

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2019-2021)**

EIGHTY THIRD REPORT

on

**Action Taken by Government on the Recommendations
contained in the Hundred and Third Report of the
Committee on Public Accounts**

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COMMITTEE ON PUBLIC ACCOUNTS
(2019-2021)

Composition

Chairman:

Shri V. D. Satheesan.

Members:

Smt. P. Aisha Potty

Shri P. K. Basheer

Shri James Mathew

Shri K. Kunhiraman

Shri Mathew T. Thomas

Shri A. Pradeepkumar

Shri Mullakkara Retnakaran

Shri Roshy Augustine

Shri Saji Cherian

Shri V. S. Sivakumar.

Legislature Secretariat:

Shri S. V. Unnikrishnan Nair, Secretary

Smt. Manju Varghese, Joint Secretary

Shri R. Venugopal, Deputy Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Eightythird Report on Action Taken by Government on the Recommendations contained in the Hundred and Third Report of the Committee on Public Accounts (2008-2011).

The Committee considered and finalised this Report at the meeting held on 20th January, 2021.

Thiruvananthapuram,
20th January, 2021.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

REPORT

This Report deals with the Action Taken by the Government on the recommendations contained in the 103rd Report of the Committee on Public Accounts (2008-2011).

The Report of the Committee on Public Accounts (2008-2011) was presented to the House on 17th July, 2009. The Report contained eight recommendations related to Taxes, Forest and Wildlife Departments. The Government was addressed on 23rd July, 2009 to furnish the Statements of Action Taken on the recommendations contained in the Report and the final reply was received on 12th July, 2018.

The Committee considered the Action Taken Statements at its meetings held on 22-9-2010, 10-4-2012, 14-11-2012, 23-7-2014, 26-11-2014 and 31-10-2018. The Committee was not satisfied with the Action Taken by Government on Para 30 and decided to pursue it further. The recommendation, reply furnished thereon and further recommendation of the Committee is included in Chapter I of this Report.

The Committee decided not to pursue further action on the other recommendations in the light of the replies furnished by the Government. These recommendations and the Action Taken by the Government are included in Chapter II of this Report.

CHAPTER I

RECOMMENDATIONS IN RESPECT OF WHICH ACTION TAKEN BY THE GOVERNMENT IS NOT SATISFACTORY AND WHICH REQUIRE REITERATION FOREST AND WILDLIFE DEPARTMENT

Recommendation

(Sl. No. 7, Para No. 30)

1.1 The Committee understands that the Forest Department failed to collect the royalty of raw materials used in paper industry at the revised rate approved by the Government which resulted in incomplete collection of revenue to the State and

the Committee finds the failure of the Department officials in giving a proper reply, all the more appalling. The Committee is disappointed with the non-adherence of the Kerala Forest Produce (Fixation of Selling Price) Act of 1978 which stipulates that the prices of raw materials should be revised timely and rates be fixed every year preferably before the beginning of the financial year. The Committee recommends that the realisation of royalty should be strictly done from all profit making Public Sector as well as private sector undertakings and that the Government should give subsidies or grant to those Public Sector Companies which are running in loss. The Committee understands that the internal control and audit mechanism of the department is pathetically disordered due to which the department fails in the timely collection of revenue and royalty and the Committee wants the steps taken to strengthen the same be intimated to them. The Committee also suggests the department to take back all the leased out forest land where no plantations were carried out.

Action Taken

1.2 The Kerala Forest Department supplies raw materials for the manufacture of newsprint to M/s. Hindustan Newsprint Ltd. and they are presently paying the cost of pulpwood supplied to them. The company was also paying lease rent for forest land leased out for captive plantation. Hindustan Newsprint Ltd. is levied actual cost of raw materials on the basis of prices fixed under The Kerala Forest Produce (Fixation of Selling Price) Act of 1978. The selling prices are fixed by Government every year, before the commencement of the financial year, as per the Kerala Forest Produce (Fixation of Selling Price) Act of 1978 promptly.

1.3 As regards the details of recovery of royalty effected from profit making Public Sector Undertakings, it may be noted that the Forest Department is neither realizing any royalty from the profit making Public Sector Undertakings nor granting any subsidy to Public Sector Undertakings. However Department is collecting lease rent from the Public Sector Undertakings to whom forest land is leased out.

1.4 The Council of Chief Conservators of Forests held on 23-2-2009, discussed the measures to be taken to strengthen the internal control and audit mechanism in the department and decided to implement the following:

- (a) Revamp the internal audit wing by posting one Junior Superintendent additionally by re-deployment and to replace the existing two clerks with experienced clerks.
- (b) Constitute 3 internal audit parties each consisting of one Junior Superintendent and two clerks.
- (c) Officers posted to internal audit unit shall not be transferred unless they complete two years, except on promotion.
- (d) The details of Forest land leased out to PSU are as follows:

1	Plantation Corporation of Kerala	-	11684.5167 ha.
2	Kerala Forest Development Corporation	-	10717.182 ha.
3	Rehabilitation Plantation Limited	-	2265.22 ha.
4	State Farming Corporation	-	2471.306 ha.
5	Oil Palm India Limited	-	3645.64 ha.
6	Kerala State Electricity Board	-	13818.0226 ha.

Details of forest land taken back after completion of lease period are:

1	Nenmara Division	-	149.48 ha.
2	Kannur Division	-	2.83 ha.
	Total	-	152.31 ha.

1.5 In addition to the above proposal for taking back an extend of 620.394 hectares of land leased out to M/s Hindustan Newsprints Limited is under consideration of the Government.

Further Recommendation

1.6 The Committee recommends that action should be taken to revise periodically the lease agreement with Public Sector Undertakings to whom forest land is leased out and to timely collect revised lease rent and royalty on raw materials supplied.

CHAPTER II

**RECOMMENDATIONS IN RESPECT OF WHICH THE COMMITTEE
DO NOT DESIRE TO PURSE FURTHER IN THE LIGHT OF THE
REPLIES FURNISHED BY THE GOVERNMENT****TAXES DEPARTMENT****Recommendation**

(Sl. No. 1, Para No. 10)

2.1 The Committee is dissatisfied with the weak checking mechanism of the department which failed in properly assessing the income of firms and individuals as a result of which the Government suffered heavy loss in terms of tax and surcharge. The Committee urges for implementing quality inspections as per the guidelines of KAIT Act and wants the department to increase the number of inspections and to deploy higher ranked officials in the processes to ensure flawless and corruption free output. The Committee is disappointed with the inordinate delay in carrying out revenue recovery procedures, which resulted in heavy increase in the arrear amount. The Committee also recommends the Department to dispose off the old cases after giving deserving concessions.

Action Taken

2.2 On the basis of the PAC recommendation, directions have been issued to Deputy Commissioners to carry out quality inspections under the supervision of Inspecting Assistant Commissioners as per the guidelines of the Kerala AIT Act 1991.

2.3 Agriculture holdings upto 5 Hectares are completely exempted from tax and compounding system of payment of tax is permitted for holdings up to 500 hectares. At present only companies are liable to be assessed under Income Based Scheme. The guidelines already issued are followed in the assessment of the above companies.

2.4 The cases referred in the report relates to years up to 2003 and all AIT assessment upto 2003 were completed by this time. Present position of pendency of AIT assessment as on 31-3-2017 is 287 cases out of which 134 cases related to the year 2015-16 and 153 cases related to the year 2016-17. It is to be noted that the time limit for the completion of AIT assessment is only two years from the date of filing of return. Directions were issued to the assessing authorities to complete the pending 287 AIT assessments within the time limit prescribed under the Act.

Recommendation

(Sl. No. 2, Para No. 13)

2.5 The Committee understands that the department officials allowed deduction of 'infilling expenses' in the vacant areas of high yielding perennial crops which resulted in the short levy of tax to the tune of Rs. 8.80 lakh which was against the KAIT Rules. The Committee could not take the justification given by the officials that this action was taken owing to the changes in the Rules and remarks that only the Rules got changed with the sections in the Act still remaining the same. The Committee adds that this will affect the credibility of the department's stand since the Rules and Section in the Act are contradictory. The Committee warns the department from making own Rules without properly amending the Acts and Sections which may put them in a fix on legal matters. The Committee urges the department to refrain from any unruly tactics applied to parties while realising tax or income from them and also directs the department to laud any effort from the parties who make prompt payment of tax.

Action Taken

2.6 The recommendations of the Committee shall be accepted and complied with regard to future actions.

Recommendation

(Sl. No. 3, Para No. 17)

2.7 The Committee do not approve the delay that occurs in realising the tax and surcharge which is due to the department and the oversight that happens in properly assessing the income by the officials as per all the specification of the

KAIT Act. The Committee urges the department officials to take proactive and time bound steps in Revenue Recovery processes instead of re-opening the cases on the benefit of powers of Assessing Authorities.

Action Taken

2.8 The assessment for the year 1996-97 in respect of M/s. Diocese of Punalur has been completed under section 41(1) of the AIT Act on 2-8-2005 demanding AIT and Surcharge of Rs. 2,93,964. Out of this the assessee has remitted Rs. 1,00,000 and the assessee filed appeal before the Deputy Commissioner (Appeals) Kollam. The Deputy Commissioner (Appeals), Kollam modified the assessment. After modifying the assessment, there is no amount due from the assessee for the year 1996-97.

Recommendation

(Sl. No. 4, Para No. 19)

2.9 The Committee is dissatisfied with the inability of the department in realising the surcharge amount owing to the department by the Trust in Vythiri. The Committee urges the department to explore legal method if any to realise the pending money which comes around Rs. 1.42 lakhs.

Action Taken

2.10 The Revenue Authorities had collected Rs. 24,142 from Chandrababha Charitable Trust, Kalpetta for the year 1996-97. The balance amount is being collected under RR.

Recommendation

(Sl. No. 5, Para No. 21)

2.11 The Committee expresses its strong dissatisfaction on the fact that the witness did not review the case of the charitable trust at Sulthan Bathery which owed an amount of Rs. 1.25 lakh as short levy of tax to the Government, despite the directions from the Committee since this case is very old.

Action Taken

2.12 The Assessment in respect of Wayand Don Bosco Society for the year 1997-98 had been finalised fixing the net income for assessment as Rs. 2,55,978. Aggrieved by the above order, the assessee had filed an appeal before AITAT, Additional Bench, Kozhikode. As per the explanation (b) to clause (ii) Sub Sec.(i) of Sec.16 and in the light of the decision in AITA 18/04 dated, 20-9-2007, the Appellant is liable for exemption as claimed and so the petition stands allowed. Hence now there is no demand outstanding in this regard.

Recommendation

(Sl. No. 6, Para No. 23)

2.13 The Committee opines that the internal audit wing of the department needs to be strengthened by deputing the competent persons from Accountant General's Office for avoiding such irregularities.

Action Taken

2.14 The observation of the committee is noted. At present the Department has strengthened the internal audit wing by deputing competent officials in the cadre of Deputy Commissioner assisted with Appellate Assistant Commissioners and 5 Commercial Tax Officers. They started functioning with effect from 1-7-2009 and audited the files related to Special Circles at Ernakulam and Thiruvananthapuram respectively. The outcome of the revenue consequent on internal audit can be determined after finalization of audit.

FOREST AND WILDLIFE DEPARTMENTRecommendation

(Sl. No. 8, Para No. 35)

2.15 The Committee expresses its dissatisfaction over the in-effective approach taken by the Forest Department in recovering and realising loss sustained to the Government due to expenditure incurred during re-auction and related procedures in the event of breach of any conditions by the successful bidder.

The non-receipt of the Remedial Measures Taken statements regarding these cases made the situation worse. Though the witness, Principal Secretary, Forest & Wildlife Department agreed to furnish the related documents within a stipulated time, it was not complied with and the Committee views this with utmost contempt. The Committee is not pleased with the Chief Forest Conservator's disclosures that the RR procedures were progressing and laments that the department failed in the timely realisation of risk and cost due to cancellation of the original auction. The Committee blames the Internal Audit wing of the department in not updating themselves with the latest position of cases in the Comptroller and Auditor General's report which could avoid the pendency of realisation of amounts in related cases.

Action Taken

2.16 Necessary instructions have been issued to the IA Wing of the Forest Head Quarters to update on Revenue Recovery steps taken and amount pending from each office.

Thiruvananthapuram,
20th January, 2021.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

APPENDIX

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

Sl. No.	Para. No.	Department concerned	Conclusion/ Recommendation
1	1.6	Forest and Wild Life	The Committee recommends that action should be taken to revise periodically the lease agreement with Public Sector Undertakings to whom forest land is leased out and to timely collect revised lease rent and royalty on raw materials supplied.