

## Chapter VII: Non Tax Receipts

### 7.1 Results of audit

Test check of records of Forest Department during the year 2006-07, revealed irregularities amounting to Rs. 51.81 crore in 534 cases which broadly fall under the following categories:

(In crore of rupees)

Sr. No.	Category	Number of cases	Amount
1.	Loss due to non revision of rates of royalty	2	1.08
2.	Non recovery of dues from contractors/officials	410	20.22
3.	Outstanding amount of royalty/interest	21	28.55
4.	Other irregularities	101	1.96
<b>Total</b>		<b>534</b>	<b>51.81</b>

During the year 2006-07, the department accepted audit observations involving Rs. 28.93 crore in 494 cases and recovered Rs. 3.17 lakh in three cases pertaining to the audit findings of previous years.

A few illustrative cases highlighting financial irregularities involving Rs. 60.40 crore are given in the following paragraphs:-

## **A: Forest Department**

### **7.2 Loss of interest due to retention of funds in current account instead of fixed deposit**

As per instructions issued by Government of India (GOI) in March 2004, amount collected on account of compensatory afforestation fund was to be kept in fixed deposits in the name of concerned divisional forest officer (DFO) till Compensatory Afforestation Management and Planning Agency (CAMPA) becomes operational and receipt of further directions from GOI.

Test check of records of eight\* DFOs revealed that DFOs collected an amount of Rs.6.28 crore on account of CAMPA fund for the period from April 2003 to March 2005 which was kept in current account instead of fixed deposit. Thus, due to non observance of the instructions of GOI, the department was deprived of interest of Rs.31.42 lakh from March 2004 to April 2006 at the minimum rate of five *per cent* as applicable to fixed deposit.

After this was pointed out in January 2007, department admitted the lapse in April 2007 .

The matter was referred to Government in January 2007; reply is awaited (August 2007).

## **B: Home and Justice Department**

### **7.3 Receipts of Police Department**

#### **7.3.1 Introduction**

The State Government is responsible for maintenance of law and order in the State. These responsibilities are discharged through the Police Department whose duties and functions are governed under the Punjab Police Rules, 1934. The services of the State police are also extended for special occasions and lent to other departments of the State, Central and other Governments, autonomous bodies, private organisations and individuals, on payment of charges fixed by Government from time to time. Receipts of the Police Department mainly comprise recovery of expenditure on the cost of police personnel deployed with the Central Government, public undertakings, banks, railways within the State of Punjab towards guarding chest/remittance or performing watch and ward

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\* Bathinda, Fatehgarh Sahib, Faridkot at Muktsar, Ferozepur, Garhshankar, Gurdaspur at Pathankot, Hoshiarpur and Jalandhar at Phillaur.

duties for maintenance of law and order either permanently or as a temporary measure. Other police receipts conform to recoveries under the Indian Arms Act, fees, fines and forfeiture realised in respect of services controlled by the department and sale of confiscated arms and ammunition, unserviceable vehicles and other material.

### 7.3.2 Arrears of revenue

As per Punjab Police Rules, 1934 and instructions issued in September 1995 by Government of India (GOI), forces deployed to other Governments may be withdrawn in case of default in timely payment and so far as the force provided to private parties/organisations, corporate bodies and individuals is concerned, the cost of police deployed was to be recovered in full and in advance.

The position of arrears for deployment of police personnel to the various departments, autonomous bodies and others and year wise break up thereof were not available with the department. However, arrears of demands raised and year wise break up thereof in respect of the offices test checked in audit were as under:

(In lakh of rupees)								
Sr No.	Name of the organisation	Opening balance 2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Total arrears
1	Other State Governments	Year wise detail not available						4,673.84*
2	Railways	-	-	-	-	549.41	1,068.58	1,617.99
3	Oil companies	686.87	91.36	84.07	7.37	-	-	869.67
4	Depts of the State Govt.	22.58	6.39	5.71	7.50	5.32	2.67	50.17
5	Airport Authority	579.57	159.15	71.99	65.22	83.32	71.87	1,031.12
6	Central Govt offices in the State	58.68	14.55	16.82	7.14	3.52	3.65	104.36
7	Autonomous bodies	173.53	83.87	102.52	349.50	588.79	608.84	1,907.05
8	Others	0.65	-	1.03	3.99	2.06	478.28	486.01
	<b>Total</b>	<b>1,521.88</b>	<b>355.32</b>	<b>282.14</b>	<b>440.72</b>	<b>1,232.42</b>	<b>2,233.89</b>	<b>10,740.21</b>

Scrutiny of records further revealed that DGP neither demanded the advance payment nor forces were withdrawn in case of default in timely payment, with the result that outstanding arrears increased from Rs. 15.22 crore to Rs. 107.40 crore in 2005-06 as compared to the year 2000-01.

### 7.3.3 Deployment of forces to other States

As per instructions issued by GOI in September 1995 to the State Governments, borrowing state should reimburse expenditure on the Armed Police Battalions

\* Does not include the outstanding arrear against other State Governments as yearwise detail was not made available by the department.

on quarterly basis to be adjusted against actual dues on the basis of audited figures. The payment should be made within a period of one month from the close of relevant quarter/receipt of audited figures.

### **7.3.3.1 Delay in raising of demands**

During test check of records of DGP, it was noticed in November 2006 that the State Government provided police force to three\* States between August 2002 and March 2003. The demands for reimbursement of expenditure of Rs. 65.28 lakh on account of police cost were raised late by 14 to 16 months during the years 2002-03 to 2004-05. However, receipts of recoveries in respect of the bills raised were awaited (August 2007).

### **7.3.4 Deployment of force within the State**

Punjab Police Rules provide that in cases of security provided to corporate bodies or commercial companies, the cost of police deployed should be recovered in full and in advance.

Scrutiny of records of four\*\* SSP, five Punjab Armed Police (PAP) and two Indian Reserve Battalions (IRB) during November 2006 revealed that State Government had deployed forces to other departments, Central Government, public sector undertakings, boards and corporations between April 2001 and March 2006 but demands of Rs. 25.14\*\*\* crore (including dues of Rs. 12.87 crore against PSEB) were pending for collection. Thus, deployment of police personnel with corporate bodies or commercial companies without receipt of cost of police in advance resulted in delay in recovery of Government dues.

Further scrutiny from the annual accounts of Punjab State Electricity Board (PSEB) for the year 2005-06 revealed that no liability of Rs. 12.87 crore on account of deployment of police force was shown outstanding in the accounts.

After this was pointed out, SSP Ropar intimated in May 2007 that efforts are being made to recover the amount from Punjab Cricket Association; reply from other SSPs is awaited (August 2007).

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\* Gujarat, Jammu and Kashmir and Tripura.

\*\* Amritsar, Bathinda, Patiala and Ropar, 9<sup>th</sup>, 27<sup>th</sup>, 36<sup>th</sup>, 75<sup>th</sup> and 80<sup>th</sup> PAP Battalions, 3<sup>rd</sup> Ludhiana and 5<sup>th</sup> Amritsar IR Battalions.

\*\*\* Punjab State Electricity Board (Rs. 12.87 crore), Municipal Corporation Amritsar (Rs. 0.62 crore) and Patiala (Rs. 0.80 crore), Indian Oil Corporation (Rs. 1.83 crore), Bhakra Beas Management Board (Rs. 3.05 crore), General Manager Telecom Bathinda (Rs. 0.35 crore) and BSNL Ludhiana (Rs. 0.01 crore), Airport Authority of India Sahnewal and Raja Sansi Airports (Rs. 4.51 crore), Special Bureau Rauni Patiala (Rs. 0.09 crore) and Punjab Cricket Association (PCA) Mohali (Rs. 1.01 crore).

### 7.3.5 Unauthorised deployment of police force

As per policy framed by Railway Board (Board) in 1979 and provisions contained in Government Accounting Rules, 50 *per cent* of the cost of police force deployed for security of railways within the State is to be reimbursed by the board provided the strength of Government Railway Police (GRP) is determined with the approval of the board. As per agreement with Railways, one AIG, three DSPs and 1,342 officials of other ranks were deployed for safeguard of railways in the State. As per Railway Board's instructions dated February 1983, increase/strengthening of GRP set up can not be done without specific consultation/concurrence of the Railway Board.

Scrutiny of records of ADGP (GRP) during October 2006 revealed that DGP Railway, Punjab had sought *expost facto* sanction from Railway Board through GM Northern Railway, New Delhi in December 2005 for 111\* posts created by the State Government in 1990. The proposal, however, was not agreed to (September 2006) by Railways. Since the additional posts were created by the State without the consent of Railways, claim of Rs. 9.79 crore for the period from 1990 to 2006 required to be borne by Railways could not be filed. Of this Rs. 5.91 crore pertains to the period 2001-02 to 2005-06. Thus, the deployment of additional police personnel without prior sanction led to forgoing of Rs. 5.91 crore. ADGP (GRP) neither withdrew the additional police personnel deployed in the Railways after rejection of the proposal nor matter regarding recovery from Railways was pursued thereafter.

### 7.3.6 Under assessment of claim due to non inclusion of different elements of cost

**7.3.6.1** As per terms and conditions laid down by Government, the borrowing State/department would bear all expenditure on account of pay and allowances, cost of uniforms and equipment, travelling allowance, leave salary and pension contribution, *ex-gratia* payment and special family pension in case of casualties/disability and payment of salary to the dependent family members till the date of superannuation of the deceased etc.

Scrutiny of records of four police districts\*\* revealed that an amount of Rs. 27.32 lakh for the period from 2001-02 to 2005-06 was not recovered from the Excise and Taxation Department as of February 2007.

#### 7.3.6.2 Short realisation of pension contribution

State Government merged 50 *per cent* of the dearness allowance (DA) in June 2004 with basic pay as dearness pay (DP) with effect from 1 April, 2004 and DP was required to be included as pay for calculating the claim for reimbursement of pensionary charges.

\* 4 Sub Inspectors, 4 Assistant Sub Inspectors, 13 head constables and 90 constables.

\*\* Amritsar, Ludhiana, Majitha and Patiala.

- Scrutiny of records of ADGP (GRP) in October 2006 revealed that the ADGP did not take the element of DP into account while calculating the amount of claim of reimbursement on account of pensionary charges. Non inclusion of DP in cost of pensionary benefits reimbursable from Railways resulted in short claim of Rs 42.45 lakh for the period from April 2004 to March 2006.

After this was pointed out in October 2006, IG (GRP) Patiala intimated in June 2007 that the claim for recovery of pensionary charges was raised in April 2007 and acceptance of Railway Board is still awaited.

- Similarly, 1<sup>st</sup> Commando Battalion, Bahadurgarh, did not include the element of DP while raising the claim for pension contribution of the force deployed for elections in Bihar and Uttar Pradesh between January 2005 and August 2005. This resulted in short claim of retirement benefits of Rs. 2.09 lakh from other states.

After this was pointed out, Commandant stated in January 2007 that action would be taken as per rules.

### **7.3.7 Non receipt of capitation fee in advance**

As per instructions issued by DGP in January 2000, capitation fee from the trainees of other States would be charged in advance by settlement of terms and conditions and deposited in Government account.

Scrutiny of records of ADGP (PPA) Phillaur and Commandant PRTC Jahan Khelan between October and December 2006 revealed that capitation fee of Rs. 4.73 crore recoverable from other states for the period from 2002-03 to 2005-06 was pending collection. Failure on the part of PPA, Phillaur and PRTC, Jahan Khelan to collect the capitation fee in advance resulted in delay of recovery of Rs. 4.73 crore from other states.

After this was pointed out between October and December 2006, the PPA Phillaur stated in October 2006 that capitation fee would be recovered in due course while PRTC Jahan Khelan stated in December 2006 that efforts are being made to recover the outstanding amount.

#### **7.3.7.1 Loss to Government due to delay in revision of rates**

As per procedure laid by Finance Department, capitation fee was required to be revised from time to time. Elements like establishment charges including leave salary, dearness allowance, pension, contingencies, honorarium etc., and all charges connected with upkeep of buildings and land were required to be taken into account in its fixation. Home Department of State Government fixed in 1969 rates of capitation fee for recovery from trainees of other states for various courses.

It was observed that cost of establishment charges was enhanced thrice from January 1978 to January 1996\* due to revision of pay scales of the staff deployed for imparting training but the rates of capitation fees were not enhanced/revised.

After this was pointed out, PPA\*\* prepared and submitted a proposal for revision to Government in August 2002. Government approved the proposal in May 2005 i.e. after a lapse of period of 32 months. A perusal of the revision order further revealed that effective date of recovery of capitation fee was not proposed by the department. This was also not specified by the State Government. Thus, non recording of effective date deprived Government from recovery of capitation fee of Rs. 4.51 crore at enhanced rate from October 2002 to April 2005.

### **7.3.8 Non disposal of confiscated fire arms**

In October 2001, GOI issued instructions to States for disposal of obsolete/obsolescent, confiscated, seized/recovered fire arms and ammunition of non prohibited category.

Scrutiny of records of ADGP, PPA Phillaur, revealed that 1,011 fire arms of 16 categories valuing Rs. 72.65 lakh lying with Fire Arms Bureau, Phillaur for disposal during the period from April 2001 to March 2005 had not been disposed as of January 2007.

After this was pointed out in October 2006, the department stated that the matter had been taken up with the State/Central Government for getting approval of the appropriate authority for disposal.

**7.3.8.1** Test check of records of Commandant 7<sup>th</sup> PAP Battalion during December 2006 revealed that brass and copper scrap of empty cartridges valuing Rs 53.29 lakh pertaining to the period from March 2005 to March 2006 was awaiting disposal.

After this was pointed out, Commandant stated in December 2006 that disposal of copper scrap was to be made by the Controller of Stores Punjab, Chandigarh.

### **7.3.9 Non recovery of affiliation fee**

PPA is required to collect affiliation fees in advance as per instructions issued by DGP in January 2000 on account of service provided for imparting training to candidates, to keep records of finger prints and investigate criminal and civil cases on the basis of finger prints of Chandigarh Administration (UT) and Himachal Pardesh.

Scrutiny of records of Director Finger Print Bureau (Director), Phillaur during October 2006 revealed that the Director as of January 2007 had not recovered

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\* January 1978, January 1986 and January 1996.

\*\* Punjab Police Academy.

an amount of Rs. 12.45 lakh in advance on account of service provided to Himachal Pradesh and UT, Chandigarh during 2003-04 to 2005-06. Thus non observance of instructions of DGP by the PPA resulted in non recovery of Rs.12.45 lakh.

After this was pointed out, Director stated that efforts were being made to recover the amount.

#### **7.3.10 Non receipt of passport verification report fee**

Government of India, Ministry of External Affairs, New Delhi decided in August 2003 to reimburse Rs. 100 to States/UT Government for passport verification report (PVR) by police from April 2002. However, the rate of PVR clearance within 30 days was Rs. 100 and Rs. 50 after 30 days from October 2003. These rates were further revised in September 2005 to Rs. 100 for clearance within 20 days and Rs. 25 for clearance after 21 days.

Review of records of Regional Passport Office, Chandigarh and Passport office, Jalandhar revealed that department verified 71,092 cases during January 2006 to March 2006 and fee amounting to Rs. 18.74 lakh on account of PVR which was recoverable had not been received from GOI (February 2007).

#### **7.3.11 Recovery of cost of vehicles**

Two bullet proof gypsies valuing Rs 9.30 lakh purchased during 1994 for the utilisation of PAP were delivered/transferred to GOI in October 1994 by the then DGP Punjab.

The Public Accounts Committee (PAC) while discussing paragraph 5.1.1(b) of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1996 Government of Punjab in its 152<sup>nd</sup> Report in March 2005 desired that if the cost of vehicle has not been realised, the matter should be taken up at Government level.

DGP did not initiate any action to recover the cost of vehicles as recommended by the PAC.

#### **7.4 Non transfer of unclaimed amount to Government account**

Under the Administrator General Act, 1963 (Act), all assets in charge of the Administrator General which have been in his custody for a period of 12 years or upwards, whether before or after the commencement of this Act without, any application for payment thereof having been made and granted by him shall be transferred, in the prescribed manner, to the account and credit of Government. The Official Trustee Act, 1963, also provides that when any money payable to a beneficiary under a trust has been in the hands of any official trustee for a



period of 12 years or upwards whether before or after the commencement of this Act, in consequence of the official trustee having been unable to trace the person entitled to receive the same, such money shall be transferred in the prescribed manner to the account and credit of Government.

Scrutiny of records of the Administrator General and Official Trustee, Punjab, Chandigarh in August 2006 revealed that an aggregate amount of Rs. 74.30 lakh was lying unclaimed with the Administrator General/Official Trustee. Though the above amount either remained undisbursed or unclaimed for over a period of 12 years yet the same had not been accounted for and credited to Government account as required under the provisions of the Acts.

Government to whom the matter was referred in November 2006 intimated in January 2007 that the Administrator General had credited a sum of Rs. 67.22 lakh in Government account in December 2006 and balance amount is still to be remitted.

## **C: Co-operation and Agriculture Departments**

### **7.5 Non recovery of interest due to non inclusion of mode of repayment of loan and rate of interest in the sanctions**

As per provisions contained in the Punjab Financial Rules, the terms and conditions specifying the period of repayment of loans, rate of interest/penal interest, for delayed payments are required to be included in the sanction itself.

During audit of records of Co-operation (Registrar) and Agriculture (Director) departments, it was noticed that loan sanctioning authorities while issuing sanctions of 13 loans during 2000-01 to 2004-05 did not include terms and conditions regarding repayment of loan and rate of interest chargeable.

Non inclusion of mode of repayment of loan and payment of interest in terms and conditions of sanctions resulted in non recovery of interest of Rs.17.05 crore pertaining to period from April 2001 to March 2006 (calculated at

Government borrowing rate) as detailed below:

**(In crore of rupees)**

<b>Sr. No.</b>	<b>Loans sanctioning department</b>	<b>Name of loanee</b>	<b>No. of loans/period of sanction of loans</b>	<b>Amount of loans</b>	<b>Interest</b>
1	Co-operation	Sugar Fed	3 loans Between September 2002 and March 2003	22.62	5.29
2	Co-operation	Spin Fed	4 loans Between March 2004 and March 2005	1.36	0.12
3	Agriculture	PAIC*	4 loans Between November 2000 and March 2003	14.00	5.08
4.	Agriculture	PAEC**	2 loans Between March 2001 and March 2003	25.00	6.56
<b>Total</b>				<b>62.98</b>	<b>17.05</b>

After this was pointed out in October 2006, Registrar stated that the matter is taken up with Government for finalisation of terms and conditions for repayment of loans and interest and audit would be apprised as and when the terms and conditions are settled by Government while the Director intimated in October 2006 that terms and conditions governing these loans were not mentioned in the sanctions and Government was requested to fix the terms and conditions; their reply is awaited. Thus, failure on the part of Government to include the mode of repayment of loan and rate of interest in the sanctions governing loans caused delay in recovery of Government dues.

The matter was brought to the notice of department and referred to Government in December 2006; replies are awaited (August 2007).

## **D: Housing and Urban Development Department**

### **7.6 Non recovery of interest /penal interest on loan**

Under the provisions of the Punjab Financial Rules, interest is recovered on loans and advances sanctioned by Government to various public sector undertakings, local bodies, co-operative societies etc. and individuals including its employees. The loan is required to be repaid in seven equal annual instalments commencing from the second anniversary of drawal of loan alongwith interest at the rate of nine *per cent* per annum, failing which penal interest at the rate of 2.75 *per cent* per annum was also recoverable.

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\* Punjab Agro Industries Corporation Ltd.

\*\* Punjab Agri Export Corporation Ltd.

Test check of records of Housing and Urban Development Department (department) in October 2006 revealed that a loan of Rs.15 crore was sanctioned in September 2002 to Patiala Development Authority (PDA) for augmentation of water supply, sewerage and solid waste management. Out of this, an amount of Rs. 12.50 crore was released between November 2002 and March 2003. The loan was not repaid at all. The department neither worked out nor demanded interest resulting in non recovery of interest of Rs.3.48 crore including penal interest as on 31 March 2007.

After this was pointed out, the department stated that the matter regarding repayment of loans and recovery of interest and penalty would be taken up with PDA. Final position of recovery is awaited.

The matter was brought to the notice of department and referred to Government in December 2006; replies are awaited (August 2007).

**Chandigarh:**

**( R P SINGH )**

**The**

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**New Delhi:**

**(Vijayendra N. Kaul)**

**The**

**Comptroller and Auditor General of India**