulted in non-recovery of interest amounting to Rs 31.93 crore for the period August 1996 to March 2003 calculated at the rate of 14.5 *per cent* per annum applicable to similar loans granted by Government to sugar factories. Of this, the interest for the period April 1998 to March 2003 amounted to Rs 30.97 crore.

- Under the scheme of mechanisation of fishing crafts with assistance from the NCDC, the loans advanced were repayable in 12 years in 96 equal monthly instalments (excluding the four months from June to September every year). The rate of interest payable was 15.25 *per cent*. For default in payment of instalment of loan and interest, in addition to interest, penal interest at the rate of 3.25 *per cent* was recoverable for the period of default. As per General Financial Rules instalment due will also include interest due on the outstanding amount of principal.

In Mumbai, Raigad and Thane it was noticed that in respect of loans aggregating Rs 8.25 crore sanctioned between 1997-98 and 2000-01 to 30 fisheries co-operative societies, interest was not included in the

instalments on the plea that in the absence of mention of inclusion of interest in the instalment, the same was recoverable after 12 years. This resulted in non-recovery of interest amounting to Rs 3.78 crore (including penal interest of Rs 1.33 crore) for the period between April 1998 and March 2003.

6.2.16 Non-reconciliation

As per the provisions of the Maharashtra Treasury Rules, 1968 read with paragraphs 428 and 429 of the Maharashtra Treasury Manual, every head of office should carry out reconciliation of departmental receipts with the treasury officer immediately after completion of the month and get a certificate to that effect from the Treasury Officer.

None of the departments covered in the review carried out reconciliation of interest receipts and repayment of loans with the records maintained by the Treasury Officer concerned and the records of the Accountant General (A&E).

6.2.17 Conclusions/recommendations

A test check of records in the six departments revealed that failure to ensure timely repayment of loans and interest had adversely affected the ways and means position of the State. This was due to absence of a system to monitor recoveries by the controlling officers.

As interest receipts constitute a major portion of the non-tax revenue, it is necessary for Government to have a detailed look at the system and procedures with a view to ensuring timely raising of demands and follow up for recovery of loans and interest.

To improve the position Government may consider taking the following steps.

- review and strengthen the existing system for ensuring proper maintenance of records.
- ensure that the terms and conditions of loan are clearly spelt out in the sanction orders.
- consider setting up of an internal audit wing in each department.
- introduce periodical reports to be submitted by controlling officers to the Administrative departments to exercise control over realisation of interest receipts.

The above points were reported to the Department and Government in July 2004. Government agreed (October 2004) to update the loan records and create data base at Mantralaya level to facilitate co-ordination and monitoring of recovery of loans by a separate cell to be established in the Finance Department which would function in tandem with the Administrative departments.

6.3 Review on non-tax receipts of Co-operation Department

6.3.1 Highlights

Audit fee of Rs 14.23 crore for the period from 1998-99 to 2002-03 was not recovered from 19,172 societies.

(Paragraph 6.3.8)

Audit fee amounting to Rs 0.92 crore was short recovered from 13 co-operative banks/federations due to under-assessment.

(Paragraph 6.3.9)

Due to delay in issue of instructions from the Commissioner, inspection/license renewal fee amounting to Rs 2.78 crore was recovered short from money lenders.

(Paragraph 6.3.11)

Minimum dividend on Government share capital amounting to Rs 1 crore was not recovered from 16 marketing cooperative societies.

(Paragraph 6.3.12)

6.3.2 Introduction

The Maharashtra Co-operative Societies Act (MCS), 1960 and the rules made thereunder provide for promotion, registration, development, supervision, inspection and annual audit of co-operative societies. The major receipts of the Department are audit fee⁶, supervision charges⁷, license fee for issuing license to money lenders and inspection/license fee for renewal of license, *etc.* The procedure for assessment, levy and collection of these receipts stems from MCS Act, the Bombay Money Lenders (BML) Act, 1946 and the Maharashtra Agricultural Produce Marketing (Regulation) (MAPMR) Act, 1963 and the rules framed there under. As on 31 March 2003 there were six Apex societies⁸. There were 1,58,694⁹ societies registered with the Department. These societies were to be audited by the departmental auditors and Certified Auditors, under the provisions of the MCS Act.

6.3.3 Organisational set up

The Department headed by the Commissioner for Co-operation and Registrar of Co-operative Societies (Commissioner) functions under the overall supervision of the Co-operation and Textiles, Department. The Commissioner is assisted by an Additional Commissioner and Special Registrar (Finance)

⁶ From the societies audited by the Departmental auditors.

⁷ collected in respect of the agricultural produce purchased from the market regulated at market area.

⁸ Maharashtra State Co-operative Bank, Maharashtra State Co-operative Agricultural and Rural Development Bank, Maharashtra State Co-operative Marketing Federation, Maharashtra State Co-operative Cotton Growers Federation, Maharashtra State Finance Corporation, District Central Co-operative Banks

⁹ includes 29482 Animal Husbandry, Dairy and Fisheries societies which are registered with the Co-operation Department but no audit is being done by the Co-operation Department.

and two Additional Registrars at Headquarter and 15 Divisional Joint Registrars, 35 District Deputy Registrars (DDRs), 37 District Special Auditors (DSAs) and 421 Assistant Registrars at division, district and tahsil level respectively. The DSAs are responsible for collection of audit fee from the societies audited by the Departmental auditors, while the DD Rs are responsible for collection of license/inspection fee, supervision charges, liquidation fee, registration fee *etc.*

6.3.4 Audit objectives

The review was conducted with a view to

- examine whether the registered societies are audited
- ascertain the correctness of assessment/levy/recovery of audit fee in respect of societies audited and
- ascertain whether supervision charges are collected and remitted by the Agricultural Produce Marketing Committees (APMCs) into Government account as per the Act.

6.3.5 Scope of Audit

Test check of records in the office of the Commissioner and 14 out of 35 District Offices of the Department in the State covering the period from 1998-99 to 2002-03 was conducted between August 2003 and April 2004. There were 1,29,212 societies (excluding 29,482 the audit of which is not being done by the Department) in the State which were also covered in the test check to ensure their audit by the Co-operation Department. The results of test check are mentioned in the following paragraphs.

6.3.6 Trend of Revenue

As per the Maharashtra Budget Manual, the budget estimates should be prepared as close an approximation to the actuals as possible, in consultation with the Accountant General wherever necessary, based on existing rates of taxes, duties, fees *etc.*, and based on the course of receipts in previous years after allowing for any abnormal features of any extra items that may be actually realised in the ensuing year.

The budget estimates, actuals and percentage of increase/decrease in receipts of the Department during 1998-99 to 2002-03 are tabulated below.

(In crore of rupees)

Year	Budget Estimates	Actuals	Variation (+) increase (-) decrease	Percentage of variation (+) increase (-) decrease
1998-1999	40.00	43.81	(+) 3.81	(+) 9.5
1999-2000	47.12	49.60	(+) 2.48	(+) 5.3
2000-2001	48.16	58.92	(+) 10.76	(+) 22.3
2001-2002	50.84	71.26	(+) 20.42	(+) 40.2
2002-2003	69.36	63.02	(-) 6.34	(-) 9.2

The shortfall of Rs 6.34 crore in actual receipts for the year 2002-2003 was attributed by the Department in December 2003 to allocation of audit of Urban Co-operative Banks having working capital in excess of Rs 100 crore to Chartered Accountants. The reply, was however, not tenable as the Government decision of January 2000 for allocation of audit of such societies to the Chartered Accountants should have been considered while framing the budget estimates for 2002-03. The reasons for variation in actuals with regard to budget estimates for the year 1998-1999 to 2001-2002 though called for (August 2004) were not furnished by the Government. The Additional Registrar, however, agreed during the discussion in the meeting held in October 2004, to adhere to the provisions of the manual at the time of preparing the budget estimates.

6.3.7 *Audit in arrears*

Under the provisions of the MCS Act, the Registrar shall audit, or cause to be audited, at least once in each cooperative year¹⁰, the accounts of every society which has been given financial assistance including guarantee by the State Government or Government undertakings from time to time and the accounts of the apex societies, State and District level Federal Societies, District Central Co-operative Banks, Co-operative Sugar Factories, Urban Co-operative Banks, Co-operative Spinning Mills, District and Taluka Co-operative sale and purchase organisations and any such Society or class of Societies which the State Government may from time to time by notification in the official gazette specify.

The societies other than those referred to in clause (a) of section 81(1) shall arrange to get their accounts audited under clause (b) of the aforesaid section, at least once in each cooperative year, by the certified auditor or chartered accountant.

The position of the completion and arrears of audit of societies during the period from 1998-99 to 2002-03 is given in the table below.

- Societies covered under the provisions of section 81 (1) (a) of MCS Act.

Year	Societies allotted for audit to		Audit completed by		Audit in arrears on the part of		Percentage of arrears in audit on the part of	
	Departmental auditors	Other than departmental auditors	Departmental auditors	Other than departmental auditors	Departmental auditors	Other than departmental auditors	Departmental auditors	Other than departmental auditors
1998-1999	34,599	8,670	30,089	2,715	4,510	5,955	13	69
1999-2000	34,171	11,129	27,527	3,690	6,644	7,439	19	67
2000-2001	31,149	6,220	25,526	2,911	5,623	3,309	18	53
2001-2002	34,651	12,152	32,279	5,594	2,372	6,558	7	54
2002-2003	35,070	12,016	32,850	5,906	2,220	6,110	6	51

¹⁰ Co-operative year means a year ending on the 31st day of March or on such other day in regard to a particular society or class of societies as may have been fixed by the Registrar, from time to time for balancing its or their accounts.

- Societies covered under the provisions of section 81 (1) (b) of MCS Act.

Year	No. of societies required to be audited	No. of societies audited	No. of societies not audited at the end of the year	Percentage of arrears of audit
1998-1999	36,780	6,329	30,451	83
1999-2000	67,070	4,156	62,914	94
2000-2001	70,136	6,128	64,008	91
2001-2002	71,450	7,732	63,718	89
2002-2003	74,617	7,918	66,699	89

Thus, while the percentage of arrears of audit to be done by the Department ranged between 6 and 19, and 51 and 69 *per cent* of the auditee units allotted to Chartered Accountants/Certified Auditors under section 81 (1) (a), 83 to 94 percent of the units under section 81 (1) (b) had remained unaudited during the period resulting in non-fulfillment of statutory provisions of the Act. The Government should consider the desirability for taking action against the societies who failed to get their accounts audited by the certified auditors and also to consider the cancellation of registration of such societies. The reasons for heavy arrears of audit though called for were not communicated by the Department. The Additional Registrar, however, agreed (October 2004) to blacklist the Chartered Accountants/ Certified Auditors who had failed to complete the audit.

6.3.8 Arrears of audit fee

Under MCS Rules, 1961, the charges on account of audit fee and supervision charges have to be paid annually on or before any specified date by all or any class of societies including the societies in liquidation at such rates as may be fixed by the Registrar with the approval of the State Government. A scrutiny of records revealed that a sum of Rs 18.07 crore was recoverable from 19,172 societies at the end of March 2003 for the period from 1998-1999 to 2002-2003.

The age-wise analysis is given as under:-

Age of arrears	Amount (in crore of rupees)
Three to less than five years	4.61
One to less than three years	5.96
Less than one year	7.50

During discussion the Additional Registrar stated in October 2004, that a sum of Rs 3.84 crore out of the above mentioned arrears has been recovered as of 31 March 2004. Report on balance amount of Rs 14.23 crore has not been received (February 2005).

6.3.9 Short recovery of audit fee

The audit of apex societies¹¹ is conducted on continuous and concurrent basis for which the staff has been provided by the Government. The entire cost of the staff including their pay and allowances, leave salary, pension contribution and office contingencies is recoverable as audit fee from the auditee units. Scrutiny of records of assessment of audit fee in 16 banks/federations¹² in 13 districts revealed that despite the revision of pay scales of the staff and officers with effect from 1-1-96 the pension contribution for the period from 1-1-96 to 31-3-99 was recovered with reference to the pre revised scales instead of the revised pay scales introduced in December 1998. This resulted in short recovery of audit fee of Rs 1.04 crore.

In reply, Government stated that the amount would be recovered after confirming the short levy of audit fee. An amount of Rs 12.31 lakh has been recovered from three units.

6.3.10 Non-recovery of supervision charges

Under the provisions of MAPMR Act, a purchaser of agricultural produce is liable to pay cost of supervision in respect of the agricultural produce purchased from the market regulated at market area. The supervision charges so levied are liable to be collected by the respective Agricultural Produce Marketing Committee (APMC) and remitted to Government account by 15 of the following month. The Act further provides that in case the amount so collected by the APMCs is not remitted within the stipulated period, the amount outstanding should be recovered along with a fine of one *per cent* of the amount due as arrears of land revenue.

A scrutiny of records of 14 APMCs¹³ in six districts¹⁴ revealed that supervision charges of Rs 73.98 lakh were collected between April 1998 and March 2003, out of which only Rs 15.30 lakh was credited to Government account leaving a balance of Rs 58.68 lakh with APMCs. Though the position of outstanding dues was reported by the APMCs to respective DDRs through monthly returns, the DDRs did not initiate any penal action to recover the outstanding amount from these APMCs. The Additional Registrar, however, agreed during discussion to recover the dues from them.

¹¹ 'apex society' means a society (a) the area of operation of which extends to the whole of the State of Maharashtra, (b) the main object of which is to promote the principal objects of the societies affiliated to it as members and to provide for the facilities and services to them, and (c) which has been classified as an apex society by the Registrars.

¹² Maharashtra State Co-operative Bank, Maharashtra State Co-operative Agricultural and Rural Development Bank, Maharashtra State Co-operative Marketing Federation, Maharashtra State Co-operative Cotton growers Federation in Mumbai and District Central Co-operative Banks in 12 districts (Ahmednagar, Akola, Amravati, Aurangabad, Beed, Bhandara, Kolhapur, Nanded, Nashik, Pune, Sangli and Thane)

¹³ Bhiwandi, Himayatnagar, Kalwan, Kalyan, Kandhar, Kundelwadi, Mukhed, Murbad, Naigaon, Palghar, Parli Vaijnath, Parola, Sangamner, Shirampur.

¹⁴ Ahmednagar, Beed, Jalgaon, Nanded, Nashik and Thane

6.3.11 Short recovery of inspection/license fee from money lenders

Under the provisions of BML Act, the license issued to a money lender for carrying out the business of money lending is to be renewed on submitting an application within the prescribed period along with the license fee and inspection fee to be reckoned at one *per cent* of the maximum capital utilised by him during the period of the license sought to be renewed or Rs 5,000¹⁵ whichever is less.

The money lenders belonging to Pune, Nagpur and Amravati filed an appeal in the High Court at Mumbai and Nagpur in 1993 against the revision of rates in 1992 by the Government. While Hon'ble High Court, Mumbai refused to grant stay, Nagpur Bench passed an interim stay order against the notice of recovery served on the "petitioners"¹⁶ in February 1994. Consequently, the Department recovered inspection fee at the revised rates except from the money lenders in Amravati (in view of the stay given by the Hon'ble High court) until July 1997 when the Commissioner, Pune directed all the DDRs for effecting recovery of inspection/license fee at the pre revised rates. The Hon'ble Bombay High Court, Nagpur Bench gave the final decision in favour of the Department quashing the appeal of the money lenders in August 2002.

The Commissioner delayed issuing instructions to the Deputy District Registrars to recover the differential amount on account of inspection/license fee upto October 2003 though the appeal of the money lenders was quashed by the Hon'ble High Court, Nagpur Bench in August 2002 leading to undue benefit to the money lenders of Rs 2.78 crore¹⁷. The short realised amount of Rs 2.78 crore had not been recovered upto April 2004. The Additional Registrar stated during discussion in the meeting that deficient amount will be recovered during ensuing renewal by the respective moneylenders.

6.3.12 Non-recovery of dividend

Sixteen marketing co-operative societies to whom share capital amounting to Rs 1.30 crore was given by the Government in 1994 and 1997 were required to pay minimum dividend at 12 to 16 *per cent* on the balance share capital at the end of each year even if they incurred loss.

It was seen that a sum of Rs 1.04 crore was to be recovered towards minimum dividend from these 16 societies out of which a nominal sum of Rs 0.04 crore was paid by them as on 31 March 2003.

The Additional Registrar during discussion in October 2004 stated that the Government will be moved for necessary amendment in the terms and conditions of the grant of share capital as the loss of societies will further increase in case these are compelled to pay minimum dividend. Further report has not been received (February 2005).

¹⁵ These words were substituted for the words 'Rs 500' by Maharashtra 7 of 1992.

¹⁶ Forty two petitioners of Amravati district.

¹⁷ Includes Rs 0.22 crore to be recovered from moneylenders of Amravati.

Recommendations

- Paragraphs 37 to 39 of the Budget Manual regarding framing of budget estimates as close an approximation to the actuals as possible be scrupulously adhered to. Effective steps may be taken to curb the tendency to estimate receipts on adhoc basis.
- The Chartered Accountants\Certified Auditors who have failed in completing the audits entrusted to them be black listed from further appointments and the fact of such black listing be communicated to the Institute of Chartered Accountants of India, New Delhi for appropriate action.
- A time bound programme for recovery of the Government revenues be framed and achievements or failures in this time bound programme be appropriately considered in the course of performance evaluation of the officials concerned.

The matter was reported to the Government in September 2004. Pending comments of the Government on the review, it was discussed with the authorised representative of the Government in a meeting held on 20 October 2004. The Additional Registrar, who represented the Government confirmed the facts in the review and agreed to effect recovery as pointed out in various paragraphs of the review.

6.4 Non-tax receipts in Medical & Public Health Department

6.4.1 Non-recovery of bond money

The students selected for admission to medical/dental course are required to execute a bond to serve the State Government or local self government or armed forces for a period of two years, as per the condition number (ii) of the bond agreement, failing which he/she is liable to pay to the Government a sum ranging from Rs 5,000 to Rs 1 lakh with interest at 15 *per cent* per annum depending on the year in which the admission was taken.

As per condition number (ii) the students shall on passing the said examination and after undergoing internship or rotating houseman ship for such a period as the institution may prescribe, shall within a period of 30 days give notice in writing to the Director of Medical Education and Research, Mumbai (DMER) about the completion of his/her internship. If the student is called upon by the Government or the Director of Health Services (DHS) at any time by notice, the student shall serve the Government/Zilla Parishad/Local Authority for a period of two years.

Scrutiny of records in 12¹⁸ medical colleges, one dental college¹⁹ and six Deputy Directors²⁰ revealed that an amount of Rs 13.05 crore was recoverable from 801 students who had completed internship and who were offered

¹⁸ Akola, Ambejogai, Aurangabad, Dhule, Miraj, Mumbai, Nagpur, IGMC Nagpur, Nanded, Pune, Solapur, Yavatmal.

¹⁹ Mumbai

²⁰ Akola, Aurangabad, Latur, Nashik, Pune, Thane.

services by the Government during 1998-2003 but did not join or left the services before completion of two years. Further, an amount of Rs 19.99 crore in respect of earlier years was also to be recovered. Scrutiny further revealed that only 10 cases were referred to Revenue Authorities for recovery of bond money as arrears of land revenue and in remaining 791 cases no efforts were made for recovery.

6.4.2 Outstanding amount from Employees State Insurance Corporation

The Employees State Insurance (ESI) scheme in the State is implemented by the ESI Corporation through 13²¹ ESIS hospitals of the Government of Maharashtra. There is a ceiling limit of Rs 600 per insured person per family unit per annum and the ceiling limit of grants from ESI Corporation is decided each year on the basis of average number of insured persons per year. The expenditure on medical care of insured persons is shared between ESI Corporation and State Government in the ratio of 7:1.

Scrutiny of the records revealed that an amount of Rs 11.18 crore was outstanding from ESI Corporation for want of assessment yet to be done by ESI Corporation. The year wise position of outstanding amount was as follows.

Year	Amount (In crore of rupees)
1999-2000	4.53
2000-2001	4.54
2002-2003	2.11
Total	11.18

6.4.3 Delay in crediting receipts collected to the receipt head

Maharashtra Treasury Rules (MTR) provide that all moneys received by or tendered to Government should be credited to Government account within two days of the date of receipt which may be extended to seven days by Heads of the Department.

In 15²² Colleges and Hospitals an amount of Rs 7.29 crore realised as Government receipt during 1998-99 to 2002-03 was credited to the receipt head after delays ranging from eight to 447 days. The practice continued for all the years adversely affecting the depiction of receipts under the Major

²¹ Andheri, Aundh (Pune), Aurangabad, Kandivali, Mulund, Nashik, Nagpur, Parel, Solapur, Thane, Ulhasnagar, Vashi, Worli.

²² Ambejogai, Aurangabad, Chandrapur, Dhule, Gondia, Mumbai (2), Nagpur (2), Nanded, Pune (2), Solapur, Wardha and Yavatmal.

Head 0210 Medical & Public Health, besides delay of receipts due into Government account.

After this was pointed out in audit, the delay in remittance was attributed by the Department to rush of work. The reply is not tenable, as the delay was in contravention of the provisions of the Maharashtra Treasury Rules.

**Mumbai,
The**

**(RAGHUBIR SINGH)
Principal Accountant General (Audit)-I, Maharashtra**

Countersigned

**New Delhi,
The**

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