

CHAPTER 11 OTHER NON-TAX RECEIPTS

11.01 Results of audit

Test check of records relating to revenue of Public Works, Irrigation and Waterways, Finance, Commerce and Industries and 6 other departments¹, conducted during the year 2000-2001, revealed non/short realisation of revenue and loss of interest etc. amounting to Rs.2793.77 crore in 100 cases, which broadly fall under the following categories:

<i>(Rupees in crore)</i>			
Sl. No.	Categories	No. of cases	Amount
1.	Public Works	8	1.14
2.	Irrigation and Waterways	8	19.48
3.	Finance	2	0.00
4.	Interest on loans and advances from 6 departments	37	2768.40
5.	Commerce and Industries	12	2.80
6.	Land and Land Reforms	33	1.95
Total		100	2793.77

During the course of the year 2000-2001, the concerned departments accepted non/short realisation of revenue of Rs.2242.41 crore in 139 cases of which 70 cases involving Rs.2210.13 crore had been pointed out in audit during the year 2000-2001 and the rest in earlier years.

A few illustrative cases involving Rs.795.41 crore highlighting important observations are given in the following paragraphs :

¹ Commerce and Industries, Co-operation, Industrial Reconstruction, Power, Public Enterprises and Urban Development

A – INTEREST RECEIPTS

11.02 Interest Receipts from Loans and Advances

The findings on the study of interest receipts on loans/advances are given below:

Highlights

- ☞ The actual receipts of interest of the 5 departments were substantially lower than the Budget Estimates. The percentage of budget estimate was much below the annual demand depicting the unwillingness of Government to collect the outstanding interest.
[Paragraph 11.02.04 (a and b)]
- ☞ Demand for Rs.649.48 crore was raised short due to allowance of rebate and calculation of interest notionally on the diminishing balance of loans even though no instalment was repaid.
[Paragraph 11.02.05]
- ☞ Government failed to raise demand on loans sanctioned between August 1964 and January 1999 inspite of settled terms and conditions thereby loosing interest of Rs.134.29 crore.
[Paragraph 11.02.06]
- ☞ Government lost interest of Rs.6.87 crore owing to computation mistake of loans and interest which were converted to equity.
[Paragraph 11.02.08]

11.02.01 Introduction

Interest receipts is one of the major sources of non-tax revenue of the State. Interest is realised on loans and advances granted by different departments of the Government to public sector undertakings, local bodies, co-operative societies etc.

11.02.02 Organisational set-up

Proposal for sanction of loans and advances are processed by Heads of the Loanee Organisation and recommended to the Administrative Departments. The Administrative Departments issue sanction with the concurrence of the Finance Department and watch recovery of principal and interest thereon.

11.02.03 Scope of Audit

A review on interest receipts on loans for the period from 1995-96 to 1999-2000 was conducted during June to December 2000 in respect of loans sanctioned by six Government departments viz. Public Enterprises, Power, Industrial Reconstruction, Commerce and Industries, Urban Development and Co-operation (4 out of 22 Range Offices) with a view to ascertaining the effectiveness of recovery of interest on loans. Interesting cases of short raising of demand, non-settlement of terms and conditions, short assessment and non-assessment of interest for the period prior to the year 1995-96 were also examined.

11.02.04 Trend of revenue

(a) The budget estimates and actual receipts during the last 5 years under major head 0049-Interest Receipts with break up under minor heads 190, 191 and 195 dealing with interest receipts from public sector undertakings, local bodies and co-operative societies were as under :

(Rupees in lakh)

Year	Budget Estimate under minor head 190, 191 & 195	Actual Receipts under minor head 190, 191 & 195	Percentage of Actual Receipts to Budget Estimate	Budget Estimate under major head 0049	Actual Receipts under major head 0049	Percentage of Actual receipts to Budget Estimate
1995-96	2095.63	85.63	4.09	7179.71	5094.32	70.95
1996-97	2074.00	5801.40	279.72	8084.75	11275.37	139.46
1997-98	1072.00	142.29	13.27	7181.67	10488.55	146.05
1998-99	1659.75	91.60	5.52	8238.15	4863.85	59.04
1999-2000	2252.00	102.46	4.55	9873.87	11007.89	111.49

It would be seen that during the years from 1995-96 to 1999-2000 the actual receipts under three minor heads varied between 4.09 and 13.27 per cent except during the year 1996-97. The actual receipt of 279.72 per cent during 1996-97 was due to conversion of interest of Rs.55.35 crore into equity. The overall higher achievement under the major head is due to higher collections under other loans like loans to Government servants, investment in treasury bills etc.

(b) Preparation of Budget Estimates

Under the West Bengal Budget Manual each budgeting authority/administrative department will be responsible for the correct preparation of estimates in respect of receipts and expenditure with which he is concerned.

The administrative departments did not prepare any budget estimates for interest receipts. However, the Finance Department prepared the budget estimates taking into consideration the actual receipts of the previous year.

The interest due for collection for previous year, budget estimates and percentage of budget estimates to interest due for collection during 3 years from 1997-98 to 1999-2000 in respect of interest receipts of 5 departments were as under :

(Rupees in lakh)

Name of the Department	Year	Interest due for collection for the previous year	Budget Estimate	Percentage of Budget Estimate to Interest due for collection
Public Enterprises	1997-98	3151.43	103.60	3.29
	1998-99	3623.12	131.60	3.63
	1999-2000	3785.38	197.60	5.22
Commerce and Industries	1997-98	809.09	176.40	21.80
	1998-99	867.16	135.00	15.57
	1999-2000	1003.45	208.00	20.73
Urban Development	1997-98	1874.99	136.00	7.25
	1998-99	2852.43	210.00	7.36
	1999-2000	2375.68	120.00	5.05
Power	1997-98	79.62	133.60	167.80
	1998-99	17139.62	760.50	4.44
	1999-2000	13605.95	1170.00	8.60
Industrial Reconstruction	1997-98	197.13	18.00	9.13
	1998-99	149.09	19.00	12.74
	1999-2000	153.20	20.00	13.06

It transpires from the table that the budget estimates varied between 3.29 and 21.80 per cent of the interest demand of the previous year only (exclusive of the arrears), except in the case of Power Department for the year 1997-98. The higher estimates of 167.80 per cent were attributed to conversion of loans of Rs.765.68 crore sanctioned between March 1992 and March 1995 into equity.

On this being pointed out, the Government stated (July 2001) that steps have already been taken for verification of the "Interest due for collection for the previous year" and to prepare proper budget estimates on interest receipts realistically.

11.02.05 Short raising of demand

Government Orders sanctioning loans specify the terms and conditions of repayment of loans and payment of interest thereon. The drawing and

Audit Report (Revenue Receipts) for the year ended 31 March 2001

disbursing officers are required to raise demand for instalment of principal and interest accrued thereon as and when due.

Audit scrutiny of interest receivable from loans sanctioned to different organisations by the 6 departments was Rs.1338.38 crore as on 31 March 2000 calculated at prescribed rates. But, the statement of demand for interest issued to different loanees by the departments was Rs.689.90 crore. Hence, there was short demand for interest to the tune of Rs.649.48 crore owing to application of lower rate of interest and calculation of interest notionally on the diminishing balance of loans after allowing rebate even though no instalments of loans were repaid. The departmentwise short raising of demand for interest in respect of 6 departments are as below :

(Rupees in crore)

Name of the Department	Interest		
	Due	Demand raised	Demand short raised
Public Enterprises	528.58	258.31	270.27
Commerce and Industries	95.13	51.22	43.91
Urban Development	225.15	142.52	82.63
Power	448.25	203.50	244.75
Industrial Reconstruction	13.93	9.07	4.86
Co-operation (4 out of 22 Range Offices)	27.34	24.28	3.06
Total	1338.38	689.90	649.48

On this being pointed out, the Public Enterprises Department stated (June 2000) that it would be futile to raise demand as the enterprises did not have any repayment capacity and were surviving on non-plan loans from the Government; the Industrial Reconstruction Department stated (October 2000) that defaulted amount could not be recovered because most of these companies are still incurring losses; 3 out of 4 range offices in respect of Co-operation Department admitted the mistake (November 2000) and the other departments did not furnish any specific reply.

The replies are not tenable as initially the demands for interest have to be raised.

11.02.06 Non-raising of demand inspite of settled terms and conditions

Demand for payment of interest and repayment of loans are required to be raised by the departments as per terms and conditions prescribed in the Government Orders.

Power department and the Co-operation department sanctioned loans of Rs.510.44 crore between August 1964 and January 1999, terms and conditions of which were settled. In spite of settled terms and conditions the departments failed to raise demand for interest on such loans to the tune of Rs.134.29 crore for the period from April 1990 to March 2000.

On this being pointed out, the Power department accepted (March 2001) that demand was not raised by them, whereas the range offices under the Co-operation Department stated (November 2000) that the demand could not be raised due to non-receipt of necessary orders containing terms and conditions including rate of interest.

The reply of the Co-operation Department is not tenable as the necessary orders in settlement of terms and conditions of loans were issued from time to time.

11.02.07 Loss of interest owing to non-accounting of loans

From the records of the Co-operation Department, it was seen that loans amounting to Rs.1.48 crore were issued by the Assistant Registrar of Co-operative Society, Barasat Range up to March 2000 to different co-operative societies, but accounts of only 151 loans amounting to Rs.0.47 crore sanctioned between 1985 and 1995 are being maintained by the office. The loans of Rs.1.01 crore issued prior to 1985 were not accounted for. As a result there was a loss of interest to the tune of Rs.1.30 crore for the period from 1985 to 2000 (calculated at the rate of 8 per cent per annum for 16 years).

On this being pointed out, the department stated (December 2000) that due to frequent shifting of the office within Kolkata and then from Kolkata to Barasat the records/Government orders had been lost.

The reply is not tenable as no FIR was lodged with the police and no effort was made to trace out the records.

11.02.08 Non-recovery of interest owing to errors in computation

Scrutiny of records in the Commerce and Industries Department revealed that the Government of West Bengal had converted 45 loans of Rs.25.34 crore and interest of Rs.7.37 crore as on 31 March 1994 into equity in respect of West Bengal Electronics Industries Development Corporation Limited (WEBEL) vide order dated March 1995. However, the interest on Rs.25.34 crore worked out to Rs.14.24 crore instead of Rs.7.37 crore as on 31 March 1994. This resulted in non recovery of interest of Rs.6.87 crore.

11.02.09 Unauthorised retention of Government money

(a) Commerce and Industries Department (C&I), Planning Branch, Government of West Bengal decided to sanction loans at concessional rate of interest to the Jute Industries for payment of Sales Tax and Raw Jute Tax vide memo dated 1 April 1989. As per provisions for sanction of such loans, the Commerce and Industries Department will send due intimation to West Bengal Industrial Development Corporation (WBIDC) regarding sanction of the loan, WBIDC shall issue orders sanctioning loans incorporating the terms and conditions of repayment with the concurrence of Finance Department.

Intimation of loans to 16 sick Jute Mills was sent by the C & I department to WBIDC (between March 1991 and September 1994) and loans to 15 Mills were disbursed by WBIDC, but no orders indicating the terms and conditions for repayment of principal and interest were issued.

It was further noticed in audit (September 2000) that 5 Jute Mills had repaid (between March 1993 and March 1999) principal of Rs.53.10 lakh and interest of Rs.133.68 lakh to WBIDC. The amounts repaid by the Mills, however, were not deposited in the government account and the WBIDC utilised the same for their business keeping the amounts received under the Suspense Head. This resulted in unauthorised retention of government money amounting to Rs.1.87 crore outside government account.

(b) Sales Tax loans of Rs.68 lakh were sanctioned by the Commerce and Industries Department in September 1994 to M/s Naffar Chandra Jute Mills Ltd., consequent upon approval of rehabilitation scheme by the Board for Industrial and Financial Reconstruction (BIFR).

Managing Director, West Bengal Industrial Development Corporation (WBIDC) was authorised as the drawing and disbursing agent on behalf of the State Government. But due to non-observance of formalities involved towards the release of the loan, the amount remained undischarged with WBIDC. In the meantime, the department was informed by the BIFR that the company had ceased to be a sick industry and its case no longer requires to be dealt with by the BIFR. Accordingly, the department directed the WBIDC (June 1996) to deposit the amount of Rs.68 lakh to the State exchequer, which is yet to be deposited. This resulted in loss of Rs.55.17 lakh being the interest calculated at the rate of Rs.14.75 per cent per annum applicable to other loans sanctioned to WBIDC during the same period.

11.02.10 Non-maintenance of basic records

Under sub-para (d) of Government of India Decision No.3 below Rule 155 of GFRs of the Central Government, the Administrative Department is required to maintain records to watch timely repayments of loans and payment of interest thereon. However, there is no such provision in the West Bengal Financial Rules or any other Act/Rules of the State Government relating to maintenance of registers/records in respect of sanction and recovery of loans

and interest thereof. Registers/records are required in order to have effective control over the issue of loans and recovery of loans and interest thereof.

It was noticed that basic records like Loan Register, Sanction Register, Demand Collection and Balance Register and Reconciliation Statement were either not maintained at all or maintained improperly by the administrative departments.

On this being pointed out, the Government stated (July 2001) that steps have already been taken for inclusion of the provisions in the West Bengal Financial Rules for maintenance of registers/records in respect of issue and recovery of loans and interest thereof. Respective administrative departments have also been directed to maintain the registers etc to have effective control over the issue of loan and recovery of loans/interests thereof.

B - MUNICIPAL AFFAIRS

11.03 Unauthorised retention and appropriation of departmental receipts

Under Article 266(1) of the Constitution of India all revenues received by the Government of a State shall form part of the Consolidated Fund of the State. Further, the West Bengal Treasury Rules provide that departmental receipts can not be appropriated towards departmental expenditure.

Scrutiny of records of the Executive Engineer, 24 Parganas Division, Municipal Engineering Directorate revealed (November 1999) that a sum of Rs.2.15 crore was placed (March 1997) at the disposal of the division by the Refugee, Relief and Rehabilitation (RR&R) Department, Government of West Bengal for providing sanitary latrines in seventeen colonies within Kalyani Municipality, Nadia. The amount included Rs.21.29 lakh towards establishment charge at the rate of 10 per cent and audit and accounts charge

at the rate of 1 per cent of the total expenditure for the work undertaken by the said division on behalf of RR&R department in terms of the Works Department Manual, Government of West Bengal. Scrutiny of records, further revealed that the Executive Engineer instead of depositing the same into Government Account unauthorisedly appropriated (between July 1997 and March 1999) the revenue of Rs.17.16 lakh for meeting different liabilities viz. purchase of 2 photocopiers/ stationery and hiring of 6 vehicles etc. The balance amount of Rs.4.13 lakh had not been deposited into the Government Account (July 2001).

On this being pointed out (January 2001), the Government directed (April 2001) the Chief Engineer, Municipal Engineering Directorate to deposit the unspent balance of Rs.4.13 lakh into Government Account and get regularised the expenditure of Rs.17.16 lakh already incurred.

C - IRRIGATION AND WATERWAYS

11.04 Failure to issue test notes by engineering division

Under the provision of the West Bengal Irrigation (Imposition of Water Rate for Damodar Valley Corporation Water) Act, 1958, assessment of water rate is made by the respective revenue division on receipt of test notes/schedules from the engineering division. Such test notes/schedules are required to be sent by the engineering division within a period of two months from the end of the particular watering season.

Scrutiny of records of the Revenue Officer, Damodar Irrigation Revenue Division No. I, Burdwan revealed (April 2000) that no plot schedule/test note was received from the engineering division in respect of 2 zilla offices for the years 1997-98 to 1999-2000 for *Rabi* and *Boro* crop seasons for a total area of 45,619 acres of land. No action was taken for obtaining test notes from the

engineering division for assessment of water rate. This involved non-assessment and non-realisation of water rate for Rs.50.21 lakh.

On this being pointed out (April 2000), the Revenue Officer stated (August 2001) that test notes had been partly received. Report on final action taken has not been received (October 2001).

The case was reported to Government in May 2000 followed by reminders issued up to July 2001; their reply has not been received (October 2001).

D – MINES AND MINERALS

11.05 Non/short realisation of price of minerals extracted unauthorisedly

(a) Under the Mineral Laws, no person is entitled to undertake any mining operation in any area except under the authority of a valid quarry permit issued by the district Collector. Extraction without authority or removal of excess minerals, constitutes unauthorised extraction. The State Government is empowered to recover either the minerals raised unlawfully or where such minerals have already been disposed of, the price thereof, in addition to other penal action. The price of such unauthorised extraction of brickearth has been fixed by the Board of Revenue in consultation with Commerce and Industries Department at Rs.15 per 100 cft for the year 1971 and thereafter it shall be increased by 10 per cent in each year till a new price is determined.

Scrutiny of records of the District Land and Land Reforms Officer, Nadia and its sub-divisional office revealed (August 1999) that in 57 cases 39.95 lakh cft brickearth were extracted between 1986-87 and 1998-99 without any quarry permit. Out of these, no demand was raised in 12 cases (Rs.2.51 lakh) and demand was raised short in 45 cases (Rs.6.39 lakh). This resulted in non/short realisation of price of brickearth of Rs.8.90 lakh.

On this being pointed out (August 1999), the district authority stated (August 2001) that Rs.72,810 was realised from the brickfield owners and action had been taken to realise the balance dues. Further report on realisation has not been received (October 2001).

The case was reported to Government in February 2000 followed by reminders issued up to July 2001; their reply has not been received (October 2001).

(b) Scrutiny of records of the Mining Officer, Purulia district revealed (January 2000) that the Government had issued (June 1980) temporary permission to the West Bengal Mineral Development and Trading Corporation (WBMDTC) for extracting 10,000 MT of fireclay subject to advance payment of royalty. Against this the Corporation had extracted 54683.01 MT fireclay during the period from 1979-80 to 1998-99 which was unauthorised and attracted penal rate of royalty. However, the Mining Officer (Purulia zone) assessed royalty at Rs.2.48 lakh on the despatched quantity of fireclay at the rate applicable only to a valid permit holder instead of the price of the extracted quantity. This resulted in non/short realisation of price of minerals of Rs.24.86 lakh.

On this being pointed out (January 2000), the department stated (August 2001) that the matter had been brought to the notice of the Government. Final action taken has not been received (October 2001).

The case was reported to Government in April 2000 followed by reminders issued up to July 2001; their reply has not been received (October 2001).

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