CHAPTER-VIII: OTHER DEPARTMENTAL RECEIPTS

8.1 Results of Audit

Test check of assessment and other connected documents pertaining to departmental receipts in the Department of Food Supplies & Consumer Welfare, Co-operation, Energy, General Administration, Steel & Mines and Health & Family Welfare Department during 2004-05 revealed non realisation of revenue, non/short levy of duties/fees etc of Rs.459.31 crore in 18,11,017 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Review on Interest Receipts	1	411.92
2.	Non realisation of revenue	3,66,687	14.43
3.	Non/short levy of revenue	14,44,259	20.84
4.	Other irregularities	70	12.12
Total		**18,11,017**	**459.31**

During the year 2004-05, the Departments accepted non/short levy of revenue, non realisation of revenue etc. of Rs.14.72 crore in 17,00,057 cases pointed out in 2004-05 of which Rs.42.65 lakh was realised in two cases.

A few illustrative cases highlighting important audit observations involving Rs.11.77 crore and findings of a review **"Interest Receipts"** involving Rs.411.92 crore are discussed in the following paragraphs.

8.2 Review on "Interest Receipts"

Highlights:

- **Sanction of interest free loans resulted in loss of interest of Rs.11.47 crore.**

(Para-8.2.8)

- **Non levy of interest of Rs.8.44 crore and short levy of Rs.72.92 crore due to computation error.**

(Para-8.2.9)

- **Interest of Rs.35.54 crore on ways and means advance and Rs.215.53 crore on other loans remained unrealised from the loanees.**

(Para-8.2.10)

- **Loss of Rs.56.81 crore towards interest due to delay in disbursement of loan out of funds received from GOI.**

(Para-8.2.11)

- **Loss of interest amounting to Rs.2.74 crore due to improper adjustment of repayment.**

(Para-8.2.12)

- **Sanction of loans without finalisation of terms and conditions resulted in non levy/realisation of interest of *Rs.*8.45 crore.**

(Para-8.2.13)

Introduction

8.2.1 Interest receipt is one of the major sources of non tax revenue of the State. Government in pursuance of its policies for achievement of various objectives, grants loans and advances to local bodies, public sector undertakings (PSUs), co-operative institutions and individuals including Government employees. Loans and advances sanctioned usually carry different rates of interest fixed by the sanctioning authorities keeping in view the purpose of the loan/advance. These are required to be repaid within the stipulated period in periodical instalments along with interest. The terms and conditions such as periodicity of instalments, rate of interest, the mode and manner of repayment of principal and interest are specified in the sanction orders of loan. In case of default in repayment, penal interest is leviable.

Detailed guidelines were issued by the Finance Department (FD) in January 1995 and August 1997 regarding monitoring of loans and advances, timely repayment of principal and interest thereon, maintenance of loan ledgers etc. Under Chapter 13 of Orissa General Financial Rules (OGFR) Vol-I, system/procedure for sanction of loan, recovery of loans and advances, interest payment and control mechanism for watching timely repayment of principal and interest etc. have been prescribed.

Audit Objectives

8.2.2 The review was conducted with a view:

- to examine the extent of revenue loss due to short/non levy of interest on loans;
- to evaluate the position in raising demand and collection of dues;
- to assess the effectiveness of internal control mechanism and maintenance of records.

Organisational set up

8.2.3 Loans are sanctioned by the administrative departments and ways and means advances[1] are sanctioned by Finance Department (FD) on the recommendation of the administrative departments. Recoveries of loans and advances along with interest are watched by the heads of the departments concerned, according to the instructions of the Government.

Scope of Audit

8.2.4 Mention was made in para 8.2 of report of CAG of India for the year 1996-97 regarding non compliance to the provisions of OGFR and FD circulars issued from time to time on the loan policy on realisation of interest in respect of loans and advances sanctioned by the State Government. In order to ascertain the extent of compliance with the provisions of the Act, Rules and loan policy, a review on "Interest Receipts" for the period from 1999-2000 to 2003-04 was conducted between May 2004 and April 2005 in nine[2] out of 25 loan sanctioning Departments with reference to the loan records maintained by them. Important points noticed in course of review are brought out in the succeeding paragraphs.

Audit findings as a result of test check were reported to the Government/Department in May 2005 with the request for attending Audit Review Committee (ARC) so that the views of Government/Department could be taken into account before finalising the review. The ARC meeting held on 13 July 2005 was attended by Special Secretary, Finance Department,

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1 **Ways and means advances means advances for short term to be repaid in same financial year.**

2 **Agriculture, Energy, Finance, Food Supplies & Consumer Welfare, Industry, Handloom & Textiles, S.C & S.T. Development, Steel & Mines and Housing & Urban Development Departments**

Government of Orissa. The review has been finalised taking into account the Department/Government's views that emerged during the ARC.

Trend of Interest receipts

8.2.5 As per the provisions of the Orissa Budget Manual, estimates of revenue receipts should show the amount expected to the realised for the year. Calculation should be based upon the actual demand including any arrear for past years and the probability of their realisation during the year. The Controlling Officers of the administrative departments are required to submit departmental estimate of revenue to the Finance Department. The budget estimates (BEs) and actual collection of interest receipt during the period from 1999-2000 to 2003-04 were as under:

(Rupees in crore)

Year	Budget Estimate	Actuals	Variation Excess (+) Short (-)	Percentage of variation
(1)	*(2)*	*(3)*	*(4)*	*(5)*
1999-2000	20.00	19.46	(-) 0.54	(-) 2.70
2000-2001	25.00	13.09	(-) 11.91	(-) 47.63
2001-2002	20.00	25.27	(+) 5.27	26.35
2002-2003	45.00	76.09	(+) 31.09	69.08
2003-2004	33.00	164.38	(+) 131.38	398.12
TOTAL	**143.00**	**298.29**	**(+) 155.29**	**108.59**

It would be seen that the variation between BEs and actuals ranged from minus 2.70 to 398.12 *per cent*. Actual realisation in the year 2002-03 was not taken as an indicator for preparation of budget estimate for the year 2003-04. The Finance Department stated in May 2005 that due to continuous loss, sickness and closure of unviable borrowing organisations, the budget targets could not be achieved. The reply was not tenable in view of specific requirement of realistic assessment of ability of loanee to repay before the loans are sanctioned in terms of guidelines issued in August 1997. The increase in interest receipts during 2002-03 and 2003-04 was stated to be due to lumpsum payment of Rs.50.68 crore by Grid Corporation of Orissa Limited (GRIDCO) in 2002-03 and Rs.145 crore by GRIDCO and Orissa Mining Corporation (OMC) in 2003-04.

It was further noticed that BEs were not prepared as per the provisions of Orissa Budget Manual. The budget estimates were prepared by the FD by taking actuals of the last three years and anticipated receipts for the year. The controlling officers of the Department did not prepare and submit the budget to the Finance Department.

Outstanding Loans

8.2.6 As per Finance Department Memorandum of August 1997, FD is required to monitor the loans to ensure timely recovery. Even after a lapse of seven years, FD is not in a position to furnish the departmentwise outstanding position of loan (Rs.3,831.38 crore) and interest accrued thereon. However, as per Finance Accounts of the Government, outstanding loan position of the State during the last five years was as under:

(Rupees in crore)

Year.	Opening balance	Loans and advances sanctioned	Total	Amount repaid	Percentage of repayment	Balance
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1999-00	1,186.47	476.04	1,662.51	102.81	6.18	1,559.70
2000-01	1,559.70	635.79	2,195.49	76.58	3.49	2,118.91
2001-02	2,118.91	379.15	2,498.06	131.66	5.27	2,366.40
2002-03	2,366.40	343.23	2,709.63	177.19	6.54	2,532.44
2003-04	2,532.44	1,572.01	4,104.45	273.07	6.65	3,831.38
Total	**1,186.47**	**3,406.22**	**4,592.69**	**761.31**	**16.58**	**3,831.38**

The total arrear loan under different heads pertaining to all Departments went up by 223 *per cent* during last five years and stood at Rs.3,831.38 crore as on 31 March 2004. Although the FD is entrusted with the responsibility of monitoring the loans, information regarding the amount of overdue principal and interest accrued thereon, as well as Department/loanee wise outstanding position of the loans was not available with the Department.

- Test check of records of nine Departments[3] in April 2005 revealed that no Department except FD maintained loan ledger as a result of which details of sanction order number, amount of loan sanctioned, rate/penal rate of interest, period of repayment/moratorium period, amount due, collection and balance could not be ascertained in audit. The administrative departments failed to monitor levy and collection of instalments of repayments towards principal and interest due to non maintenance of loan ledger and other details of loan.

Outstanding Interest

8.2.7 In contravention of the guidelines issued by FD in January 1995, seven out of nine Departments test checked did not maintain year wise position of outstanding interest. Only two to five out of 25 loan sanctioning Departments furnished annual statements of loans and interest to FD during the period under review as under:

Year	No. of loan sanctioning departments	No. of departments which did not furnish the statement
1999-00	25	25
2000-01	25	20
2001-02	25	23
2002-03	25	23
2003-04	25	20

As the FD could not work out department/year wise outstanding position of loans and the interest accrued thereon, the actual position of loan and interest

3 **Agriculture, Energy, Finance, Food Supply & Consumer Welfare , Industry, Handloom & Textiles., ST & SC Development , Steel & Mines and Housing & Urban Development Departments.**

could not be reflected in the Finance Accounts. As there was no maintenance of the required records by six Departments, total interest outstanding in a particular year could not be ascertained. However, the position of outstanding interest in respect of six[4] out of nine Departments test checked was worked out in audit on the basis of progress reports, sanction order statements and cumulative balances as detailed below in the table:

(Rupees in Crore)

Name of the Department	Outstanding interest						
	Up to 31.03.99	1999-00	2000-01	2001-02	2002-03	2003-04	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Agriculture	41.66	5.00	5.16	5.19	5.17	5.19	67.37
Energy	111.61	86.28	102.60	186.57	251.28	299.53	1,037.87
Steel and Mines	-	-	-	-	0.55	3.99	4.54
Textile & Handloom	7.61	1.29	0.57	1.16	1.50	2.90	15.03
SC & ST	1.16	1.88	1.88	1.89	1.90	1.90	10.61
Industry	15.33	7.49	6.24	5.44	3.56	0.36	38.42
Total							**1,173.84**

Sanction of interest free loans resulting in loss of interest

8.2.8 Orissa General Financial Rules and loan policy of the Government of Orissa does not provide for sanction of interest free loan to any organisation for any purpose.

Test check of records in two[5] departments revealed that during 1999-2000 to 2003-04 interest free loan of Rs.57.74 crore was sanctioned and paid to 30 organisations for different purposes. The loans were recoverable in three to 12 annual instalments. This resulted in loss of Rs.11.47 crore towards interest as of 31 March 2004 computed on the basis of lowest rate of interest charged by State Government on loans.

After this was pointed out, Finance Department accepted in June 2004 the audit observation regarding non existence of codified guidelines to grant interest free loans and stated that in view of the financial incapability of the sick PSUs for repayment of the guaranteed loans, Government settled the cases by granting interest free loans. The reply was not tenable as sanction of interest free loan was not covered under the loan policy of the Government.

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4 **Finance Department has maintained the year wise position.**

Food Supply and Consumer Welfare Department has no outstanding loan/interest.

5 **Finance, Industries**

Non/short levy of interest

8.2.9 As per the provisions contained in FD circular of August 1997, the loan sanctioning authority is required to maintain loan register in a prescribed format and take timely action for recovery of loan and interest by way of issue of demand notices. In case the loanee fails to discharge the liability in time, suitable legal action should be initiated immediately. The circular also provides for realistic assessment of the ability of the loanee before the loans are sanctioned.

- Test check of records of Energy Department revealed in February 2005 that while raising demand against OHPC[6] in March 2004 for the years 2002-03 and 2003-04, the Department incorrectly computed the interest as Rs.73.05 crore on the loan of Rs.570.36 crore against Rs.145.97 crore at the prescribed rates ranging between 9.8 and 13.5 *per cent*. This resulted in short levy of interest of Rs.72.92 crore. Besides, interest of Rs.497.51 crore demanded as of March 2004 also remained unrealised (October 2005).

After this was pointed out in February 2005, the Department admitted the error and agreed to revise the demand.

- Test check of records of Schedule Tribe and Schedule Caste (ST & SC) Development Department revealed that loan of Rs.10.23 crore was sanctioned in March 1999 in favour of Tribal Development Co-operative Corporation (TDCC) Ltd. for repayment of their outstanding loan with State Bank of India. The loan was recoverable 12 yearly instalments with 15 *per cent* interest. Though the instalments of principal and interest were due for repayment with effect from January 2001, the Corporation did not pay the dues as of March 2004. The Department did not raise demand of Rs.12.70 crore towards principal (Rs. 4.26 crore) and interest (Rs.8.44 crore) as of March 2004.

After this was pointed out in March 2005, the Department stated in April 2005 that demand for principal and interest was not raised due to poor financial position of the TDCC and on the request of the Corporation, a proposal for sanction of fresh grant to square up the loan liability was sent to FD. The reply is not tenable in view of the conditions prescribed for recovery of loan.

Non realisation of interest

8.2.10 The Government of Orissa vide Office Memorandum of October 1975 decided that ways and means advance may be given to the deserving Government Companies, Corporations and Undertakings subject to availability of funds and terms and conditions specified therein. The advance is required to be recovered within the financial year in which it was paid. In

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6 **Orissa Hydro Power Corporation**

case of default by the loanee in respect of the loan and/or payment of interest such amount shall be realised as arrears of land revenue.

Test check of records in FD revealed that ways and means advance of Rs.58.22 crore were sanctioned to seven organisations[7] between June 1999 and January 2003 carrying interest at the rate of 18 *per cent* including penal interest of three *per cent*. Three organisations[8] repaid principal amounting to Rs.10.65 crore (against Rs.13.30 crore) and did not pay interest. However, the Department did not take any action to recover the entire dues while releasing fresh grant/assistance. This resulted in non realisation of loan of Rs. 47.57 crore and interest of 35.54 crore as of March 2004.

After this was pointed out in May 2004, the FD agreed in April 2005 to recover the outstanding dues from loanees at the time of release of budgetary provisions.

- Under the provision of FD circular of August 1997, administrative department shall take timely action for recovery of loans and interest by way of issue of demand notice. As per para 209(2) of OGFR Vol-I and FD circular of September 1993, in the event of default in repayment of principal or interest a penal rate of interest over and above the normal rates is leviable on the borrowing organisation as specified in the sanction order. In case, the loanee fails to discharge the liability in time, legal action should be initiated immediately. Further, the Government vide notification of January 2003 decided that (i) moratorium on debt servicing by GRIDCO and OHPC to State Government would be allowed from the financial year 2001-02 till 2005-06 except the amount in respect of loan from World Bank to the extent the State government is required to pay to the Government of India (GOI), (ii) World Bank loan would be passed on by the State Government to GRIDCO and DISTCOS at 70 *per cent* loan at the rate of 13 *per cent* interest per annum and 30 *per cent* would be grant (iii) GRIDCO should take prompt and effective action for payment of interest towards World Bank loan. In case of default, this should be adjusted out of the release to GRIDCO.

Test check of records of Energy Department revealed that loans of Rs.915.05 crore were granted to five organisations[9] between 1999-2000 and 2003-04 for Power Sector Reform Project Work. The loans were recoverable in 10 annual instalments after moratorium of five years with 13 *per cent* interest. In the event of default in payment of instalments, penal interest of 3.5 *per cent* over and above the normal rate was also leviable. Though the Department raised demand for repayment of loan/interest, the loanee organisations did not repay the dues. No further action to recover the dues was taken by the Department. This resulted in non realisation of interest of Rs.157.83 crore being interest on 70 *per cent* of the World Bank loan payable by the State Government to GOI

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7 **Orissa State Co-operative and Rural Development Bank, Co-operative Sugar Industry, Nayagarh, Industrial Development Corporation, Orissa Textile Mill, Sarala Weaver Co-operative Spinning Mill, Aska Spinning Mill and Kali Co Spin.**

8 **Co-operative Sugar Industry, Nayagarh, Industrial Development\Corporation, Calico Spin.**

9 **GRIDCO, CESCO, NESCO, WESCO, SOUTHCO**

in terms of notification of January 2003 *ibid*, besides penal interest of Rs.57.70 crore was also payable for default in payment of the dues.

After this was pointed out, the Department while agreeing to levy the penal interest stated in June 2004 that as per Government Notification of January 2003 moratorium on debt serving was extended to the loanee organisations up to 2005-06. The reply was not tenable as the extended moratorium period was not applicable in case of World Bank loans.

Loss due to delay in disbursement of loan

8.2.11 GOI releases funds for various purposes to the State Government with the condition to disburse the same to the implementing agencies within seven days of release by GOI.

Test check of records of three Departments[10] revealed that out of Rs.924.51 crore released by GOI during 1999-00 to 2003-04 only Rs.922.60 crore was disbursed to the implementing agencies.[11] As the loans released by GOI carry interest ranging between 10.5 *per cent* and 13 *per cent*, the delay in disbursement resulted in loss of interest of Rs.56.81 crore.

After this was pointed out, the administrative departments stated that the delay occurred due to the time taken for obtaining concurrence of FD, unfavourable ways and means position of the State, delay in making budget provisions as well as execution of agreement with the borrowing organisations. The reply was not tenable as delay in releasing the fund beyond seven days contravenes the condition of GOI sanction order. FD may devise a system to release the funds within seven days of their release by GOI.

Loss of revenue due to irregular adjustment of principal against the repayments

8.2.12 As per provision contained in Rule 205(V) of OGFR Vol.-I, unless otherwise specifically stipulated, interest shall be the first charge on repayment.

Test check of records in FD revealed that two[12] implementing agencies repaid Rs.20 crore between April 1999 and January 2000. However, while posting these credits in the loan ledger the FD incorrectly adjusted the amount towards principal instead of crediting into interest account first as required under the provisions of OGFR. Incorrect adjustment of this amount resulted in loss of interest of Rs.2.74 crore.

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10 **Energy, Housing & Urban Development and Food Supply and Consumer Welfare Department.**

11 **GRIDCO, CESCO, NESCO, SOUTHCO, WESCO, OSCSC and Urban Local Bodies.**

12 **Industrial Development Corporation (IDC) & Orissa Hydro Power Corporation (OHPC)**

After this was pointed out in May 2004, the Department stated in April 2005 that due to unsound financial position of the PSUs, the amount paid by the units was adjusted towards repayment of principal. The reply is not tenable as adjustment of repayment towards principal before adjustment of interest was against the codal provisions.

Non finalisation of terms and conditions

8.2.13 As per provision contained in Rule 205 and 207 of OGFR Vol-I, no loan shall be sanctioned before the loanee furnishes a written undertaking of acceptance of the terms and conditions. Further, para 5 of the FD circular of August 1997 stipulates that the sanctioning authority shall not draw the loan until a bond in the specified proforma is received from the loanee.

Energy Department sanctioned loan of Rs. 15 crore to GRIDCO between November 1999 and January 2000 from Calamity Relief Fund for repair and restoration of power supply in the cyclone affected areas without furnishing of requisite bond and finalisation of terms and conditions. Disbursement of loan without completing the requisite formalities/terms and conditions resulted in non realisation of interest of Rs.8.45 crore as of March 2004 worked out at the rate of 13 *per cent* per annum applicable to similar loan.

After this was pointed out, the Department stated in April 2005 that the terms and conditions could not be finalised due to pending decision to convert the loan into grant. The reply is not tenable in view of circular of FD of August 1997 and provision of OGFR.

Non levy of penal interest

8.2.14 As per Para 209 (2) of OGFR Vol. I and FD circular of September 1993, in the event of default in the repayment of principal or interest a penal rate of interest over and above the normal rates is leviable on the borrowing organisations as specified in the sanction order.

Test check of records revealed that Industry Department sanctioned two loans to two organisations[13] between March 2001 and March 2002 for various purposes. The loans are repayable in four to nine years including moratorium period of one year with 13 to 15 *per cent* normal rate of interest. In the case of default in payment, penal interest at the rate of 1.5 *per cent* was leviable over and above the normal rates. Though the organisations did not repay the instalments, penal interest of Rs.1.92 lakh was not levied as of March 2004.

After this was pointed out, the Department agreed to levy penal interest against the defaulting organisations.

13 **M/s. Orissa State Financial Corporation and M/s. Orissa Small Industries Corporation.**

Recommendations

8.2.15 The absence of well-devised control system and lack of coordination between the Finance Department and administrative departments, and improper maintenance of records led to non levy, short realisation, loss of interest and non realisation of interest of Rs.411.92 crore. Despite adverse impact of such loss on the ways and means position, Finance Department made no concrete efforts to enforce the provisions of loan policy and Acts/Rules to realise the overdue principal and interest. Government was not in a position to initiate timely action for their realisation. However, the State Government may consider the following to improve effectiveness of the system.

- ensure maintenance of basic records like loan ledger and DCB register etc.,
- ensure submission of periodical returns etc. and monitoring at FD/ Government level to watch repayment of loans/interest.

8.3 Non levy of inspection fees

Government of Orissa, Department of Energy vide notification of December 2001 revised the fees for testing and inspection of installations effective from 29 March 2002. As per the notification, distribution companies are required to collect inspection fees from domestic and commercial service connections and deposit the same with the Government.

Test check of records of three[14] Electrical Inspectors (EI), revealed in February 2005 that no demand for collection of inspection fees of Rs. 5.87 crore for the years 2002-03 and 2003-04 was raised against three distribution companies. As a result, there was non levy of inspection fees of Rs.5.87 crore.

The matter was reported to Chief Electrical Inspector (CEI)/Government in March 2005. CEI stated in July 2005 that demand towards inspection fees was raised. Final reply on realisation had not been received (October 2005).

8.4 Loss of revenue due to short levy of inspection fees

Indian Electricity Rules (IER) 1956, provide that when an installation is already connected to the supply system of the supplier, every such installation shall be periodically inspected and tested either by inspector or by the supplier as may be directed by the State Government. The rate of fees payable for the categories of installation which are subject to inspection periodically was notified by Energy Department in September 1991 and revised in December 2001, effective from 29 March 2002.

Test check of records of Deputy Electrical Inspector (Dy. EI), Angul and Damanjodi in February 2005 revealed that Dy. EI, Angul levied inspection fees for the years 2002-03 and 2003-04 at the pre revised rate instead of revised rate for substations of distribution companies. This resulted in short levy of inspection fees of Rs.1.95 crore. The Dy. EI, Damanjodi did not include charges for service connection of Rs.39 lakh while raising demand for inspection fees. As a result, Government sustained loss of revenue of Rs.2.34 crore towards inspection fees.

The matter was reported to CEI/Government in March 2005; CEI in June 2005 agreed to raise demand at revised rate.

14 Balasore, Berhampur & Bhubaneswar.

8.5 Non levy of electricity duty

Under the Orissa Electricity Duty (OED) Act, 1961 and Rules made thereunder, electricity duty (ED) shall be levied and is payable to Government on the energy consumed by a person who generates such energy for his own consumption.

Scrutiny of records of Superintending Engineer (SE)/Projects Generation Circle, Keonjhar revealed in September 2004 that M/s. Konark Met Coke Limited (KMCL) and M/s. Orissa Sponge Iron Limited (OSIL) generated and consumed 6.19 crore and 3.13 crore units of electricity during the period between April 2003 and March 2004. No demand for Rs. 1.86 crore towards ED was raised. This resulted in non realisation of revenue of Rs. 1.86 crore.

After this was pointed out in audit in September 2004, SE Projects agreed to realise the dues from M/s. OSIL and to initiate a certificate case for recovery of arrears from KMCL.

The matter was reported to Government in October 2004; reply had not been received (October 2005).

8.6 Non/short realisation of electricity duty

Under the provisions of OED Act, as amended from time to time and Rules made thereunder, ED shall be collected from the consumer and paid to Government. The Act further envisage that where such ED collected by licensee from the consumer was not paid to Government within 30 days of expiry of month in which the duty is collected, such licensee shall be liable to pay interest at the rate of 18 *per cent* per annum. Further, under clause 95 of Orissa Electricity Regulatory Commission (OERC) (Condition of Supply) Code, 1998 the amount paid by the consumer shall be first adjusted towards ED and in case of part payment by the consumer, the proportionate share of duty from the total collection shall be adjusted first. The Government raised the rate of ED from 12 paise to 20 paise per unit with effect from October 2001.

- Test check of records of EI, Balasore in February 2005 revealed that a consumer, M/s. Ispat Alloys paid Rs.15.89 crore to the licensee towards energy charges and electricity duty for the period from January 2004 to March 2004. The licensee, North Eastern Electricity Supply Co. (NESCO) however, adjusted the entire amount of Rs.15.89 crore against energy charges instead of remitting Rs.59.51 lakh to Government account towards ED. No demand was raised to realise ED of Rs.59.51 lakh from the licensee. Besides interest of Rs.2.52 lakh leviable for belated payment as of March 2004 was not levied. This resulted in non realisation of Government revenue of Rs.62.03 lakh towards ED and interest.

After this was pointed out in audit in February 2005, the EI, Balasore stated in June 2005 that the licensee NESCO agreed for payment of electricity duty and an amount of Rs.32 lakh deposited towards arrear ED.

The matter was referred to Government in March 2005; reply had not been received (October 2005).

- Test check of records of SE (Project), Generation Circle, Keonjhar in September 2004 revealed that ED of Rs.57.90 lakh was realised from an industrial consumer at the rate of 12 paise per unit for consumption of 6.63 crore units of energy between June 2003 and March 2004 as against Rs.132.67 lakh at the revised rate of 20 paise per unit. The unit was availing exemption prior to 11 June 2003. This resulted in short realisation of Rs.64.67 lakh towards ED. Further interest of Rs.3.03 lakh calculated as of March 2004 is also payable on the outstanding dues. No demand was raised for realisation of Rs.67.70 lakh towards ED including interest.

The matter was reported to the Department and Government in October 2004; reply had not been received (October 2005).

8.7 Loss of revenue due to irregular exemption of electricity duty

As per Industrial Policy, 1996 industrial units engaged in iron and steel processors including cutting sheets, bars, angles, coils, MS sheets, etc. are not eligible for exemption from payment of electricity duty.

Test check of records of Electrical Inspector (EI), Bhubaneswar revealed in February 2005 that M/s. Prinik Industries Private Limited engaged in manufacturing ingots from iron scrap in the process of cutting, melting and casting was allowed exemption from payment of ED of Rs.27.18 lakh for the period between 13 September 2001 and 31 March 2004. The unit being ineligible, grant of exemption from payment of ED was irregular which resulted in loss of revenue of Rs.27.18 lakh.

After this was pointed out in February 2005, the EI Bhubaneswar stated that exemption was granted on the recommendations of District Industry Centre. The reply was not tenable as the EI allowed exemption to an ineligible unit without bringing it to the notice of the Industries Department.

The matter was reported to Government in March 2005; reply had not been received (October 2005).

8.8 Non realisation of audit fees

Section 62 of Orissa Co-operative Societies (OCS) Act 1962, read with Rule 57 of OCS Rules empowers the Auditor General of Co-operative Societies (AGCS) to cause audit of accounts of such societies which have been assisted by State Government in any manner by one or more auditors authorised by him. The co-operative societies have to pay fees to the State Government towards cost of audit at the rate prescribed by AGCS with approval of the State Government.

Test check of records in the office of AGCS in January 2005 revealed that Orissa Milk Federation (OMFED) did not pay Rs.12.79 lakh towards audit fees for the years 2000-01 and 2001-02. Although a profit of Rs.15.58 lakh in 2001-02 was exhibited in Profit and Loss account of OMFED, yet audit fee remained unrealised from the Corporation.

After this was pointed out in audit in January 2005, the AGCS stated in June 2005 that OMFED paid Rs.5.82 lakh for the year 2000-01 in the month of March 2005.

The matter was reported to Government in January 2005. Government in July 2005 confirmed the fact of payment of audit fee for the year 2000-01. Realisation of audit fee for the year 2001-02 had not been intimated (October 2005).

Bhubaneswar **(Nand Kishore)**
The **Accountant General (CW & RA)**
Orissa

Countersigned

New Delhi **(Vijayendra N. Kaul)**
The **Comptroller and Auditor General of India**