

CHAPTER VI OTHER TAX AND NON-TAX RECEIPTS

6.1 Results of audit

Test check of the records of the following departments conducted during the year 2008-09 revealed underassessments and loss of revenue amounting to Rs. 369.66 crore in 188 cases as mentioned below:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
I	CO-OPERATION DEPARTMENT		
	Non-realisation of receipts on account of audit fee, interest etc.	43	210.90
II	ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY DEPARTMENT		
1.	Disposal of forest produce	19	84.77
III	REVENUE AND TRANSPORT, ROADS AND BUILDINGS DEPARTMENTS		
1.	Non-levy and collection of profession tax	21	31.20
IV	REVENUE DEPARTMENT (Commercial Taxes)		
	A. Entertainment tax and Betting tax		
1.	Short collection of security deposit	1	0.06
2.	Non/short levy of show tax and entertainment tax	5	0.02
	B. Rural Development cess		
1.	Short recovery of cess	1	0.02
	C. State Excise		
1.	Non-levy of additional licence fee	16	8.87
2.	Non-levy and collection of penal interest on belated payment of licence fee	14	0.65
3.	Unintended benefit of instalments of permit rooms/loss of revenue due to incorrect fixation of upset prices	5	0.22
4.	Short fixation of annual licence fee for bars	1	0.21
5.	Other irregularities	41	0.37
V	INDUSTRIES AND COMMERCE DEPARTMENT Mines and Minerals		
1.	Non-levy of interest/penalty	3	16.12
2.	Short levy of royalty	9	6.65
3.	Irregular extension of lease	2	1.73
4.	Non-remittance of seigniorage fee	2	0.21
5.	Short collection of seigniorage fee/royalty	3	0.31

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
VI	ENERGY DEPARTMENT		
1	Non-levy and collection of electrical duty	1	7.07
VII	FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT		
1.	Non-collection of differential cost	1	0.28
Total		188	369.66

During the year 2008-09, the concerned departments accepted underassessments and other deficiencies of Rs. 292.77 crore in 107 cases, of which 67 cases involving Rs. 290.92 crore were pointed out during the year 2008-09 and the rest in the earlier years. An amount of Rs. 31.77 lakh in 10 cases was realised during the year.

A few illustrative audit observations involving Rs. 331.20 crore are mentioned in the succeeding paragraphs.

6.2 Audit observations

Scrutiny of the records in the offices of Revenue, Transport, Roads and Buildings, Industries and Commerce, Energy and Food, Civil Supplies and Consumer Affairs departments relating to revenue received from professions tax, royalty and cess, seigniorage fee and licence fee indicated several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty and other cases as mentioned in the succeeding paragraphs in this Chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is a need for the Government to consider directing the department to improve the internal control system including strengthening the internal audit so that such omissions can be avoided, detected and corrected.

CO-OPERATION DEPARTMENT

6.3 Audit fee receipts

As per the provisions in the AP Co-operative Societies (APCS) Rules, 1964, the Chief Auditor with the assistance of the District Co-operative Audit Officers at the district level, conducts the audit of the accounts of the Co-operative Societies every year and collects the audit fee at the rates prescribed from time to time.

6.3.1 Non-realisation of audit fee arrears

As per Rule 46(1) of the APCS Rules, every society audited by the Chief Auditor, shall pay the audit fees for the audit of its accounts for each co-operative year. In case of non-payment, demand should be raised on the financing bank. It is obligatory on the part of the financing bank to remit the amount to the Government on behalf of the society within one month from the date of the demand. After exhausting the above measures, the department has to take action to recover the dues as arrears of land revenue.

Test check of the records of the Commissioner for Co-operation and Registrar of Co-operative Societies (Commissioner) (September and October 2008) for the years 2003-04 to 2007-08 indicated that audit fee of Rs. 40.14 crore was not recovered from the societies to the end of March 2008.

There is no provision under the Andhra Pradesh Co-operative Societies Act, 1964 (APCS Act) to levy interest on the arrears of audit fee and no time limit had been prescribed for initiating the recovery proceedings against the defaulters under the AP Revenue Recovery Act (RR Act).

The status of the arrears of audit fee for the last five years is mentioned below:

(Rupees in crore)

Year	Outstanding at the beginning of the year	Demand raised during the year	Total demand	Demand realised during the year	Arrears at the end of the year	Percentage of realisation to total demand
2003-04	16.96	9.39	26.35	6.02	20.33	22.87
2004-05	20.33	9.08	29.41	4.18	25.23	14.23
2005-06	25.23	11.27	36.50	5.82	30.68	15.96
2006-07	30.68	9.39	40.07	5.42	34.65	13.53
2007-08	34.65	10.30	44.95	4.81	40.14	10.71

Failure of the department to collect the arrears as per the provision in the RR Act resulted in non-realisation of Rs. 40.14 crore and forgoing of Rs. 7.63 crore towards interest computed at six *per cent* per annum which is the applicable rate for arrears referred under the AP Revenue Recovery Act.

The Government accepted the audit observation and stated (September 2009) that the audit fee would be recovered by fixing individual targets for each member of the field level staff and action would also be taken by the Department under the provisions of the RR Act. The Department added that there was no provision under Section 74 of the APCS Act for levying interest on any costs awarded to the Government under this Act and this matter was being referred to the Law Department for clarification.

The Government may consider incorporating appropriate provisions for levying of interest on arrears in the APCS Act itself and also prescribe a time limit for initiating proceedings against defaulters for recovery of the dues as arrears of land revenue under the RR Act.

6.3.2 Non/short levy of audit fee

As per the Rule 46(1) of the APCS Rules, audit fee is to be levied on every society at the rate of 0.12 *per cent* of the working capital or loans and advances whichever is less subject to maximum of Rs. 1 lakh.

Test check of the records of nine District Co-operative Audit Offices (DCAOs) indicated non/short levy of the audit fee of Rs. 2.17 crore due to incorrect computations in 751 cases for the period 2003-04 to 2007-08.

The Government accepted the audit observation and stated that (September 2009) necessary action would be initiated to recover the short levied audit fee from the societies concerned. A report on recovery has not been received (February 2010).

6.3.3 Non-realisation of audit fee due to pendency of audit

As per the Rule 46(1) of the APCS Rules, every society in receipt of the state aid or any other society which opts to get the accounts of the society audited through the Chief Auditor, shall pay to the government fees or costs for the audit of its accounts for each co-operative year.

Test check of the records of the Commissioner for the period from 2003-04 to 2007-08 indicated that the department planned to conduct the audit of the accounts of 39,150 co-operative societies for the years 2003-04 to 2007-08. However, only 33,215 accounts were audited. Due to shortfall of 5,935 audits involving 3,401 societies, the department could not realise the audit fee of Rs. 1.84 crore. Details are mentioned in the table below:

Year	Pending at the commencement of the year	To be conducted during the year	Total	Conducted during the year	Pending at the end of the year	No. of societies involved
2003-04	966	36,392	37,358	36,397	961	839
2004-05	961	35,590	36,551	35,647	904	687
2005-06	904	36,184	37,088	34,642	2,446	1,946
2006-07	2,446	34,936	37,382	32,774	4,608	2,892
2007-08	4,608	34,542	39,150	33,215	5,935	3,401

The Department attributed (June 2009) the shortfall primarily to non-availability of the complete address/records and stated (June 2009) that 2,352 out of 5,935 pending audits pertain to un-aided societies, which have the option to get their audit conducted by the chartered accountants. It was also stated that 796 audits pertained to the weaker section societies in whose case the audit fee would be Rs. 100 only. The reply is not tenable, as every society is bound to inform the complete address and changes if any, under the provisions of the APCS Act. Further, the un-aided societies opting for outside audit are required to inform the department in advance and they would therefore not be part of the audits planned by the department. The reply regarding the levy of audit fee at Rs. 100 per audit is also not inconsonance with Rule 46 (1) of the APCS Rules which stipulates that the amount of audit fee shall be realisable per audit at 0.12 *per cent* of the working capital or loans and advances, whichever is less, subject to the maximum of Rs. 1 lakh.

6.4 Non/short recovery of cost of establishment

6.4.1 Short levy of cost of establishment

As per Rule 127 of the Andhra Pradesh Fundamental Rules, when an additional establishment is created, the cost (FR cost) should be recovered from the society for whose benefit it is created. The amount to be recovered should be the gross sanctioned cost of the service and should not vary with the actual expenditure of any month. **Audit observed that no system existed in the department for watching the progress made in the assessment and collection of the FR cost.**

Test check of the records of the District Co-operative Offices (DCOs) in Hyderabad and Rangareddy districts for the years 2003-04 to 2007-08 indicated that the FR cost of Rs. 1.94 crore was neither assessed nor demanded by the DCOs in 127 cases. The societies paid only Rs. 1.36 crore. This resulted in short collection of the FR cost of Rs. 58.04 lakh. Further, revisions in the emoluments were not being calculated correctly although provided

under the APFR while working out the FR cost. This resulted in short collection of the FR cost by Rs. 19.66 lakh in 147 cases. Thus, the total short realisation of the FR cost was Rs. 77.70 lakh.

The Government accepted the audit observation and stated (September 2009) that instructions had been issued to all the DCOs in the State to collect the FR cost as pointed out by the audit. A report on recovery has not been received (February 2010).

6.4.2 Non-recovery of FR cost

The G.O.Ms. No. 452 dated 26 August 1971, stipulated that in case of a fresh post (other than audit post) sanctioned for a society, a sum equal to the cost of the staff for a period of three months should be collected in advance. In case of a post of an auditor sanctioned to the individual societies, the cost for the entire sanctioned period should be collected in advance.

Test check of the records of nine DCOs (September and October 2008) indicated that the FR cost of Rs. 1.19 crore though required to be assessed and collected in advance, had not been collected till the date of audit. This resulted in non-realisation of Rs. 1.19 crore as on 31 March 2008.

The Government accepted the audit observation and stated (September 2009) that instructions had been issued to the DCOs in the State to strictly ensure that a sum equal to the cost of staff for a period of three months be collected in advance whenever a new post (other than audit) had been created. It was further stated that out of Rs. 1.19 crore, an amount of Rs. 13.58 lakh had been recovered and the balance amount would be collected soon. A report on further recovery has not been received (February 2010).

6.5 Interest/dividend receipts

6.5.1 As per the conditions governing the sanction of loans to the societies, interest has to be levied at a prescribed percentage on the principal amount. In case of non-payment of the principal as per the time schedule, penal interest is also to be levied. The rates of interest for the amounts advanced during the period prior to 2003-04 ranged between nine and 12 *per cent*.

6.5.2 Non-levy of interest

Test check of the loan ledgers relating to the loans sanctioned by the Government, maintained by the DCOs in nine districts¹ indicated that though all necessary details such as principal amount, rate of interest, period of loan etc., were recorded in the loan ledgers, the department did not assess the amount of interest of Rs. 1.86 crore payable by the societies. The DCOs did not monitor the final assessments for raising the demands despite maintaining the loan ledgers. This resulted in non-realisation of loan of Rs. 4.61 crore and interest of Rs. 1.86 crore.

¹ Chittoor, East Godavari, Guntur, Hyderabad, Karimnagar, Khammam, Krishna, Rangareddy and Warangal.

The Government accepted the audit observation and stated (September 2009) that the DCOs in the state had been instructed to update the loan ledgers, levy interest on the principal amount as per the time schedule and to levy penal interest where the principal amount had become overdue and to collect the amounts on war footing. Further progress in recovery has not been intimated (February 2010).

6.5.3 Non-issue of demand notices for the interest levied

Test check of the records of the above DCOs relating to the loans sanctioned by the Government indicated that an interest of Rs. 3.81 crore was assessed by the DCOs till end of March 2008 on the outstanding principal loan amount of Rs. 4.61 crore released to the societies. The societies defaulted in paying the interest due. The department too did not issue any demand notice despite the interest amount being assessed by the DCOs. This resulted in non-realisation of Rs. 3.81 crore towards interest.

The Government accepted the audit observation and stated (September 2009) that instructions had been issued to the DCOs in the state to issue demand notices to the defaulting societies for repayment of the Government loans together with the interest. The DCOs reported (June 2009) that the demand notices had been issued to the defaulting institutions for collection of the amounts. A report on collection has not been received (February 2010).

6.5.4 Interest/dividend on Government share capital contribution

According to the APCS Act, a society shall, out of its net profit in any co-operative year², pay dividend to its members on their paid up share capital, an amount being not less than 15 *per cent* of the net profit.

In January 2002, the Government amended the Rule 36(5)(d) of the APCS Rules according to which every society shall pay dividend or interest, which shall not be less than six *per cent* per annum on the paid up share capital every year. When no dividend is paid, the society has to pay interest on the Government share capital. If for any reason this interest or dividend is not paid, it shall be pointed out in audit, inspection or inquiry and a provision shall be made to carry forward the amount for the subsequent year. The society shall forthwith be declared as “weak” and all additional expenditure in the form of revision of pay scales, dearness allowance, honorarium to the managing committee members, opening of branches, sub-offices etc., shall be frozen. The managing committee of the society will be held responsible for any lapses in this regard.

The Government in September 2003 exempted certain rural co-operative societies, the AP Co-operative Bank, District Co-operative Central Banks and Primary Agricultural Cooperative Societies from the operation of the Rule 36(5)(d). Consequently, the exempted societies need to pay dividend on the net profit under the APCS Act and the other societies need to pay dividend/interest as per rule 36 (5)(d) of the APCS Rules, which shall not be less than six *per cent* per annum on paid up share capital.

² From April to March of that year.

6.5.4.1 Non-levy of interest/dividend from non-exempted societies

Test check of the records of the Commissioner relating to the Government share capital contribution to non-exempted societies revealed that 10 co-operative societies³ who received the Government share capital neither paid the dividend nor levied interest on the share capital. The minimum interest at the rate of six *per cent* as mentioned in the APCS Rules leviable on these societies amounted to Rs. 142.30 crore.

It was further noticed that though one society the Andhra Pradesh State Handloom Weavers Co-operative Society (APCO) had made a provision of Rs. 6.09 crore in the accounts during 2003-04 to 2005-06 for payment of interest, it was never demanded by the department. Thus, failure to levy and assess interest payable by the societies resulted in non-realisation of Rs. 142.30 crore, besides non-invoking of other penalties as per rule 36(5)(d).

The department stated (July 2009) that a proposal had been sent to the Government for deletion of Rule 36(5) (d) of the APCS Rules. However, it was silent about the reasons for non-levy of interest pointed out by Audit.

6.5.4.2 Non-levy of dividend from exempted societies

Test check of the records of the Commissioner of the societies exempted from the operation of Rule 36(5)(d) of the APCS Rules indicated that in 3,668 cases, the societies earned net profit of Rs. 115 crore during the period from 2002-03 to 2006-07. The dividend payable to the Government on its shares worked to Rs. 2.56 crore at the rate of 15 *per cent*. Against this, the societies remitted Rs. 1.59 lakh only resulting in short realisation of Rs. 2.54 crore as mentioned in the following table:

(Rupees in lakh)

Year	No. of societies	Proportional dividend amount on Govt. share capital to be credited to Govt. a/c	Amount of dividend actually collected & credited to Govt. a/c	Non-levy of dividend
2003-04	1086	1.52	0.62	0.90
2004-05	673	6.95	0.12	6.83
2005-06	684	61.68	0.16	61.52
2006-07	601	66.21	0.06	66.15
2007-08	624	119.27	0.63	118.64
Total	3,668	255.63	1.59	254.04

After this was pointed out, the Government accepted the audit observation and stated (September 2009) that specific instructions would be issued to the district and Divisional level officers and Functional Registrars to ensure the payment of dividend to the Government.

³ APSC co-operative finance corporation, AP Co-operative BC finance corporation, AP Girajan Co-operative Corporation, AP Toddy Tappers Co-operative Society Federation limited, AP Sericulture Federation, AP Co-operative Marketing Federation, AP Washer men Society Federation, AP Women Co-operative Finance Corporation, APCO, AP Oil Federation.

6.5.5 Non-levy/collection of interest and penal interest

The Integrated Co-operative Development Project (ICDP) is a centrally sponsored scheme being implemented with the objective of overall development of the co-operative societies. Under the scheme, the National Co-operative Development Corporation (NCDC) provides financial assistance in the form of loan and subsidy to the State Government and the State Government provides funds to the District Co-operative Central Banks (DCCBs). The loan which carries the prescribed rate of interest is to be repaid in eight equal instalments with a moratorium period of three years. The overdue instalments/amounts will attract penal interest till the amounts are repaid.

Test check of the records of the Commissionerate for the period 2003-04 to 2007-08 indicated that the DCB records and loan ledgers were not maintained for the loans advanced by the NCDC and demands were not raised periodically. However, the details of the total released amount, period of loan, rate of interest and due date of payment were maintained in the computers. Perusal of the information obtained from the department indicated that the NCDC advanced loans amounting to Rs. 6.67 crore upto March 2008. The amount was recoverable in eight equal instalments carrying interest of 16 *per cent* to 19.25 *per cent* per annum on the outstanding amount. In the absence of the ledgers, the correct position of the outstanding loans and the interest payable thereon could not be ascertained by audit.

Audit observed that the department calculated interest on the diminishing balance (i.e. after deducting the instalment due for payment) though the instalments were not paid. This resulted in short levy of interest of Rs. 3.87 crore at a minimum rate of 16 *per cent* on the outstanding principal of Rs. 6.67 crore as mentioned in the following table:

(Rupees in lakh)		
Year	Overdue amount	Non-levy of interest
2003-04	253.52	40.56
2004-05	353.00	56.48
2005-06	521.23	83.40
2006-07	621.68	99.47
2007-08	667.41	106.79
Total		386.70

The Government accepted the audit observation and stated (September 2009) that the interest due details had been communicated to all the general managers of the DCCBs informing that penal interest should also be remitted for the period of default. It was further stated that the matter would be pursued with all the DCCBs and action would be taken to collect due amounts in accordance with guidelines including penal interest. Further report on recovery has not been received (February 2010).

**ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY
DEPARTMENT**

6.6 Non-collection of dues from the GCC Limited

Lease agreements executed by the Government with the Girijan Co-operative Corporation (GCC) Limited, Visakhapatnam each year stipulated that minor forest produce would be collected by the GCC Limited on monopoly basis. The GCC was required to pay lease rentals at 15 *per cent* on procurement prices subject to the payment of minimum rental equal to the average of previous three years' rentals payable in two half yearly instalments. However, the agreement did not contain any contingency clause for seizure of forest produce in case of non-payment of the lease rentals.

Test check of the records of Principal Chief Conservator of Forests indicated that Rs. 54.51 crore on account of lease rentals was due from the GCC Limited, Visakhapatnam for over eight years as mentioned in the following table:

(Rupees in crore)		
Sl. No.	Period of Arrears	Amount due
1.	2001 to 2005-06	33.28
2.	2006-07	3.83
3.	2007-08	17.40
Total		54.51

In the absence of any clause in the lease agreement, action could not be taken by the department to seize the forest produce.

After this was brought to notice, the department took up the matter with the Government in June 2009 and suggested the inclusion of a clause in the lease agreement to be entered with the GCC Limited enabling the department to seize the produce in transit if the forest rentals were not paid by them in time.

6.6.1 Non-collection of forest dues

As per the provisions of the AP Financial code (APFC) volume I, every government servant who is entrusted with the duty of collecting any revenues due to the government should assess the demands carefully and collect the revenues promptly. As per the Andhra Pradesh Forest Act, 1967, the Government dues if not paid are to be recovered as if it were an arrear of land revenue, under the provisions of AP Revenue Recovery Act, 1864. The certified cases are sent by the Conservator of Forests to the concerned District Collectors for recovery of the amounts specified therein.

Test check of the records of 15 divisions⁴ indicated that Rs. 28.62 crore was outstanding in 238 certified cases. Age-wise analysis of these cases is mentioned in the following table:

(Rupees in crore)

Sl. No.	Arrears of revenue	No. of cases	Arrears
1.	Pending less than 5 years	11	1.35
2.	Pending for more than 5 years to 10 years	13	1.53
3.	Pending for more than 10 years to 15 years	22	4.60
4.	Pending for more than 15 years to 20 years	8	4.45
5.	Pending for more than 20 years to 50 years	124	16.59
6.	Pending for more than 50 years	60	0.10
Total		238	28.62

The above table indicates that 60 cases involving Rs. 9.58 lakh were pending recovery for more than 50 years. No departmental meetings were conducted with the district collectors concerned, to monitor the recovery of arrears. As a result, arrears pertaining to very old periods remained outstanding. The chances of recovery of old arrears have become remote with the passage of time.

6.6.2 A test check of the records of the Divisional Forest Officer (DFO), Bellampally division indicated that Rs. 1.24 crore was outstanding against 15 defaulting *abnus* leaf contractors from 1980 to 2004. The division stated that the cases were referred to the District Collectors concerned. But the records revealed that the District Collectors were addressed by ordinary letters only. There was no evidence that the certified cases were acknowledged by the District Collectors.

After the case was pointed out (April 2009), the Government stated (July 2009) that all the cases of arrears of revenue would be reviewed and necessary action would be taken to collect these under the RR Act and the Chief Conservators of Forests/Conservators of Forests would be directed to hold meetings periodically with District Collectors concerned to expedite the arrears collection. It was also stated that the cases were very old and where recovery was not possible, the aspect of writing off them by competent authority would also be considered.

6.6.3 Test check of the records of the DFO (Logging Division), Nirmal indicated that in one case relating to M/s Hyderabad Plywood Industries, Hyderabad, Government ordered⁵ recovery of arrears of Rs. 34.54 lakh in 12 equal half yearly instalments commencing from 30 November 1996 to 31 May 2002 alongwith penal interest at 22 *per cent* per annum on the overdue instalments from 1 December 1996 to 1 June 1999. Even after a lapse of 10 years, the amount has not been recovered till the date of audit.

After the case was pointed out (April 2009), the Government stated that action would be taken to recover the amount by referring the matter to the District Collector, Ranga Reddy District.

⁴ DFOs Adilabad, Bellampally, Bhadrachalam (N), Eluru, Jannaram, Kagaznagar, Kakinada, Khammam, Mancherial, Nirmal, Paderu, Paloncha, Vijayawada, Visakhapatnam and Vizianagaram.

⁵ G.O.Ms.No.187 EF (For. III) Department dated 8 September 1994.

6.6.4 Non-realisation of miscellaneous expenditure and supervisory charges

In accordance with the agreements executed each year between the Forest Department and M/s ITC BPL⁶ Ltd., supervisory charges and miscellaneous expenditure at the rates prescribed from time to time are required to be collected from the paper mill.

Test check of the records of DFO (Logging Division), Bhadrachalam indicated that Rs. 5.03 lakh on account of supervisory charges and miscellaneous expenditure for the years 2003-04 to 2007-08 was neither paid by the mill nor demanded by the department.

After the case was pointed out (April 2009), the Government stated (July 2009) that the DFO, Bhadrachalam Division had issued a demand notice to the paper mill towards payment of miscellaneous expenditure and supervisory charges due for the years 2003-04 to 2007-08. It further stated that Rs. 5.70 lakh paid by M/s. ITC BPL Ltd. towards security deposit for the year 2007-08, was available with the department and the dues would be adjusted from the amount available.

TRANSPORT, ROADS AND BUILDINGS DEPARTMENT

6.7 Non-levy and collection of professions tax

Under Section 4 of the Andhra Pradesh (AP) Tax on Professions, Trades, Callings and Employments Act 1987, the Government issued orders⁷ in May 2006 appointing Regional Transport Officers/Deputy Commissioners/Joint Commissioner as collecting agent for collection of professions tax from the lorry/bus owners at Rs. 750 per vehicle per annum. In response to a clarification sought by some district officers for collection of tax, the Transport Commissioner (TC) in November 2006 directed the district officers not to collect professions tax till a decision regarding filling up of existing vacancies and providing additional staff required for discharging collection activities was taken by the Government.

Test check of the records of the office of the TC, Andhra Pradesh (January 2009) indicated that professions tax for the year 2007-08 totalling Rs. 30.97 crore from the owners of 4,12,923 vehicles on road was not levied and collected. Thus, despite the orders of the Government, the Transport Department failed to realise professions tax amounting to Rs. 30.97 crore for the year 2007-08 due to the orders of the TC.

After the case was pointed out, the TC stated (January 2009) that the matter would be examined.

The matter was referred to the Government in April 2009; their reply has not been received (February 2010).

⁶ Bhadrachalam Paperboards Limited.

⁷ G.O.Ms. No.610 Revenue (CT-IV) Department dated 30 May 2006.

INDUSTRIES AND COMMERCE DEPARTMENT

Mines and Minerals

6.8 Non/short levy of royalty and cess on crude oil

As per Section 6A of Oilfields (Regulation and Development) Act, 1948 and Rule 14 of Petroleum and Natural Gas Rules, 1959, the holder of a mining lease shall pay royalty in respect of any mineral oil mined, quarried, excavated or collected by him from the leased area at the rates⁸ specified in the schedule to the Act from time to time. In addition, as per AP Mineral bearing lands (Infrastructure) Cess Rules, 2005 read with Government order dated 12 September 2005⁹, cess of Rs. 640 per tonne of crude oil shall be levied.

Test check of the records of the Deputy Director of Mines and Geology, Kakinada (January 2009) indicated that against the quantity of 2,13,227.082 MTs and 2,14,296.787 MTs of crude oil extracted by a lessee during 2004-05 and 2006-07, royalty was levied on 2,03,969.318 MTs and 2,14,030.143 MTs respectively. Further, cess of Rs. 1.71 lakh was not levied on 266.64 MTs of crude oil during 2006-07. This resulted in non/short levy of royalty and cess of Rs. 2.23 crore.

After the case was pointed out (March 2009), the department accepted (September 2009) the audit observation. A report on recovery of the amount has not been received (February 2010).

The above matter was referred to the Government in April 2009; their reply has not been received (February 2010).

6.9 Short recovery of seigniorage fee

As per Rule 10 of the AP Minor Mineral Concession (MMC) Rules 1966, seigniorage fee¹⁰ shall be charged on all minor minerals despatched or consumed from the land at the rates specified in the schedules to the rules. The Government in October 2004¹¹ revised the rates of seigniorage fee on minor minerals.

6.9.1 According to clause 10.4 of general conditions of the contract executed by Superintending Engineer, Galeru Nagari Sujala Sravanthi (GNSS) circle, seigniorage fee shall be recovered from the bills of the contractor on the earth work excavation done and measured with reference to the quantities used in the work as per theoretical¹² requirements, at the rates prescribed by the Government of Andhra Pradesh. The rate of seigniorage fee for earth is Rs. 20 per cu.m.

⁸ For the year 2004-05 – Rs. 2,282 per MT, for the year 2006-07 – Rs. 3,689 per MT.

⁹ G.O.Ms.No.250, Industries and Commerce dated 12-09-2005.

¹⁰ Seigniorage fee is a fee charged by the owner of minor minerals from those to whom he gives the concession to remove them.

¹¹ G.O.Ms.No.217, Industries and Commerce Department dated 29 September 2004.

¹² Quantity of material required for a specific work as estimated.

Test check of the records of the Executive Engineer, GNSS, Proddatur Division (October 2007) indicated that as per bill of contractors on work done and measured with reference to the quantities used as per the theoretical requirements of 31,03,500.79 cu.m in respect of one work¹³, seigniorage fee was recovered on compacted quantity of 27,46,460.88 cu.m. This resulted in short recovery of seigniorage fee of Rs. 71.41 lakh upto September 2007.

After the case was pointed out (October 2008), the department stated (September 2009) that the issue would be placed before the Board of chief engineers meeting as agreed by the Government.

The above matter was referred to the Government in April 2009; their reply has not been received (February 2010).

6.9.2 Test check of the records of the Assistant Director of Mines and Geology (ADMG), Guntur (July and August 2008) indicated that seigniorage fee was collected at the rates of colour granite instead of black granite despatched from the land between 2006-07 and 2007-08. This resulted in short recovery of seigniorage fee of Rs. 23.65 lakh.

After the case was pointed out (February 2009), the department stated (September 2009) that a demand notice had been issued to the lessee company. The company had filed a writ petition before the High Court of Andhra Pradesh which was yet to be finally disposed.

The above matter was referred to the Government in March 2009; their reply has not been received (February 2010).

6.10 Non-remittance of seigniorage fee

The Industries and Commerce Department ordered¹⁴ that seigniorage fee collected on minerals under the provisions of the Mines and Minerals (Regulation and Development) Act, 1957, be credited to the consolidated fund of the State and then transferred to the local bodies separately at the rates prescribed.

Test check of the records of four offices¹⁵ (March 2007 and August 2008) indicated that Rs. 22.14 lakh was recovered towards seigniorage fee from the bills of contractors for the years 2005-06 to 2007-08. But the same was not remitted to the Government account by three¹⁶ municipalities and two¹⁷ local bodies.

¹³ Earth work excavation of GNSS main canal including construction of cross masonry and cross drainage works measuring 8.31 KM and formation of earthen bund for Vamikonda Sagar and Sarvaraja Sagar etc.

¹⁴ G.O.Ms. No. 404, Industries and Commerce Department dated 5 October 1994.

¹⁵ ADMG Khammam, Markapur, Medak and Tandur.

¹⁶ Markapur, Medak and Tandur.

¹⁷ Women Development and Child Welfare, Khammam and Mandal Parishad Development Officer, Tandur.

After the cases were pointed out (June and November 2008), the department stated (September 2009) that Rs. 2.17 lakh had been remitted in two cases. Recovery in the remaining cases has not been reported (February 2010).

The above matter was referred to the Government in April 2009; their reply has not been received (February 2010).

6.11 Short levy of royalty and cess

As per Section 9 of the Mines and Minerals (Regulation and Development) Act, the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the rates specified. The rates of royalty in respect of major minerals were revised in October 2004¹⁸. The rates of royalty to be levied on crude shale and soil are Rs. 23 per MT and Rs. 12 per MT respectively.

6.11.1 Test check of the records of the ADMG, Miryalaguda, Nalgonda (February 2008) indicated that during the year 2005-06, a lessee¹⁹ used limestone and additives such as soil, aluminium laterite, iron powder for producing clinker. However, royalty alongwith cost of mineral was not realised on the quantity of clay/soil used by the lessee. This resulted in non-recovery of Rs. 21.61 lakh towards royalty and cost of mineral.

After the case was pointed out (February 2009), the department accepted (September 2009) the audit observation and raised the demand for the above amount. Payment particulars have not been received (February 2010).

The above matter was referred to the Government in April 2009; their reply has not been received (February 2010).

6.11.2 Test check of the records of the ADMG, Miryalaguda (September 2008) indicated that on despatches of 2,68,777 MTs of crude shale from mines in respect of a lessee during assessment years 2005-06 to 2007-08, royalty on crude shale was assessed at Rs. 18 per MT instead of Rs. 23 per MT. This resulted in short levy of royalty of Rs. 13.44 lakh.

After the case was pointed out (February 2009), the department stated (September 2009) that a demand notice for Rs.13.44 lakh had been issued to the lessee.

The matter was referred to the Government in March 2009; their reply has not been received (February 2010).

¹⁸ G.S.R. 677 (E) dated 14 October 2004.

¹⁹ M/s NCL Industries Limited.

6.12 Non-inclusion of demand in DCB Register

Article 8 of AP Financial Code Vol. I, stipulates that every departmental controlling officer should watch closely the progress of realisation of the revenues under his control and check the recoveries made against the demand. Further, as per paragraph 16.9 of the Manual of the Department of Mines and Geology, the ADMG has to enter the assessment finalised in a register called "Demand, Collection and Balance (DCB) Register" in the proforma given in Appendices 104 and 105.

Test check of the records of the office of the ADMG, Nellore (January 2007) indicated that the mineral revenue assessment of one assessee for the year 2005-06 for iron ore was made for Rs. 5.89 lakh. However, neither was the demand included in the DCB register nor was the same demanded from the assessee. This resulted in non-realisation of revenue of Rs. 5.89 lakh towards royalty.

After the case was pointed out, ADMG, Nellore stated (March 2009) that the demand had been raised in May 2007. A report on the recovery is awaited even after the lapse of more than two years (February 2010).

The above matter was referred to the department in October 2008 and the Government in March 2009; their reply has not been received (February 2010).

REVENUE DEPARTMENT

State Excise Duties

6.13 Non-levy of additional licence fee

As per Rule 10 of AP Excise (Grant of licence of selling by bar and conditions of licence) Rules, 2005, the enclosures²⁰ for consumption of liquor, which are not contiguous, shall attract levy of an additional licence fee at 10 *per cent* for each such additional enclosure.

Test check of the records of three offices of Prohibition and Excise Superintendents (PES)²¹ (May and December 2008) indicated that during the year 2007-08, 10 *per cent* of additional licence fee totalling Rs. 64.13 lakh was not levied on 40 non-contiguous enclosures. This resulted in non-levy of additional licence fee of Rs. 64.13 lakh.

²⁰ "Enclosure" is defined as an area of consumption of liquor, which is contiguous in utility for consumption. If one consumption enclosure is separated from another enclosure by non-contiguity and interposition of areas of different utilities other than consumption of liquor, it attracts additional licence fee.

²¹ Khammam, Ongole and Secunderabad.

After the cases were pointed out, PES, Khammam and Secunderabad stated (May and December 2008) that the 2B licences were granted after physical verification of the premises by the competent authorities as per the instructions of the Commissioner of Prohibition and Excise. The replies are not tenable as enclosures for consumption of liquor were separated by enclosures utilised for purposes other than the consumption of liquor. As such, these were non-contiguous and attracted the levy of additional fee. The PES, Ongole stated (October 2008) that the matter would be examined.

The matter was referred to the department in September 2008 and February 2009 and the Government in April 2009; their reply has not been received (February 2010).

6.14 Non-levy of interest on belated payments of licence fee

As per Rule 3 of AP Excise (Levy of Interest on Government Dues) Rules, 1982, the arrears of money recoverable shall bear interest at the rate of 18 *per cent* per annum.

Test check of the records of four offices of PESs²² (February and October 2008) indicated that permit room licence fee for the years 2006-07 and 2007-08 was not paid in one lump but in different instalments. The licence fee of Rs. 1.70 crore was to be paid in advance before the issue of the permit room licence. In contravention of the provision, the Commissioner issued instructions to recover the licence fee in instalments. This resulted in the non-levy of interest on belated payments of licence fee of Rs. 11.80 lakh.

After the cases were pointed out, all PESs stated (February and October 2008) that permit room licences were granted for the year 2006-07 as per the instructions of the Commissioner of Prohibition and Excise and the balance amount was obtained subsequently. The contention of the department is not in accordance with the provisions of the Act. Besides, interest was to be levied for belated payments of tax on which no instructions were issued by the Commissioner.

²² Anakapalle, Ongole, Tenali and Vijayawada.

The matter was referred to the department between October 2008 and January 2009 and the Government in March 2009; their reply has not been received (February 2010).

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