

## CHAPTER-7: Non-Tax Receipts

### 7.1 Results of audit

Test check of the records of the Finance, Public Works, General Administration, Medical & Health department and Mining departments conducted in audit during the year 2001-2002, revealed under-assessments and losses of revenue amounting to Rs.178.12 crore in 2066 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
<b>A. Finance department</b>			
1.	Review on Interest Receipts.	1	71.29
2.	Non-recovery of Guarantee Commission	1	8.66
<b>B. Public Works department and General Administration department</b>			
3.	Review on disposal and management of nazul properties	1	39.11
4.	Receipts of Public Works department	1	16.45
<b>C. Medical and Health department</b>			
5.	Loss due to fees charged for issue of permanent disability certificates not being deposited in Government account	1	0.46
<b>D. Mining department</b>			
6.	Non/short recovery of dead-rent and royalty	427	14.07
7.	Unauthorised excavation	79	5.60
8.	Non-forfeiture of security	715	0.66
9.	Non-levy of penalty/interest	177	4.67
10.	Other irregularities	663	17.15
<b>Total</b>		<b>2066</b>	<b>178.12</b>

During the year 2001-2002, the department accepted under-assessments *etc.*, of Rs.4.19 crore involved in 1126 cases, of which 620 cases involving Rs.0.60 crore had been pointed out in audit during the year 2001-2002 and rest in earlier years. The department recovered Rs.2.56 crore in 256 cases of which 91 cases involving Rs. 0.05 crore were pointed out during the year 2001-2002 and rest in earlier years. A few illustrative cases involving Rs. 148.28 crore are given in the following paragraphs:

## **A: Finance department**

### **7.2 Review on 'Interest Receipts'**

#### **7.2.1 Highlights**

**Out of 231 annual statements of arrears of loans and interest to be received in the year 2000-2001 from 30 controlling officers of the State, 113 statements were received which showed the recovery of loans of Rs. 38.95 crore and interest of Rs. 58.87 crore in arrears as on 31 March 2001.**

**{Paragraph 7.2.6(b)}**

**Out of loan of Rs. 23.01 crore, loan of Rs. 21.45 crore and interest of Rs. 28.14 crore was not recovered from Command Area Development (CAD) department.**

**{Paragraph 7.2.7(a)}**

**Failure in re-payment of loans by Rajasthan State Agro Industries Corporation and Rajasthan Tribal Area Development Corporation resulted in accumulation of loan Rs. 18.30 crore and interest amounting to Rs. 17.62 crore.**

**{Paragraph 7.2.7(b)}**

**Loans of Rs. 10.33 crore and interest of Rs. 6.91 crore were not recovered from Rajasthan Handloom Development Corporation.**

**{Paragraph 7.2.7(c)(ii)}**

**Loans of Rs. 42.87 crore and interest of Rs. 9.66 crore were not recovered from Tilam Sangh.**

**{Paragraph 7.2.8(a)}**

#### **7.2.2 Introduction**

'Interest Receipts' constitute a major source of non-tax revenue of the Government of Rajasthan which grants interest bearing loans to commercial and public undertakings, co-operative societies, local bodies, Government servants etc. for various purposes at the same or higher rates of interest than the rates at which Government borrows the funds.

The loans are recoverable within a stipulated period, in equal periodical instalments alongwith interest at prescribed rates. The terms and conditions as specified in the sanction orders granting loans to loanees, indicate the mode and manner of repayment of the principal and recovery of interest. In case of

default in repayment of loan or any instalment or interest due, the authority which sanctions loans may levy higher rate of interest.

### 7.2.3 Organisational set-up

The proposals for grant of loans and advances are processed by heads of departments and then recommended to the administrative departments, which issue sanction with the concurrence of the Finance department. Recoveries of loans alongwith interest are watched by the administrative Heads of the department under overall control of Finance department.

### 7.2.4 Scope of audit

A test check of accounts and records for the years 1995-96 to 2000-2001 alongwith details of outstanding loans as on 1 April 1995, in respect of the loans granted by 10 Departments\* was conducted between November 2001 and April 2002 vis-a-vis the position of loans and advances as exhibited in the Finance Accounts of the State Government for the relevant periods. The audit findings in respect of 6 departments\*\* are discussed in succeeding paragraph:

### 7.2.5 Trend of revenue

The revenue under the head 'Interest receipts' realised by the State during the period from 1995-96 to 2000-01 is as under:

(Rupees in crore)				
Year	Budget estimates	Actuals	Variation (+) excess (-) shortfall	Percentage of variation
1995-96	500.62	501.56	(+) 0.94	Negligible
1996-97	622.68	624.90	(+) 2.22	Negligible
1997-98	639.18	598.13	(-) 41.05	(-) 6
1998-99	682.12	628.79	(-) 53.33	(-) 8
1999-2000	717.83	670.42	(-) 47.41	(-) 7
2000-2001	641.75	589.55	(-) 52.20	(-) 8

### 7.2.6 Arrears of loans and interest

The detailed accounts regarding loans and interest are maintained by the Accountant General (A&E) in respect of Municipalities and other bodies (other than Rajasthan State Electricity Board), while the State Government maintained the detailed accounts in respect of loans and interest sanctioned by the controlling officers of the State from whom statements are received every year by June by Accountant General (A&E).

(a) The arrears as on 31 March 2001 in respect of recovery of principal and interest in respect of loans granted to Municipalities and other bodies

\* Agriculture, Command Area Development, Co-operative, Energy, Finance, Industries, Local Self Department, Mining, Tourism and Urban Development and Housing.

\*\* Agriculture, Command Area Development, Co-operative, Industries, Tourism and Urban Development and Housing.

(other than Rajasthan State Electricity Board), the detailed accounts of which are kept in the office of the Accountant General (A&E), amounted to Rs.25.78 crore and Rs. 0.83 crore respectively as reflected in the Finance Accounts of the State for the year 2000-2001.

(b) In respect of loans the detailed accounts of which are maintained by controlling officers (30) of the State Government, out of 231 statements due for 2000-2001 by the end of June 2001 only 113 statements were received. These statements showed that recovery of loans amounting to Rs. 38.95 crore and interest Rs. 58.87 crore was outstanding as on 31 March 2001. The position of total arrears of loans and interest chargeable thereon could not be ascertained due to non-receipts of remaining 118 statements.

### **7.2.7 Position of recovery of interest**

#### **(a) Command Area Development (CAD) department**

34 loans amounting to Rs. 21.45 crore, out of Rs. 23.01 crore granted to Rajasthan Land Development Corporation (RLDC) from time to time, were found outstanding in CAD department. The interest outstanding against these loans is discussed below:

(i) 3 loans amounting to Rs. 3 crore were sanctioned during 1976-77 to 1978-79 by CAD department to RLDC at 8.5 per cent per annum for onward disbursement to farmers for construction of field water channels. The repayment period of loans was 15 years. Repayment of Rs. 1.45 crore only was made by the RLDC upto 1985-86. No recovery was made thereafter. Loan amounting to Rs. 1.55 crore and interest amounting to Rs. 1.97 crore was outstanding as on 31 March 2001.

(ii) 9 loans amounting to Rs. 7.37 crore were sanctioned during 1980-81 to 1984-85 to RLDC at annual rate of interest ranging between 8.5 to 9.5 per cent for onward disbursement to farmers for construction of field water channels. The repayment period of loans was 7 years. Repayment of Rs. 10.38 lakh only was made by the RLDC upto 1985-86 leaving balance of loan amounting to Rs. 7.27 crore and interest Rs. 10.74 crore chargeable thereon as on 31 March 2001.

(iii) 22 loans amounting to Rs. 12.63 crore were sanctioned by the CAD department to the RLDC during 1981-82 to 1992-93 at varying rates of annual interest which ranged between 5.5 to 10.75 per cent. Payment of interest (Rs. 1.22 crore) was made by the RLDC upto 1986-87 and no interest was paid thereafter which resulted in non-recovery of interest amounting to Rs. 15.43 crore due as on 31 March 2001.

As per provisions laid down in General Financial and Accounts Rules (GF&AR), the ledgers/registers of loans are required to be kept and maintained in the office of each controlling officer in the prescribed form. The CAD department did not maintain the records to watch recoveries of loans and interest chargeable thereon. Demand notices were not issued to the RLDC since 1986-87 for recovery of outstanding dues.

On this being pointed out, the department intimated (December 2001) that the records regarding recovery of loans and interest was being maintained by the loanee (i.e. RLDC). The reply is not tenable as it cannot escape its responsibility of maintenance of records; non-maintenance of records resulted in loans and interest amounting to Rs. 49.59 crore not being realised.

**(b) Agriculture department**

Director of Agriculture is responsible for maintaining the records and watching the recoveries of loans and interest and is also to furnish the progress of recoveries of loans and interest from time to time to the Government.

9 loans amounting to Rs. 18.30 crore, granted to Rajasthan State Agro Industries Corporation (RSAIC), Rajasthan Tribal Area Development Cooperative Federation (RTADCF) and Rajasthan Rajya Sahkari Kraya Vikraya Sangh Ltd., were found outstanding in Agriculture department. The interest outstanding against these loans is discussed below:

Government of Rajasthan sanctioned 5 short term loans aggregating Rs. 13.80 crore to the RSAIC, Jaipur during 1987-88 to 1992-93 at an annual rate of 9 per cent and 4 loans of Rs. 14.40 crore to RTADCF, Udaipur at annual rate of interest ranging between 9 to 10.25 per cent during 1990-91 to 1993-94.

As envisaged in the conditions of the sanctions, the loans were repayable within six months from the date of payment in lump sum alongwith interest. Both the corporations failed to repay the loans amounting to Rs. 18.30 crore which resulted in non-realisation of interest to the extent of Rs. 17.62 crore (Rs. 12.76 crore from RSAIC and Rs. 4.86 crore from RTADCF) as of 31 March 2001. The details of loans are given below:

(Rupees in lakh)

Year	Amount sanctioned during the period	Recovery of previous loan (by adjustment)	Amount of actual payment	Amount of repayment of loan	Loan outstanding at the end of the year
<b>Rajasthan State Agro Industries Corporation</b>					
upto 1990-91	1080.00	50.00	1030.00	-	1030.00
1991-92	100.00	-	100.00	-	1130.00
1992-93	200.00	100.00	100.00	-	1230.00
<b>Total</b>	<b>1380.00</b>	<b>150.00</b>	<b>1230.00</b>		<b>1230.00</b>
<b>Rajasthan Tribal Area Development Cooperative Federation</b>					
1990-91	95.00	-	95.00	-	95.00
1991-92	325.00	95.00	257.93	-	352.93
1992-93	600.00	352.93	247.07	-	600.00
1993-94	420.00	420.00	-	-	600.00
<b>Total</b>	<b>1440.00</b>	<b>867.93*</b>	<b>572.07</b>	-	<b>600.00</b>

\* Rs. 867.93 lakh includes Rs. 840 lakh as principal and Rs. 27.93 lakh as interest.

The RSAIC expressed its difficulty in repaying loans and interest to the Government (1990 and 1992) due to its impaired financial position. The State Government also took a decision (November 1997) to wind up the Corporation and recover the dues from the disposal of the assets of the Corporation. However, no recovery has yet been made (September 2002).

In respect of recoveries of loans and interest from RTADCF, the department intimated (August 2002) that the request of the RTADCF for write-off of interest is under consideration in the State Government. The Government decision is awaited (September 2002).

**(c) Industries department**

44 interest bearing loans amounting to Rs. 14.83 crore, granted to an industrial firm (Jaipur Metal and Electrical Limited, Jaipur) and Rajasthan Handloom Development Corporation (RHDC), were found outstanding in Industries department. The interest outstanding against these loans is discussed below:

(i) Two loans of Rs. 2 crore and Rs. 2.50 crore, carrying annual rate of interest of 15 per cent, were granted by the Industries department to an industrial unit (Jaipur Metal and Electrical Limited, Jaipur) for its re-establishment (October 1998 and November 1998). The repayment of loan and interest chargeable thereon was to be made in 20 quarterly instalments after a period of initial one-year moratorium.

The loanee did not pay interest of Rs. 1.63 crore chargeable on loans as on 31 March 2001. Demand notices were also not issued to the loanee.

(ii) Director of Industries was responsible for maintenance of records for watching the recoveries of loans and interest. It was noticed that no records were maintained by the Director, Industries department and therefore, no demand notices were issued to the Corporation. However, from the records available in the Industries department and the records available in the RHDC it was found that 42 loans amounting to Rs. 11.27 crore were granted by the Industries department to RHDC Jaipur during 1985-86 to 1999-2000 for various purposes at varying annual rates of interest which ranged between 5 per cent to 18 per cent. Of these, loans aggregating to Rs.10.33 crore and interest of Rs.6.91 crore chargeable thereon were outstanding as on 31 March 2001, as per details given below:

**(Rupees in lakh)**

S. No.	Purpose of loan	Period in which loan sanctioned	Amount of loan	Annual rate of interest	Terms and condition of repayment	Balance of loan outstanding as on 31 March 2001	Amount of interest due as on 31 March 2001
1.	2.	3.	4.	5.	6.	7.	8.
1.	Woollen project	November 1988 to March 1996	205.81	12.25 and 15 on default	Payable in 10 yearly instalment	127.98	95.99
2.	Special Package programme	December 1990	16.00	12.75	Payable in 7 yearly instalment	6.80	4.34

1.	2.	3.	4.	5.	6.	7.	8.
3.	Modernisation programme	January 1993 to June 1995	26.20	12.75	Payable in 4 yearly instalment	18.93	12.06
4.	Loan for process house	June 1985 to October 1987	165.00	10.25 and 11.75	Payable in 10 yearly instalment	165.00	262.72
5.	Working capital	January 1995	5.00	5 to 12 and 8 to 15 on default	Payable in 10 yearly instalment Moratorium period 3 years	5.00	2.88
6.	Project package programme	March 1996 to March 1999	141.33	15 and 18 on default	Payable in 10 yearly instalment	141.33	91.74
7.	Soft loan	June 1996 to November 1999	542.50	5 to 15 and 18 on default	Payable in 15 and 10 yearly instalment	542.50	207.24
8.	Revolving fund	June 1996	25.00	12	Payable in 5 yearly instalment	25.00	14.25
	<b>Total</b>		<b>1126.84</b>			<b>1032.54</b>	<b>691.22</b>

Principal and interest chargeable thereon in respect of loan granted for running for process house was not made since it was released and in the remaining cases it was not paid since April 1996.

On this being pointed out in audit (July 2002), it was stated by the Government that the records of the loans were being maintained by the loanees. This shows that the system for watching of the recoveries of loans and interest has totally failed in the department.

(iii) As per the information received from the District Industries Centres (DICs) and compiled by the Director, Industries department, the loans aggregating Rs. 1.98 crore and interest thereon of Rs. 3.70 crore was outstanding as on 31 March 2001, as per details given below:

S. No.	Name of loan	Period of sanction	Rate of interest (Per cent)	(Rupees in lakh)	
				Amount outstanding as on 31 March 2001	
				Principal	Interest
1.	D.I.C	1978-79 to 1994-95	6 to 12	47.57	70.39
2.	S..S.I	1955-56 to 1977-78	6 to 12	14.57	41.07
3.	Hand Loom	1983-84 to 1994-95	8 to 12	67.31	104.12
4.	Margin money	1976-77 to 1984-85	4 to 12	38.30	100.21
5.	Interest free	1977-78 to 1984-85	Penal in case of default 10 to 21	11.43	14.23
6.	Cooperative loan	N.A.	N.A.	2.45	2.72
7.	R.I.P.	N.A.	N.A.	16.57	36.80
<b>Total</b>				<b>198.20</b>	<b>369.54</b>

It would be seen from the above that some of the loans were pending for more than 4 decades. No concrete action had been taken to recover or write off the same.

### **7.2.8 Non-recovery of interest on loan**

#### **(a) Co-operative department**

21 loans amounting to Rs. 50.64 crore were released by National Cooperative Development Corporation (NCDC) to a federation (Tilam Sangh) during 1987 to 1992 through Rajasthan State Co-operative Bank (Apex Bank). The loans were guaranteed by the State Government. The federation stopped the repayment to the Bank after payment of Rs. 2.67 crore, but Apex Bank repaid a sum of Rs. 5.54 crore to the NCDC upto 1994 by paying balance of Rs.2.87 crore from its own funds. The NCDC wrote to the Government that they would invoke the guarantee given by them. Thereafter the State Government took over the liability of repayment of outstanding loans and interest amounting to Rs. 69.68 crore (to be paid upto May 2007) on behalf of the federation and made one-time settlement with NCDC in May 1998. The Government had repaid a sum of Rs. 42.87 crore during June 1998 to March 2001 by granting 4 loans at the annual rate of 10 per cent to the federation without specifying the terms and conditions of loans, which though to be decided by Cooperative department within one month of sanction of loans, were yet to be decided (August 2002).

Interest on loans (Rs. 42.87 crore) granted to the federation for onward payment to NCDC accumulated to Rs. 9.66 crore as on 31 March 2001.

#### **(b) Urban Development and Housing (UDH) department**

(i) A loan of Rs. 1.50 crore carrying annual rate of interest at 13.75 per cent was sanctioned by UDH department to Rajasthan Housing Board (RHB) Jaipur for payment of outstanding pay and allowance of the staff of Avas Vikas Sansthan in May 1999. The period of repayment of loan was 10 years in equal six monthly instalments after an initial period of moratorium of one year.

The loanee (RHB), however, at the instance of audit deposited the entire amount of loan Rs. 1.50 crore in lump sum (August 2002) but the interest of Rs. 38.38 lakh was outstanding as on 31 March 2001. The recovery of interest was awaited (September 2002).

(ii) As per information supplied by the department loans amounting to Rs.4.30 crore and interest of Rs. 1.16 crore chargeable thereon was outstanding as on 31 March 2001 against Municipalities/Municipal Councils



as per details given below:

(Rupees in lakh)

Year	Loan amount	Rate of interest (per annum)	Interest payable	Interest paid	Outstanding interest
upto 1996-97	93.00	14 per cent simple	77.89	28.38	49.51
1997-98	122.50	16.75 per cent penal	57.02	22.02	35.00
1998-99	73.49		21.24	3.37	17.87
1999-2000	102.81		16.39	2.80	13.59
2000-01	37.87		Not due	Not due	Not due
<b>Total</b>	<b>429.67</b>			<b>172.54</b>	<b>56.57</b>

These loans were sanctioned under the scheme 'Integrated Development of Small and Medium Towns' to various Municipalities/Municipal Councils of the State by the UDH department. The repayment of loans was to be made in 20 installments from the sixth year from the date of drawal of the loan. 5 years moratorium period applicable to loan was not applicable in payment of interest and it was payable from the first year from the drawal of loan. However, the department failed to recover the interest of Rs. 1.16 crore due as on 31 March 2001.

The department stated (April 2002), that loanees were not in a position to pay the interest due to abolition of octroi, which was their main source of revenue. The contention of the department is not tenable as the loanees are bound to pay the amount of interest as per terms and conditions of the sanctions.

### **7.2.9 Loss of interest due to non-disbursement of loan**

In the following cases it was noticed that the Government ordered transfer of loans to Personal Deposit (PD) accounts of the loanees with the explicit condition for withdrawal therefrom only after prior approval of Finance department. Since the said approval for withdrawal was not accorded, the amount continued to remain in the respective PD accounts. Retention of the amounts thus, resulted in loss of interest aggregating to Rs. 2.09 crore which

Government would charge from the concerned loanees in the event of its withdrawal from the PD accounts:

(Rupees in lakh)

S. No.	Name of the loanee	Month of sanction	Amount sanctioned	Month in which loan was placed in P.D. account	Amount approved for withdrawal	Amount lying in P.D. Account	Loss of interest as of March 2001
1.	Rajasthan Small Scale Industries Corporation (RSIC)	March 1997	220.00	March 1997	-	220.00	132.00
2.	Rajasthan State Hotel Corporation (RSHC)	March 1996	46.00	March 1996	10.00 (March 1997)	36.00	39.10
3.	Rajasthan Tourism Development Corporation (RTDC)	February 1996	45.00	March 1996	-	45.00	38.25
	<b>Total</b>		<b>311.00</b>		<b>10.00</b>	<b>301.00</b>	<b>209.35</b>

#### 7.2.10 Non/improper maintenance of records

Ledgers/registers of loans are required to be kept and maintained in the office of each controlling officer in the prescribed form as per General Financial and Accounts Rules but it was noticed during test check that no such records were maintained in the CAD department in respect of loans granted to RLDC. In Industries department the records/registers were not properly maintained in as much as detail of sanction, repayment of principal and interest were not generally found recorded. Consequently, these departments were not able to keep a close watch and control on recovery of loans and interest chargeable thereon.

#### 7.2.11 Conclusion

During test check of records of Agriculture Department, Command Area Development (CAD) Department, Industries Department, Urban Development and Housing (UHD) Department and Co-operative Department, it was observed that the departments failed to ensure timely repayment of loan and advances thereby affecting the ways and means position of the state exchequer. There has been system failure with regard to monitoring of recovery of loans and advances. As interest receipts constitute a major part of the non-tax revenue of the state, it is necessary that Government has an appropriate system and procedure in position to ensure prompt assessment and recovery of interest. The Government should also introduce a stringent reporting system to monitor the position of overdue principal and interest, thereby rendering the internal control mechanism more effective and strong.

The matter was reported to Government (May 2002); their reply had not been received.

### 7.3 Non-recovery of guarantee commission

Under the Rajasthan State Grant of Guarantee Regulations, 1970 as amended from time to time, in all cases where the repayment of loan and payment of interest thereon are guaranteed by Government, guarantee commission was recoverable at the annual rates of 3/4 per cent upto 31 March 1985 and 1 per cent thereafter on the balance loan amount outstanding on last day of every quarter of the year. The guarantee commission became due on first day of next quarter and was payable not later than 15 days thereafter failing which penal interest of 15 per cent per annum was to be charged on the belated payments. However, Government could waive guarantee commission partially or fully on merit of each case.

A scrutiny (February-December 2001) of the records of guarantee commission maintained by the Finance Department revealed following omissions:

#### (a) *Rajasthan Cooperative Dairy Federation Ltd. Jaipur*

The Government guaranteed a loan of Rs.25 crore to the Rajasthan Cooperative Dairy Development Federation Ltd (Corporation), Jaipur on 15 December 1983. Subsequently another guarantee was given for working capital loan of Rs.9 crore on 24 June 1989. It was observed that guarantee commission and interest chargeable thereon for delay in payment of guarantee commission aggregating to Rs. 8.09 crore in respect of both guarantees was outstanding as on 31 March 2001 as under:

Details of guarantee			Outstandings (Rupees in crore)		
Amount (Rupees in crore)	Period of delay		Commission	Interest	Total
25 crore	18 years		4.24	2.64	6.88
9 crore	12 years		0.93	0.28	1.21
<b>Total</b>			<b>5.17</b>	<b>2.92</b>	<b>8.09</b>

On this being pointed out (February 2001) in audit, the Government stated (April 2002) that the Federation was being requested to pay the commission.

#### (b) *Rajasthan State Handloom Development Corporation, Jaipur*

In March 1995, Government guaranteed a loan of Rs.1.80 crore and interest thereon in favour of Rajasthan State Handloom Development Corporation (RSHDC), Jaipur. Though guarantee commission was recoverable no recovery was made. This was pointed out to department in April 2001, and the Finance Department requested (May 2001) the Managing Director (MD), RSHDC, Jaipur to pay guarantee commission and penal interest thereon aggregating to Rs. 0.14 crore due for the quarter ending June 1995 to March 2001.

**(c) Textile Mill Bhilwara**

The Government guaranteed (May 1986 to April 1994) loans aggregating to Rs.3.85 crore in favour of a textile Mill at Bhilwara. The guarantee commission on said guarantees given by State Government was recovered upto quarter ending December 1993 only, as thereafter the Mill faced financial crisis due to heavy cash loss and could not pay. Non-recovery of guarantee commission and penal interest thereon resulted in loss of Rs.0.43 crore to the Government.

Government stated (April 2002) that the Mill had been closed (April 1997) and Industries department was being requested to recover principal amount outstanding as well as guarantee commission from the assets of the Mill. Further development in this regard is awaited (September 2002).

**B: Public Works department and General Administration department**

**7.4 Review on Disposal and Management of Nazul Properties**

**7.4.1 Highlights**

**Revenue realised during 1999-2000 and 2000-2001 was meagre being 9 and 5 per cent of the targets of collection fixed for these years.**

**(Paragraph 7.4.5)**

**Out of 1799 Nazul properties in the selected districts 189 comprising 11 per cent thereof were disposed. In Bundi district non-disposal of 328 properties resulted in non-realisation of Rs. 7.67 crore in respect of 159 properties whereas no valuation of the remaining 169 properties had been done so far.**

**{Paragraph 7.4.6 and 7.4.7(i)}**

**Sale of properties by Directorate of Estate at a price below the reserve price resulted in minimum loss of Rs. 21.67 crore.**

**(Paragraph 7.4.8)**

**7.4.2 Introduction**

Nazul properties are State owned properties, the procedure for their disposal and management being regulated under the Rajasthan Nazul Buildings (Disposal by Public Auction) Rules, 1971 (Rules). The revenue from Nazul properties arises through rent from tenants, surcharge/fines in the cases of

unauthorised occupation/construction, interest on delayed payment of rent/purchase money forfeitures of security deposits in the cases of default and sale proceeds of Nazul properties.

Assessment and re-assessment of Nazul properties are made in accordance with the provisions contained in PWD manuals read with orders and instructions issued by Government from time to time.

### **7.4.3 Organisational Set-up**

The Secretary, General Administration (Estate) Department (GAD) is the administrative authority and Director Estate, Rajasthan Jaipur is the Head of the Department as well as the coordinating authority for all matters relating to Nazul properties in Rajasthan. The Director Estate is mainly responsible for planning, coordinating, monitoring, survey of Nazul properties, their smooth and speedy disposal and effective realisation of rents from them and general government accommodations.

The State Government constituted (February 1977) 'Apex Committee' at the State level comprising Finance Secretary as Chairman, Secretary GAD, Additional Chief Engineer (ACE) Public Works Department (PWD) Jaipur Zone, Dy. Secretary Finance (Exp.II) Department as members and Director Estate, Rajasthan as member Secretary to take decisions for disposal of such Nazul buildings which were not auctioned, issue directions for maintenance/management. The committee have powers to revise the rate of rent after every fifth year of such Nazul buildings.

At the district level, the Collector is in overall charge of the management and administration of Nazul properties and Chairman of District level Nazul property Disposal Committee, Superintendent Police, Treasury Officer are members and Executive Engineer (EE), PWD is member Secretary. At the sub-division level Sub-Divisional Officer concerned is the Chairman of the committee. EE PWD is responsible for maintenance of Nazul records, assessment and realisation of premium and rent, execution of lease deeds and disposal of Nazul properties.

### **7.4.4 Scope of Audit**

A review of pertinent records in Directorate of Estate and 19\* out of 32 districts covering the period from 1996-97 to 2000-01 was conducted between November 2001 to May 2002 for ascertaining whether codal rules and procedure were followed, besides ensuring implementation of decisions of Apex Committee in assessment, re-assessment, raising of demand, collection of revenue and disposal of Nazul properties. Audit findings are given in succeeding paragraphs.

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\* Alwar, Ajmer, Barmer, Bikaner, Bhilwara, Bundi, Chittorgarh, Dungarpur, Ganganagar, Hanumangarh, Jaipur, Jodhpur, Jhunjhunu, Kota, Sawaimadhopur, Sikar, Sirohi, Tonk and Udaipur.

#### 7.4.5 Targets and Achievements

Information regarding targets of revenue if any, fixed by the department was not made available by the Directorate Estate, Jaipur. However, Secretary GAD fixed (January 2001) targets of revenue collection from disposal of Nazul properties for the years 1999-2000 and 2000-01 respectively as Rs.4.40 crore and Rs.17.25 crore. Reasons for increasing revenue targets were neither on record nor intimated to audit.

As intimated by the Directorate, revenue from disposal of Nazul properties and rent therefrom during the period 1996-97 to 2000-01 was as under:

**(Rupees in lakh)**

Year	Targets*		Actuals		Total
	Sale proceeds	Rent	Sale proceeds	Rent	
1996-97	N.A.	N.A.	N.A.	N.A.	Not Available
1997-98	N.A.	N.A.	26.20	10.62	36.82
1998-99	N.A.	N.A.	56.30	14.72	71.02
1999-2000	439.50	N.A.	41.19	20.12	61.31
2000-2001	1724.60	N.A.	83.34	30.02	113.36
<b>Total</b>	<b>2164.10</b>	N.A.	<b>207.03</b>	<b>75.48</b>	<b>282.51</b>

The details would reveal that realisation of sale proceeds against targets fixed during 1999-2000 and 2000-2001 were meagre 9 and 5 per cent respectively.

On this being pointed out (May 2002) the department stated (September 2002) that actual number of Nazul properties on the basis of which targets were fixed was not available and the same was being collected from all District Collectors. It was further stated that in most of the cases properties are under possession of trespassers/subjudice.

#### 7.4.6 Position of Nazul properties

For smooth disposal and management of Nazul properties and effective realisation of rent, Directorate of Estate was created in January 1991 with the responsibility of survey and valuation of these properties in addition to preparation of district-wise working plan etc. Directorate did not furnish the details of Nazul properties both in and outside the State to audit. However, information available with GAD (January 1998) revealed that there were 4949 properties in the entire State of which 2976 were disposable. As per information collected by audit, position of Nazul properties and their disposal

\* Budget Estimates are not being prepared by the department.

in test-checked 20\* PWD Divisions during the year 1996-97 to 2000-01 was as under:

<b>(Numbers)</b>				
<b>S. No.</b>	<b>Details</b>	<b>No. of properties</b>	<b>Number disposed of</b>	<b>Balance</b>
1.	With State Government Offices	408	112	296
2.	With Central Government Offices	27	1	26
3.	Possession of autonomous bodies	72	-	72
4.	Possession of tenants	705	1	704
5.	Surplus and uneconomic	406	35	371
6.	Possession of trespassers	181	40	141
	<b>Total</b>	<b>1799</b>	<b>189</b>	<b>1610</b>

On this being pointed out (May 2002) in audit the Director Estate stated (July 2002) that information regarding properties located in the State was being collected from District Collectors and as regards properties situated outside the State (Mathura, Vrindavan, Agra etc.) a team headed by an Assistant Engineer was deputed (March 2002) to survey and measure the properties at these places. However, the exact number of properties situated outside was not made available to audit. The report of the team is reportedly under consideration of Government.

It was further stated (September 2002) that properties could not be disposed of due to incomplete records and shortage of staff.

#### **7.4.7 Non-disposal of Nazul properties and non-revision/recovery of rent**

##### **(i) Non-disposal of Nazul properties**

GAD issued instructions from time to time regarding disposal of Nazul properties in accordance with rules in pursuance of the decisions taken by Apex Committee. The Chief Secretary to Government of Rajasthan directed (September 1999) Collector, Bundi that Nazul buildings under possession of autonomous bodies/tenants/trespassers be transferred to them at current market value and proposals be sent to GAD for approval by December 1999. In case these allottees/trespassers were unable to pay the determined value, the properties be disposed of by public auction.

In Bundi district out of 328 properties in occupation of tenants valuation of 159 properties at Rs. 7.67 crore had been done during the year 2000-01; of these proposal for disposal of 133 properties were sent (April 2001) to GAD for approval and for 26 properties proposals were not sent. Valuation in the remaining 169 properties had not been done (December 2001). The Divisional

\*PWD Division I and II Alwar, City Division Ajmer, District Division Ajmer, Barmer, Division I Bhilwara, District Division I Bikaner, Bundi, Chittorgarh, Dungarpur, Ganganagar, Hanumangarh, Jhunjhunu, City Division Jodhpur, City Division Kota, Sawaimadhopur, Sikar, Sirohi, Tonk and City Division Udaipur.

Officer, PWD stated (January 2002) that properties could not be disposed of due to non-receipt of Government approval thereto.

On this being pointed out (May 2002) the department stated (September 2002) that the exact position and reasons for non-disposal/non-assessment of valuation were being enquired from Collector Bundi.

**(ii) Non-revision/recovery of rent and non-execution/renewal of lease deeds**

Apex Committee shall have powers to revise the rate of rent after every fifth year of such Nazul buildings which were in occupation of tenants, regarding which it has been decided that they were not to be sold. The revision of rent shall be equal to the present market rent as assessed by PWD. Similarly after expiry of initial lease period, the lease should be deemed to be due for revision and in such cases lease deeds be renewed and condition of payment of interest chargeable thereon incorporated. In cases where no lease deeds were executed, fresh lease were to be entered into.

In Bundi District out of 328 Nazul buildings under possession of tenants, revision of rent in 159 cases had been done during the year 2000-01 and outstanding rent of Rs.6.29 crore for the period January 1973 to March 2001, including interest of Rs.2.82 crore chargeable thereon had not been recovered from the concerned occupants as of January 2002. Determination of rent in the remaining 169 properties had not been done as of May 2002.

**(iii) Non-realisation of rent in cases of properties disposed of**

As per decision taken by Apex Committee in its 41 meeting held on 29 May 2000, Nazul properties situated at Ramganj, Jaipur were to be sold to Khadi Board (tenant) and all outstanding damages alongwith interest thereon up to the date of notice were to be recovered from the Board. It was revealed that recovery of rent along with interest amounting to Rs. 0.44 crore outstanding as on 1<sup>st</sup> April 2001 had not been made. Waiver for arrears of rent and interest thereon was turned down by Apex Committee (July 2001) but no action was taken to recover the same.

**(iv) Loss of revenue due to non-revision of rent**

An individual occupying a Nazul property since June 1959 filed (May 1995) an affidavit to the effect that he was ready to pay enhanced rent as chargeable under rules and also expressed (May 1995) willingness to purchase the property at current market rate. Apex Committee in its meeting (November 1991) decided that the property be sold to him as per rules on the current valuation. No action was found taken to dispose of the property to the occupant. Due to non-revision of rent after every fifth year he had been paying pre-revised rent at the rate of Rs.300 per annum since 1964. As per assessment of valuation of the property (March 1998), arrears of rent of the building from April 1997 to March 2001 worked to Rs. 0.65 crore. No action was taken to recover the arrears and revise the rent.



#### **7.4.8 Loss of revenue owing to non-adhering to reserve price of Nazul properties**

Rules envisaged that assessment of value of a Nazul building shall be made keeping in view the prevailing market rates including the market value of the land by PWD authorities having jurisdiction over the area in which such building is situated. The said valuation will be reserve price of the building, which shall not be sold by public auction at a lesser price.

It was noticed that in Jaipur three Nazul properties were sold (between December 1994 and October 1996 and sale deeds were executed between January 1997 and May 1997) by public auction without calculating of the reserve price by Director Estate, Jaipur. As per prescribed formula for valuation of property the reserve price of three properties worked out to Rs. 59.88 crore as against Rs. 38.21 crore realised on auction.

Thus due to non-calculating/adhering to reserve price the reasons for which were neither on record nor intimated to audit, Government suffered revenue loss of Rs.21.67 crore exclusive of stamp duty and registration fees chargeable thereon.

#### **7.4.9 Loss of revenue owing to erroneous computation of sale price of Nazul properties disposed of**

PWD manual provides that in case of sale of Nazul properties the sale price shall be 200 times the monthly standard rent which is worked out in accordance with the prescribed norms. In the case of unauthorised occupant additional 10 per cent of sale price thus worked out shall be chargeable as per decision of the Apex Committee (October 1994).

During test check it was revealed that the reserve price of 21 buildings as per rules amounted to Rs. 5.22 crore as against Rs. 2.83 crore realised on disposal. Thus due to incorrect computation of sale/reserve price Government suffered a loss of Rs. 2.39 crore in 21 cases. A few instances are given below:

**(Rupees in lakh)**

S. No.	Name of office	Details of properties	Valuation as per PWD manual	Revenue realised on disposal	Difference
1.	Director Estate, Jaipur	Khadi Board Khanda Ramganj, Jaipur 5 cases (P 7, 8, 9, 10 and 13)	132.55	49.21	83.34
2.	PWD Division, Sikar	Old Collectorate Building, Sikar	176.34	74.75	101.59

#### **7.4.10 Monitoring**

Rules provide that every Nazul Committee shall maintain a register of Nazul buildings to be disposed of. Chief Engineer PWD, Rajasthan, Jaipur had also issued (September 1992) instructions that information in the prescribed form may be furnished to the Collectors every month for onward transmission to the Directorate Estate/Government for review of progress of disposal and maintenance of Nazul properties at the Chief Secretary level. But it was

revealed that there was no proper monitoring system in the Department to watch the progress of disposal of Nazul properties as would be evident from the following:

(i) Register of Nazul properties and rent realisation records were not maintained.

(ii) Monthly progress reports of disposal of properties were not being sent to the Directorate Estate/Chief Secretary by EEs/Collectors which were also not demanded by Directorate. In absence of prescribed monthly progress report, disposal of the properties at different levels could not be watched effectively.

(iii) As per departmental orders meetings of District Nazul Committee were to be held at least once in a quarter. On the contrary these meetings were called for only if some properties required approval for disposal. In Alwar, Chittorgarh and Jhunjhunu not a single meeting was held during last 5 years and in Bhilwara and Dungarpur districts only 2-3 meetings were held during the same period.

On this being pointed out (May 2002) the department stated (September 2002) that action was being taken for effective monitoring in accordance with audit observations.

#### **7.4.11 Conclusion**

No proper monitoring system exists to watch the process of disposal of nazul properties. A proper record is required to be maintained, which is not being done till now. The progress of disposal of nazul properties, required to be watched through monthly statement, has not been followed by the department. District Nazul Committee meetings need to be held at regular intervals as per the provision so that decision regarding the disposal of properties are taken without any wastage of time.

The matter was reported to Government in May 2002; their reply was awaited.

## **7.5 Receipts of Public Works Department**

### ***Introduction***

Public Works Department (PWD) receipts mainly comprise rent of Government properties, hire charges of machinery and equipment, toll on roads and bridges and recovery of percentage charges.

The records in the offices of the Chief Engineer PWD Rajasthan, Jaipur, Director Estate, Jaipur and 36 PWD divisions, including 3 Public Garden offices covering the period from 1996-97 to 2000-01 were test-checked in audit during November 2001 to May 2002 which revealed the following:

**(a) Non-recovery of rent**

(i) Public Works Financial and Accounts Rules provide that when recoveries of licence fee are to be effected through Drawing and Disbursing Officers (DDOs), monthly demand should be sent to DDOs, recovery schedule should be obtained regularly, posting of the figure made in ledger and reconciliation of recovery of rent made.

Test check of Directorate of Estate, Jaipur and 13 PWD Divisions revealed that a sum of Rs. 94.23 lakh (1227 cases) was outstanding against Government Officials on account of standard rent of Government residential accommodation as on 31 March 2001. As per records of Director Estate, Jaipur Rs. 79.93 lakh (441 cases) comprising 85 per cent therefrom related to the Government accommodation at Jaipur.

Year-wise break-up and details of recoveries made were neither available in the Directorate nor in the records of concerned divisions.

(ii) Rajasthan Civil Services (Allotment of Residential Accommodation) Rules, 1958 envisaged that Government accommodation allotted to Government employee was required to be vacated within one month in case of transfer and two months in case of retirement/death. The accommodation may, however, be allowed to be retained for a further period of one month at double the standard rent. In case, the house was not vacated even after the end of third month, the allottee was to be treated as an unauthorised occupant and be liable to pay thrice the standard rent.

During test check it was revealed that non-realisation of rent in 327 cases for the period beyond the specified period during May 1981 to March 2001 resulted in loss of Rs. 10.62 lakh as detailed below for which no steps for recovery were initiated by the department, except routine correspondence:

(Figures in brackets indicates number of cases)

S. No.	Name of division	1981-82 to 1989-90	1990-91 to 1994-95	1995-96 to 1996-97	1997-98 to 1998-99	1999-2000 to 2000-01	Total (Rupees)
1.	2.	3.	4.	5.	6.	7.	8.
1.	PWD District Division Ajmer	-	322 (2)	5,138 (7)	222 (2)	-	5,682 (11)
2.	PWD City Division Ajmer	86,066 (21)	18,538 (13)	19,379 (7)	4,659 (2)	1,22,815 (101)	2,51,457 (144)
3.	PWD Division-I, Alwar	-	-	-	-	8,790 (1)	8,790 (1)
4.	PWD City Division, Bikaner	-	-	-	11,664 (1)	68,714 (5)	80,378 (6)
5.	PWD Division, Bundi	-	-	-	-	15,100 (2)	15,100 (2)
6.	PWD Division, Chittorgarh	-	-	37,638 (1)	-	10,850 (1)	48,488 (2)
7.	PWD Division, Ganganagar	-	-	-	-	63,865 (8)	63,865 (8)
8.	PWD Division, Hanumangarh	-	-	-	-	54,106 (3)	54,106 (3)
9.	PWD Division, Jhunjhunu	NA	NA	NA	NA	NA	12,254 (18)
10.	Director Estate, Jaipur	-	-	-	-	64,409 (3)	64,409 (3)

1.	2.	3.	4.	5.	6.	7.	8.
11.	PWD City Division, Kota	-	21,135 (1)	42,628 (2)	1,09,865 (3)	1,64,275 (6)	3,37,903 (12)
12.	PWD Division, Sikar	-	22,407 (16)	3,481 (20)	20,793 (44)	16,679 (23)	63,360 (103)
13.	PWD Division, Tonk	-	-	5,156 (2)	-	51,187 (12)	56,343 (14)
	<b>Total</b>						<b>10,62,135 (327)</b>

Thus non-observance of rules and non-maintenance of proper and complete records resulted in accumulation of arrears and the correctness of which could not be ascertained in audit.

(iii) When a Government property is let out to a private person for residential or commercial purposes, rent should be recovered monthly in advance at the market rate prevailing in the locality for similar accommodation used for similar purposes. If a regular lease is to be entered into, the lease should be sanctioned by the Head of the department stating that rent had been fixed in accordance with market rate. Rent at the rate of 10 per cent of the cost of the building is considered reasonable as per PWD manual. Rent is required to be revised every fifth year.

A Government building at Jaipur was leased out to a Club in February 1992 for which lease deed was not available with the department. The cost of building upto December 1997 was Rs. 60.12 lakh and Rs. 62.18 lakh thereafter. Rent of the building was erroneously determined at Rs. 44.87 lakh for the period 1992-93 to March 2001 instead of Rs. 55.78 lakh at the rate of 7.5 per cent to 9 per cent for the first time in April 2002 as against applicable 10 per cent which resulted in short determination of Rs. 10.91 lakh. Even the short determined rent was not realised and thus the omission resulted in aggregate loss of Rs. 55.78 lakh. No demand had been raised till now.

(iv) In 7 Government properties let out by 5 PWD divisions\*, lease rent had not been re-assessed even after the expiry of more than 15 years as against prescribed period of five years and neither were initial lease deeds executed/renewed nor full particulars of the properties leased out available with the divisions. Thus these properties remained under possession of the tenants at pre-revised rent.

In one case the market value of the land worth Rs. 1.13 crore leased out in the erstwhile State of Ajmer (before November 1956) for Petrol Filling Station on that land at the rate of Rs. 75 per month and rental loss at the rate of 10 per cent per annum worked out to Rs. 56.40 lakh for the period 1996-97 to 2000-01.

**(b) Erroneous computation of rent**

Para 23.1.3 of PWD manual lays down that when a Government property is let out to a private person for residential or commercial purposes, rent at the market rate should be recovered monthly in advance.

\* City Division Ajmer, District Division Ajmer, Division-I, Alwar, City Division Bikaner and Chittorgarh.

Test check of records of PWD Division Tonk revealed that rent of six shops let out to 6 private parties in 1947 was revised (January 1998) at the rate of Rs.1200 (2 cases) and Rs. 2000 (4 cases) per square yard instead of rate of Rs.11,000 approved by DLC which resulted in loss of Rs.15.73 lakh during January 1998 to March 2001.

**(c) Loss of revenue due to sale of an old Dak Bungalow**

Rule 325(1) of General Financial and Accounts Rules provides that transfer to or from a commercial department will be effected on the basis of present day cost minus depreciation as assessed by PWD.

It was noticed that an old Dak Bungalow near Railway Station Jodhpur measuring 44501.62 square feet and constructed area 17990 square feet was sold out (August 1998) to Co-operative Department at Rs.1 crore as against departmental valuation (June 1998) of Rs. 8.58 crore. This resulted in loss of Rs. 7.58 crore. No reasons for selling the property on low rates were found on record.

**(d) Non-realisation of revised rent**

When Government property is let out, a regular lease is to be entered into and lease deeds for a period exceeding one year are compulsorily registrable document.

A piece of land near an overbridge at Jodhpur, measuring 1308 square metre was under encroachment since October 1981. A lease deed was, however, executed (January 1986) between Executive Engineer PWD City Division Jodhpur and the trespasser regularising occupation from October 1981 at a monthly rent of Rs. 613.25 per month without mentioning the period of lease and without getting it registered. However, arrears of revised rent from time to time at the expiry of five years (in October 1986 to March 2001) including interest aggregating to Rs. 22.49 lakh on the basis of market value from time to time remained unrealised as of March 2002.

**(e) Storage charges not credited to revenue**

Storage charges at the prescribed rates to cover expenditure incurred on handling of the stores articles are to be initially accounted for under "Stock Suspense-storage". Surplus balance under the head at the end of year is to be credited to Government account. In 52 divisions an accumulated balance of Rs.220.28 lakh at the end of March 2001 was not credited to revenue as it was still in suspense head. Thus these balances remained outside the revenue account.

**(f) Unclaimed deposits over 3 years not credited to Government revenue**

As per Rules all balances under the head 'deposits' remaining unclaimed for more than three years are to be credited to revenue as lapsed deposits (0059 Public Works-Other receipts). Security deposits of Rs.148.83 lakh received

from the contractors/suppliers, which remained unclaimed for more than 3 years since June 1959 to February 1998 in 19 PWD divisions had not been credited to revenue as of March 2002.

**(g) Non/short levy and recovery of percentage charges on deposit works**

According to the rules percentage charges on deposit works are leviable at the rates prescribed by Government from time to time on the cost of construction of works undertaken by PWD on behalf of other departments, local bodies and other Governments. As per permanent arrangement, the Central Government have agreed to a rate of 16 per cent for centage charges in respect of Central works executed through the agency of State PWD.

Test check of records of PWD Division-I, Bhilwara revealed that 2 deposit works of construction of 50 bedded ESI hospital and 46 staff quarters were undertaken by PWD Division-I Bhilwara at the expenditure of Rs. 300.40 lakh on behalf of Employees State Insurance Corporation (which follows procedures as laid down by Government of India) on which percentage charges at the rate of 16 per cent of Rs.48.06 lakh were leviable. As against the said charges an amount of Rs. 11.99 lakh in respect of staff quarters was recovered which resulted in short levy of Rs. 36.07 lakh.

**(h) Misutilisation of Government revenue**

Road cutting charges as assessed by PWD are creditable to revenue under the Head '1054 Road and Bridges-Other receipts'. In 8 PWD Divisions it was noticed that Rs.226.63 lakh received from Government Departments/undertakings/private companies on account of various city road cutting charges for laying of water pipe lines/sewerage lines/telephone cables was irregularly credited to "8443 Civil Deposits-Deposit-III under Suspense Head/Roads and Bridges" instead of Receipt Head of the Department, out of which an expenditure of Rs.168.03 lakh was incurred therefrom and balance of Rs.58.60 lakh kept in deposit. This misclassification of the revenue receipts and their resultant utilisation is contrary to financial rules.

The above matter was pointed out to the department and reported to Government (June 2002). However, no reply was received (August 2002).

**C. Medical and Health department**

**7.6 Loss due to not depositing the fees in Government account charged for issue of permanent disability certificates**

Rules 5 and 27 of General Financial and Accounts Rules envisaged that all money received by or on behalf of the Government either as dues of Government or for deposit, remittance or otherwise shall be brought into Government account without delay and it is the duty of the Controlling officer to see that all sums due to Government are regularly and promptly assessed,

realised and accounted for and duly credited in the Consolidated Fund and/or the Public Account of the State. The medical Boards of Government Hospitals issue permanent disability certificates to injured claimants on account of accidents.

In Sawai Man Singh (SMS) Hospital, Jaipur and Maharao Bhim Singh (MBS) Hospital, Kota, it was noticed (March 2002) in audit that fees of Rs. 32.32 lakh charged at Rs. 235 per patient from 13,754 patients (Jaipur: 13073 and Kota: 681) for issuing permanent disability certificates during 1992 to 2000-2001 were not deposited by the members of Medical Board in Government treasury/accounts. This resulted in loss of revenue of Rs. 32.32 lakh in addition to loss of minimum interest at the rate of 12 per cent per annum amounting to Rs. 13.44 lakh, which the Government could have earned on these deposits from time to time as of 30 September 2002.

The omission was pointed out (March 2002) to the department and referred (May 2002) to Government who stated (September 2002) that the matter was under examination.

#### **D. Mining department**

##### **7.7 Loss of revenue due to allowing unauthorised rebate in royalty on marble**

The Government allowed (July 1994) rebate of 50 per cent on royalty for the period of three months from 15 July 1994 on the quantity of marble blocks brought to Makrana from outside for processing and its dispatch.

It was noticed (December 2001) that unauthorised rebate in royalty was allowed in Makarana from 1 April 2000 to 31 March 2002 which resulted in loss of revenue of Rs. 490.76 lakh for the period.

On this being pointed out (February 2002) in audit, the department stated (May 2002) that Government had allowed (January 2002) continuance of the procedure adopted. The reply of the department was not tenable because as per original order the matter was required to be reviewed in October 1994 itself to decide whether the rebate in royalty was to be continued and a gazette notification to that effect issued. The department has been apprised (July 2002) accordingly.

Government to whom the matter was reported (April 2002), confirmed (June 2002) the reply of the department.

### 7.8 Non-raising of demand of development charge

Handbook of Mines and Geology department, prescribes that all demands of royalty, dead rent, penalty etc. should be posted in a Demand and Collection Register (DCR) for pursuance and watching recovery thereto. The Government revised (June 2000) the rate of development charge from Rs. 30 to Rs. 50 per MT on gypsum dispatched or sold with effect from 1 June 2000.

In Nagaur and Sriganganagar it was noticed (January 2002 and August 2001) that in 13 cases demand of development charge of Rs. 3.04 crore was not raised in DCR. However, the lessees had deposited Rs. 0.84 crore on their own, consequently an amount of Rs. 2.20 crore remained unrecovered as detailed below: -

(Rupees in lakh)

S. No	Name of office	No. of cases	Period	Month of assessment	Amount recoverable	Amount recovered	Differential amount recoverable	Reasons
1.	Nagaur	3	1997-98 to 1999-2000	January 2001	153.13	-	153.13	Non-raising of demand
2.	Nagaur	1	June 2000	January 2001	11.29	6.77	4.52	Demand of development charge not worked out at revised rates of Rs. 50 per M.T. from 1 <sup>st</sup> June 2000.
3.	Nagaur	1	June 2000	January 2001	3.05	1.83	1.22	
4.	Sriganganagar	7	June and July 2000	N.A.	125.64	75.38	50.26	
5.	Sriganganagar	1	September 1998 to March 1999	N.A.	11.24	-	11.24	Non-raising of demand
<b>Total</b>		<b>13</b>			<b>304.35</b>	<b>83.98</b>	<b>220.37</b>	

On this being pointed out (between August 2001 and January 2002) in audit, the department accepted the audit observation in all the cases and stated (January 2002) that the demand would be raised.

Government to whom the matter was reported (April 2002), confirmed (August 2002) the reply of the department.

### 7.9 Non levy /recovery of penalty

(i) The Government had prescribed (May 1999) that in case a cement plant was not set up within the stipulated time limit as per sanction, the further extension to set up the cement plant would be allowed on deposit of Rs. 1 crore per year in the Government account, allowable on yearly basis. In case of non-deposit of government dues the lease was liable to be cancelled and the dues recoverable as arrears of Land Revenue.



A mining lease of lime stone was sanctioned in favour of a lessee by the Government on 3 March 1993 and subsequently transferred to another lessee in Chittorgarh, by the Government on 29 March 1996 with the condition that the lessee shall establish within two years from the date of execution of mining lease a cement plant of one million tonne cement production capacity every year. The lease was executed on 26 June 1996.

During the course of audit, it was noticed (January 2002) that a penalty of Rs. two crore was imposed on the lessee for non-establishment of Cement Plant. The lessee was liable to pay the amount within 60 days of issue of the demand notice (November 2001) failing which the lease would be cancelled. The lessee did not pay the penalty amount. However, no action was taken to recover the same as arrears of Land Revenue.

The omission was pointed out to department (February 2002) and reported to Government (April 2002) their replies have not been received.

(ii) Under the Rajasthan Minor Mineral Concession Rules, 1986 for delayed execution/registration of mining lease the department is required to impose a penalty at the rate of 9 per cent of the dead rent per month.

In Jhalawar, it was noticed (May 2001) that two mining leases (dead rent Rs. 75,000 each) were sanctioned on 5 August 1996 and lease deeds were executed and registered on 5 February 1997 and 15 December 1999 respectively. Thus execution/ registration of mining lease was delayed by 36 months but penalty of Rs. 4.86 lakh was not imposed.

On this being pointed out (July 2001) in audit, the department accepted the audit observation and raised the demand (March 2002).

The matter was reported (March 2002) to Government; their reply has not been received (August 2002).

### **7.10 Non-raising of demand of dead rent and excess royalty**

As per terms and conditions of agreement, demand of dead rent is to be raised and recovered in advance six monthly in case of major minerals and quarterly in case of minor minerals. According to Handbook of Mines and Geology department, all demands of dead rent, royalty, penalty and other dues are required to be posted in a Demand and Collection Register (DCR) for pursuing and watch of recovery.

(a) In Kota, it was noticed (July 2001) that in case of Mining Lease (M.L.), royalty for the period from 15 February 1995 to 14 February 2001 was incorrectly assessed (March 2001) at Rs. 143.21 lakh instead of Rs. 143.28 lakh. The Mining Engineer (ME) did not raise the demand. However, the lessee paid Rs. 136.24 lakh as advance royalty and Rs. 7.04 lakh remained unrealised.

On this being pointed out (July 2001) the department accepted the audit observation (July 2002) and raised the demand.

The Government to whom the matter was reported (April 2002), confirmed (July 2002) the reply of the department.

(b) Audit of records of ME, Bikaner revealed (September 2001) that in case of two mining leases royalty for the period from 1992 to 1996 was assessed in February 2001 for Rs. 12.17 lakh. However, the amount was neither posted in the Demand and Collection Register nor was any demand raised against the lessee. This resulted in non-realisation of Rs. 12.17 lakh.

On these omissions being pointed out (September 2001) the ME, Bikaner accepted (September 2002) the audit objection and raised (September 2002) the demand.

The matter was reported (March 2002) to Government, their reply has not been received (August 2002).

(c) In Sriganganagar, it was noticed (August 2001) that in two cases demand of dead rent amounting to Rs. 5.64 lakh for the period between 22 March 1986 and August 2001 was not raised and consequently action for recovery was not initiated.

On this being pointed out (August 2001) in audit, the department stated (August 2001) that the relevant demand had been raised (August 2001). It was further stated (August 2002) that in one case of Rs. 1.37 lakh demand notice was issued on 16 May 2002 and in second case the party had gone in revision to Government. Further progress was awaited (August 2002).

The matter was reported (March 2002) to Government; their reply has not been received (August 2002).

### **7.11 Loss of revenue due to non-forfeiture of security and instalment and irregular adjustment of security**

Under Rajasthan Minor Mineral Concession Rules, 1986, Royalty Collection Contract is granted by auction. The selected bidder of contract shall deposit the security money at the prescribed rates and bid amount in advance. The security money shall be adjusted in the last instalment if the contract is completed without any lapse on the part of the contractor. As per condition No. 11 of agreement if the contractor fails to comply with any of the conditions of the agreement the competent authority is required to cancel the contract after issuing of fifteen days notice and forfeit the security amount.

During the course of audit of ME Office, Karauli, it was noticed (July 2001) that in a Royalty Collection Contract sanctioned for the period from 1 July

1998 to 30 June 2000 security of Rs.5.01 lakh was payable by the contractor for allocation of a Royalty Collection Contract valued at Rs. 40.01 lakh against which security of Rs. 4.11 lakh was obtained. The contractor defaulted in payments and as such the security was liable to be forfeited on cancellation of the contract (29 June 2000). However, the department irregularly adjusted (March 2000) the security amount of Rs. 4.11 lakh against the outstanding dues of the Government. Thus this resulted in loss of Rs. 5.01 lakh on account of irregular adjustment and short deposit of security amount.

The omission was pointed out (July 2001) to the department and reported (March 2002) to Government; their replies have not been received (August 2002).

### **7.12 Non-levy of penalty**

Under the Rajasthan Minor Mineral Concession Rules, 1986 in case of any breach on the part of the lessee of any covenant or conditions contained in the lease, the competent authority may determine the lease and take possession of the said premises and forfeit the security amount of the lessee or in the alternative impose penalty not exceeding twice the amount of annual dead rent of the lease.

In Rishabhdeo, it was noticed (January 2002) that department on the basis of vigilance report (December 1998) raised demand of Rs. 191.55 lakh for concealment of mineral actually extracted and despatched during the period from 1991-92 to 1998-99. Against the said demand Rs. 126.93 lakh had been recovered. However, the department did not impose penalty of Rs. 46.28 lakh for the unauthorised despatch of mineral. This resulted in short realisation of Rs. 1.11 crore.

On this being pointed out (January 2002) in audit, the department stated (June 2002) that the matter was under consideration of Director Mines and Geology.

Government to whom the matter was reported (March 2002), confirmed (August 2002) the reply of department.

### **7.13 Non-raising of demand of interest**

Under Rule 32 of the Rajasthan Minor Mineral Concession Rules, 1986, Royalty Collection Contract may be granted either by auction or tender. Further Rule 34(g)(iii) ibid provides that if the yearly bid amount exceeds Rs. 10 lakh, it shall be recovered in 12 monthly instalments but the first instalment shall not be less than Rs. 2.50 lakh and shall be deposited immediately. The remaining bid amount shall be deposited in eleven equal monthly instalments by 10<sup>th</sup> of each month in advance failing which interest at the rate of 20 per

cent per year shall be charged on all dues for the period of delay beyond 15 days from the due date of deposit.

In Sikar, it was noticed (August 2001) that in two cases instalments of Royalty Collection Contract were not deposited by the contractors on due dates. The period of delay ranged between 1 to 430 days which resulted in non-recovery of interest of Rs. 11.64 lakh.

On this being pointed out (March 2002) in audit, the Government stated (May 2002) that a demand of Rs. 11.64 lakh has been raised of which Rs. 74,000 were recovered and efforts for recovery of balance amount under Land Revenue Act were on. Further progress has not been intimated (August 2002).

#### **7.14 Non-recovery of dead rent and interest**

Subject to the other conditions of Rule 28 of Mineral Concession Rules, 1960 where mining operations have not commenced within a period of two years from the date of execution of the lease, or is discontinued for a continuous period of two years, after commencement of such operations, the State Government by an order shall declare the mining lease as lapsed and communicate the declaration to the lessee. Dead rent was to be recovered six monthly in advance.

In Bikaner, it was noticed (September 2001) that a mining lease was sanctioned in favour of Rajasthan State Electricity Board (RSEB) by State Government on 29 June 1982 and lease deed was executed after delay of about 13 years on 4 May 1995. Excavation work on lease area is yet to be started. No reasons for non-cancellation of the lease were furnished by the Mining Engineer, Bikaner. Though demand of dead rent of Rs. 5.84 lakh for the period from 4 May 1995 to 3 November 2001 was noted in Demand and Collection Register (DCR), no further action for recovery was initiated by the department. Demand of interest on outstanding dead rent worked out to Rs. 2.91 lakh. This resulted in non-recovery of dead rent and interest thereon aggregating Rs. 8.75 lakh.

On this being pointed out (September 2001) in audit, the department accepted (February 2002) the audit observation and sent (June 2002) proposals for cancellation of the lease. As regards recovery of dues recovery certificate had been issued (April 2002) and sent to Mining Engineer, Jaipur for effecting recovery under the Land Revenue Act.

The matter was reported to Government (April 2002); their reply has not been received (August 2002).

**7.15 Non-realisation of stamp duty and registration fee due to non-registration of quarry licences**

Under the Indian Registration Act, 1908, leases of immovable property for any term exceeding one year shall be registered compulsorily. Further Government of Rajasthan clarified in their circular dated 24 November 1993 that stamp duty and registration fee are leviable on execution of leases, quarry licences and their renewals at the prescribed rates.

In Nimbahera (Chittorgarh district) and Sojat City (Pali district), it was noticed (September 2001 and February 2002) that 1590 quarry licences renewed during the year 1999-2000 and 2000-2001 were not registered as required under the Indian Registration Act, 1908. This resulted in non-realisation of revenue of Rs. 5.63 lakh on account of stamp duty (Rs. 5.16 lakh) and Registration fee (Rs. 0.47 lakh).

On this being pointed out (October 2001 and March 2002) the department stated (August 2002) that Assistant Mining Engineer Nimbahera and Sojat City had taken steps to register the mining leases and amount of Rs. 2.31 lakh had been recovered on account of registration (October 2002).

Government to whom the matter was reported (March and April 2002), confirmed (August and September 2002) the reply of the department.

**JAIPUR,**  
The

**(MINAKSHI GHOSE)**  
Accountant General (Audit)-II, Rajasthan

Countersigned

**NEW DELHI,**  
The

**(VIJAYENDRA N. KAUL)**  
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