

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2001

(REVENUE RECEIPTS)

GOVERNMENT OF HARYANA

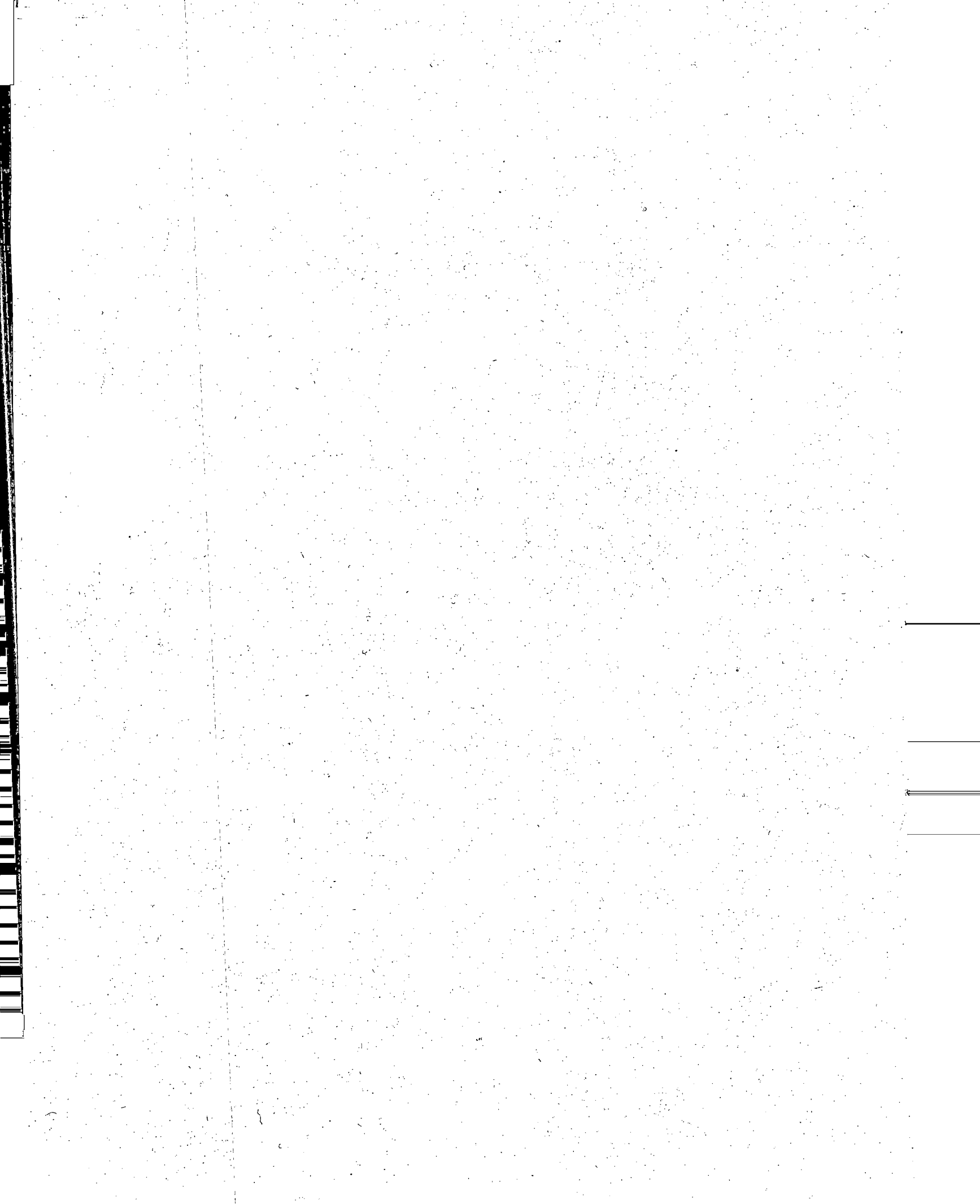


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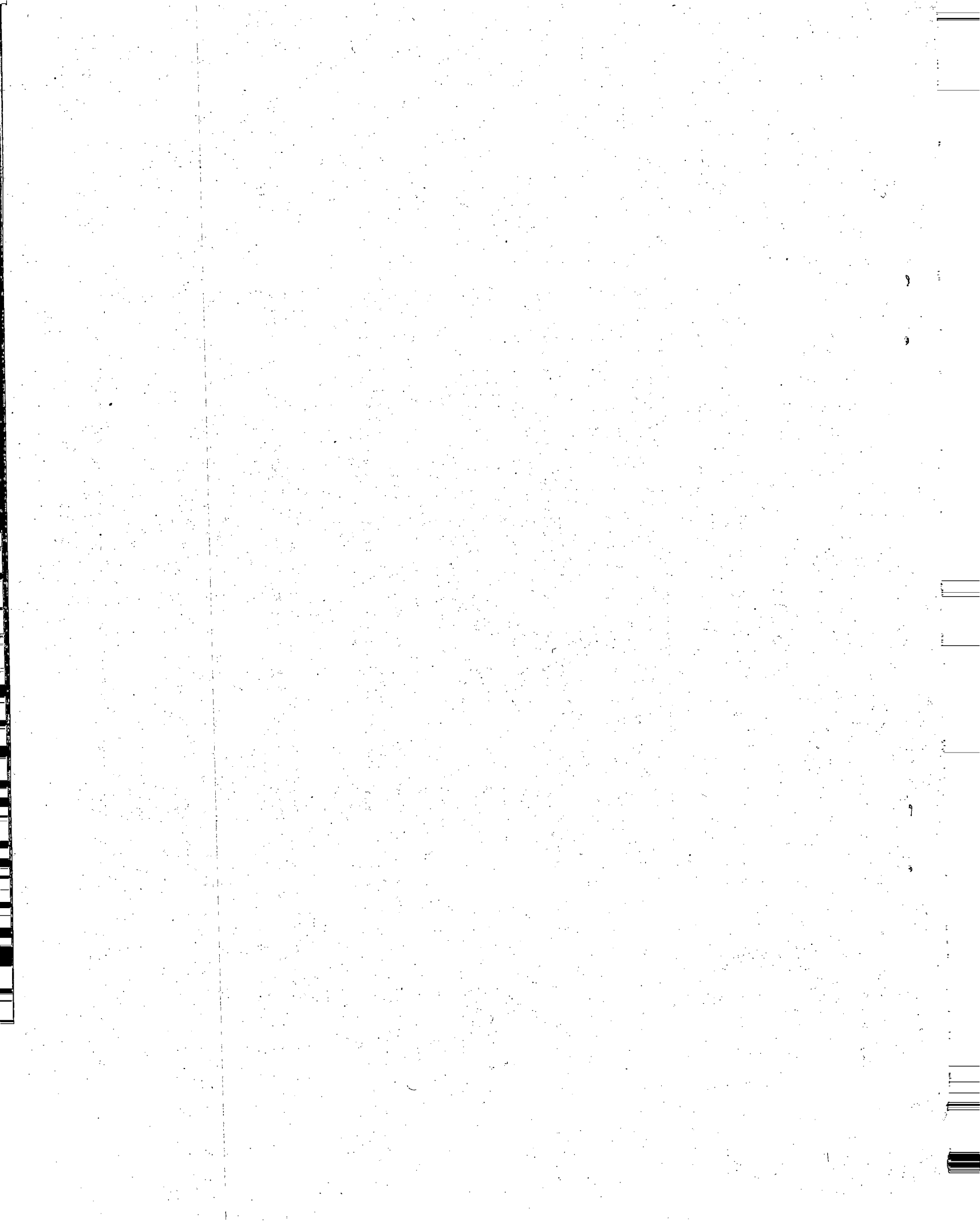
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Prefatory Remarks

This Report for the year ended 31 March 2001 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising taxes on sales, trade etc., stamp duty and registration fee, purchase tax (agriculture), taxes on motor vehicles, passengers and goods tax, State excise duty, land revenue, electricity duty and non-tax receipts of the State.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 2000-2001 as well as those noticed in earlier years but could not be included in previous Reports.



OVERVIEW

This Audit Report contains 22 paragraphs and 2 reviews involving Rs 100.33 crore. The draft audit paragraphs and draft audit reviews were sent to the concerned secretary to the State Government by the Accountant General, demi-officially with a request to furnish replies within 6 weeks. The Secretaries were also reminded. However, despite such efforts, no response was received from the concerned Secretary of the State Government. The matter was also brought to the notice of Chief Secretary. Reply is still awaited.

1. General

- The total receipts of State Government for the year 2000-2001 were Rs 6573.89 crore. Revenue raised by the State Government during the year was Rs 5749.94 crore comprising tax revenue of Rs 4310.55 crore and non-tax revenue Rs 1439.39 crore. Receipts under taxes on Sales, Trade etc. (Rs 2573.39 crore) and State Excise (Rs 840.56 crore) constituted a major portion of receipts of tax revenue. Under non-tax revenue, major receipts were from road transport (Rs 378.56 crore).
- The State also received Rs 345.81 crore as its share of net proceeds of divisible union taxes which is less by Rs 179.46 crore as compared to those of previous year and the decrease was mainly due to less receipt of State's share under the heads 021-Taxes on Income other than Corporation tax and 038-Union Excise Duties/1603 State's share of Union Excise Duties. An amount of Rs 478.14 crore was received as grants-in-aid from Government of India. The increase of Rs 13.33 crore as compared to those of previous year was mainly due to receipt of more grants under the Non-Plan, State Plan and Central Plan Schemes.

(Paragraph 1.1)

- Arrear of revenue at the end of March 2001 as reported by some of the departments were Rs 395.57 crore.

(Paragraph 1.4)

- Test-check of records of taxes on sales, trade etc., stamp duty and registration fee, agriculture, taxes on motor vehicles, passengers and goods tax, State excise duty, land revenue, electricity duty, home (police), co-operation, public works (irrigation, buildings and roads), forest, State lotteries, crop husbandry, medical, public health, animal husbandry, food and supply, mines and geology

and industries departments conducted during 2000-2001 revealed under-assessment of taxes and duties/loss of revenue etc. amounting to Rs 312.80 crore in 134974 cases. The concerned departments accepted under-assessments etc. of Rs 31.03 crore of which Rs 30.27 crore pertain to the year 2000-2001 and the rest to earlier years. An amount of Rs 4.16 crore in 898 cases had already been recovered.

(Paragraph 1.7)

- 2785 Inspection reports containing 6560 audit observations with money value of Rs 461.36 crore (issued upto December 2000) were outstanding for want of final replies from the departments.

(Paragraph 1.8)

2. Taxes on Sales, Trade etc.

- As on 31 March 2000, arrears of Rs 248.11 crore remained unrecovered and amount of Rs 8.50 crore was not included therein.

(Paragraph 2.2.5)

- Delay in assessment/follow-up action and in rejection/cancellation/withdrawal of exemption/eligibility certificates resulted in non-recovery of Rs 22.76 crore.

(Paragraph 2.2.6)

- Non-raising/delay in raising of demand resulted in non-recovery of revenue of Rs 2.25 crore besides consequential loss of interest of Rs 0.31 crore.

(Paragraph 2.2.7)

- Non-pursuance of recovery proceedings to recover the arrears in Sales Tax as arrears of land revenue under the Land Revenue Act resulted in accumulation of arrears of Rs 17.12 crore.

(Paragraph 2.2.8)

- Recovery proceedings for Sales Tax arrears of Rs 4.34 crore were not initiated and amount treated as having been stayed by Court/appellate authority without the necessary stay-orders.

{Paragraph 2.2.9 (a), (b) & (c)}

- Claims of interest liability amounting to Rs 6.73 crore were not lodged with/intimated to the liquidators.

(Paragraph 2.2.10)

- Notional sales tax liability was under-assessed by Rs 1.87 crore due to application of incorrect rate of tax.

(Paragraph 2.3)

- Purchase tax of Rs 65.07 lakh not/short levied on goods used in manufacturing of goods sent on consignment/branch transfer, on last purchase/sale prior to export and on cotton at the stage of last purchase.

(Paragraph 2.6)

- Tax of Rs 2.80 crore recoverable from exempted/closed units remained unrecovered.

(Paragraph 2.8)

3. Stamp Duty and Registration Fee

- Stamp duty of Rs 76.09 lakh was short levied on exchange of property, conveyance deeds and lease deeds.

(Paragraph 3.2, 3.3 and 3.4)

- Stamp duty of Rs 4.76 lakh was embezzled as the amount was recovered as deficient stamp duty but was not deposited in the Government account.

{Paragraph 3.5(a)}

4. Other Tax Receipts

(A) Agriculture

- Purchase tax of Rs 4.55 crore and interest of Rs 1.08 crore was short recovered from six sugar mills.

(Paragraph 4.2)

(B) Taxes on Motor Vehicles

- Passing fee of Rs 40.79 lakh for grant or renewal of certificate of fitness in respect of heavy goods vehicles, medium goods vehicles and light motor vehicles was short charged.

(Paragraph 4.4)

- Permit/countersignature fee of Rs 1.27 crore was short charged by four regional transport authorities in 9290 cases.

(Paragraph 4.6)

5. Non-Tax Receipts

(A) Home (Police)

- An amount of Rs 6.39 crore had been pending collection as on 31 March 2000, of which Rs 1.55 crore were in arrears for more than 5 years in four offices.

(Paragraph 5.2.6)

- Demands of police cost were not raised in advance resulting in non-recovery of Rs 2.91 crore.

{Paragraph 5.2.7 (b)}

- Police-cost amounting to Rs 1.57 crore was under-assessed due to non/short inclusion of different elements of cost, and claims of Rs 0.76 crore were not preferred at all.

{Paragraph 5.2.8 (a) & (b)}

- Fifty per cent share of Government Railway Police amounting to Rs 2.19 crore was not demanded from the Railways.

{Paragraph 5.2.9 (ii)}

(B) Co-operation

- Government share capital amounting to Rs 7.67 crore was not redeemed by 31 Co-operative Societies.

(Paragraph 5.3)

- Dividend of Rs 6.86 crore on Government share capital was not deposited into Government account by 7 Co-operative Societies/Banks.

(Paragraph 5.4)

CHAPTER - I

GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 2000-2001, State's share of net proceeds of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below:

Sl.No	Particulars	1998-99	1999-2000	2000-2001
(Rupees in crore)				
I.	Revenue raised by the State Government			
(a)	Tax revenue	3119.62	3517.61	4310.55
(b)	Non-tax revenue	1518.02 (944.95)	1259.06 (988.97)	1439.39 (1128.10)
	Total (I)	4637.64 (4064.57)	4776.67 (4506.58)	5749.94 (5438.65)
II	Receipts from Government of India			
(a)	State's share of net proceeds of divisible Union taxes	480.04	525.27	345.81**
(b)	Grants-in-aid	361.01	464.81	478.14
	Total (II)	841.05	990.08	823.95
III	Total receipts of the State (I + II)	5478.69 (4905.62)	5766.75 (5496.66)	6573.89 (6262.60)
IV	Percentage of I to III	85 (83)	83 (82)	87 (87)

* The non-tax revenue for 1998-99, 1999-2000 and 2000-2001 includes gross receipts from State Lotteries amounting to Rs 573.07 crore, Rs 255.10 crore and Rs 295.52 crore of which Rs 573.07 crore, Rs 270.09 crore and Rs 311.29 crore respectively pertain to sale of lottery tickets against prize winning tickets. The net receipts from State Lotteries in fact, declined from Nil in 1998-99 to Rs.(-) 14.99 crore in 1999-2000 and Rs (-) 15.77 crore in 2000-2001. To make the figures comparable for three years, receipts from prize winning tickets have been accounted for net of expenditure on prize winning tickets and shown in brackets.

** For details please see "Statement No. 11-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of Government of Haryana for the year 2000-2001: Figure of tax-share of net proceeds assigned to States" booked in the Finance Accounts under A-Tax Revenue have been excluded from Revenue raised by the State and included in State's share of divisible Union taxes in this Statement.

(i) The details of the tax revenue raised during the year 2000-2001, alongwith figures for the preceding two years, are shown below:

Sl. No	Particulars	1998-99	1999-2000	2000-2001	Percentage of Increase(+) or decrease (-) in 2000-2001 over 1999-2000
(Rupees in crore)					
1.	Taxes on Sales, Trade etc.	1599.38	1967.38	2573.39	(+) 31
2.	State Excise	774.63	765.36	840.56	(+) 10
3.	Taxes on Goods and Passengers	315.81	323.85	366.66	(+) 13
4.	Stamp Duty and Registration Fee	294.55	309.92	419.24	(+) 35
5.	Taxes on Vehicles	71.37	84.77	85.69	(+) 1
6.	Taxes and Duties on Electricity	44.53	46.08	0.68	(-) 99
7.	Land Revenue	3.88	4.29	11.73	(+) 173
8.	Other Taxes and Duties on Commodities and Services	15.47	15.96	12.60	(-) 21
	TOTAL	3119.62	3517.61	4310.55	

Reasons for variations in receipts during the year 2000-2001 as compared to those of 1999-2000 by the respective departments are as under:

- (a) **Taxes on Sales, Trade etc.:** The increase of 31 per cent was due to uniformity in tax rates across the States, introduction of ST 38 challans from 15 July 2000 for outward and inward movement of goods of value above Rs 10,000 in single consignment by registered dealers and hike in HSD price.
- (b) **State Excise:** The increase of 10 per cent was due to increase in (i) quota of country liquor, (ii) consumption of Indian made foreign spirit, (iii) annual fee and (iv) number of L-IB licences.
- (c) **Taxes on Goods and Passengers:** The increase of 13 per cent was due to intensive checking made by tax departmental officers and levy of rural area development tax.

- (d) **Stamp Duty and Registration Fee:** The increase of 35 *per cent* was due to more registration of documents of immovable properties, change of HUDA policy in respect of transfer of plots and effective monitoring by all officers.
- (e) **Taxes on Duties on Electricity:** The decrease of 99 *per cent* was due to non-deposit of Electricity Duty amounting to Rs 40.58 crore by Haryana Vidyut Prasaran Nigam and power cut on electricity.
- (f) **Land Revenue:** The increase of 173 *per cent* was due to more recovery of copying fee, mutation fee and revenue talbana.
- (g) **Other taxes and duties on commodities and services:** The shortfall of 21 *per cent* was due to non-deposit of purchase tax by four sugar mills.

(ii) The details of major non-tax revenue received during the year 2000-2001, alongwith the figures for the preceding two years are given below:

Sl. No.	Particulars	1998-99	1999-2000	2000-2001	Percentage of increase (+) or decrease (-) in 2000-2001 over 1999-2000
(Rupees in crore)					
1.	Miscellaneous General Services				
	(i) State Lotteries	573.07	255.10	295.52	(+) 18
		(Nil)	{(-)14.99}	{(-) 15.77}*	
	(ii) Other than Lotteries	(-) 2.52	(-) 1.31	3.78	
2.	Road Transport	330.03	336.40	378.56**	(+) 13
3.	Interest Receipts	183.72	202.23	236.22	(+) 17
4.	Non-ferrous Mining and Metallurgical Industries	65.94	84.80	105.35	(+) 24
5.	Medical and Public Health	17.19	23.39	23.40	Negligible
6.	Others	350.59	358.45	396.56	(+) 11
	TOTAL	1518.02	1259.06	1439.39	
		(944.95)	(988.97)	(1128.10)	

* *The net receipts from lotteries shows negative flow of funds i.e. the Government is incurring more expenditure on lotteries than receipts accruing from it. Government may consider the need for continuing the lottery in these circumstances.*

** *Receipts from Road Transport are gross receipts of Haryana Roadways.*

Reasons for variations in receipts during the year 2000-2001 as compared to those of 1999-2000 as intimated by the departments are as under:

- (a) **Miscellaneous General Services:** The increase was due to launch of 21 more lottery schemes and heavy sale of lottery tickets.
- (b) **Road Transport:** The increase was due to replacement of old fleet and better enforcement exercised by the department.
- (c) **Interest Receipts:** The increase was due to higher receipt from Commercial Undertakings, cultivators and co-operative societies.
- (d) **Non-ferrous mining and metallurgical industries:** The increase was due to upward revision of rates of royalty and effective realisation of revenue.

1.2 Variations between Budget estimates and actuals

The variations between the Budget estimates of revenue for the year 2000-2001 and actual receipts in respect of principal heads of tax and non-tax revenue and the reasons thereof as intimated by the respective departments are given below:

Sl. No.	Heads of Revenue	Budget estimates	Actual receipts	Variations Increase (+)/ Decrease (-)	Percentage of variation
(Rupees in crore)					
1.	Taxes on Sales, Trade etc.	2600.00	2573.39	(-) 26.61	(-) 1
2.	State Excise	840.00	840.56	(+) 00.56	-
3.	Taxes on Goods and Passengers	450.00	366.66	(-) 83.34	(-) 19
4.	Stamp duty and Registration fee	375.00	419.24	(+) 44.24	(+) 12
5.	Taxes on vehicles	90.00	85.69	(-) 4.31	(-) 5
6.	Taxes and Duties on Electricity	50.00	0.68	(-) 49.32	(-) 99
7.	Land Revenue	6.64	11.73	(+) 5.09	(+) 77
8.	Other taxes and duties on commodities	16.00	12.60	(-) 3.40	(-) 21
9.	Miscellaneous General Services	301.13	299.30	(-) 1.83	(-) 1
10.	Road Transport	369.00	378.56	(+) 9.56	(+) 3
11.	Interest Receipts	259.64	236.22	(-) 23.42	(-) 9
12.	Non-ferrous mining and metallurgical industries	110.00	105.35	(-) 4.65	(-) 4
13.	Medical and Public Health	24.84	23.40	(-) 1.44	(-) 6

The reasons for variations between the Budget estimates and the actuals as furnished by the departments are as under:

- (a) **Taxes on Goods and Passengers:** The shortfall of 19 per cent was due to less recovery of Local Area Development tax.
- (b) **Stamp Duty and Registration Fee:** The increase of 12 per cent was due to more registration of documents of immovable properties, change of HUDA policy in respect of transfer of plots and effective monitoring.
- (c) **Taxes and Duties on Electricity:** The decrease of 99 per cent was due to non-deposit of Electricity Duty amounting to Rs 40.58 crore by Haryana Vidyut Prasaran Nigam.
- (d) **Land Revenue:** The increase of 77 per cent was due to more recovery of copying fee, mutation fee and revenue talbana.
- (e) **Other taxes and duties on commodities:** The shortfall of 21 per cent was due to non-deposit of purchase tax by four sugar mills.

1.3 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1998-99, 1999-2000 and 2000-2001 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 1999-2000 are given below:

Sl. No.	Heads of Revenue	Year	Gross collection	Expenditure	Percentage of expenditure to gross collection	All India percentage of cost of collection for the year 1999-2000
(Rupees in crore)						
1.	Taxes on Sales, Trade etc.	1998-99	1599.38	30.07	1.88	1.56
		1999-2000	1967.38	30.37	1.54	
		2000-2001	2573.39	35.21	1.37	
2.	State Excise	1998-99	774.63	5.81	0.75	3.31
		1999-2000	765.36	12.47	1.63	
		2000-2001	840.56	5.81	0.69	

Sl. No.	Heads of Revenue	Year	Gross collection	Expenditure	Percentage of expenditure to gross collection	All India percentage of cost of collection for the year 1999-2000
(Rupees in crore)						
3	Stamp Duty and Registration Fee	1998-99 1999-2000 2000-2001	294.55 309.92 419.24	2.50 3.85 3.15	0.85 1.24 0.75	4.62
4.	Taxes on Vehicles	1998-99 1999-2000 2000-2001	71.37 84.77 85.69	2.37 2.72 5.74	3.32 3.21 6.70	3.56

1.4 Arrears in revenue

As on 31 March 2001, arrears of revenue under the principal heads of revenue, as reported by the departments, were as under:

Sl. No.	Heads of revenue	Total arrears	Arrears more than 5 years old	Remarks
(Rupees in crore)				
1.	Taxes on sales, trade etc.	279.59	92.21	Demand for Rs 28.73 crore certified for recovery as arrears of land revenue, Rs 70.88 crore stayed by Courts and other Appellate Authorities, Rs 9.50 crore held up due to dealers becoming insolvent, demand for Rs 20.46 crore proposed to be written off, Rs 5.64 crore held up due to rectification/review applications. Specific action taken to recover the remaining amount of Rs 144.38 crore not intimated.
2.	Taxes and Duties on Electricity	51.54	25.55	Rs 0.38 crore recoverable from M/s Rama Fiber Bhiwani, Rs 0.30 crore from M/s Dadri Cement Factory, Charkhi Dadri, Rs One crore from M/s Haryana Concast Hisar, Rs 0.16 crore from M/s Competent Alloys, Ballabgarh and a sum of Rs 49.70 crore from consumers by Haryana Vidyut Prasaran Nigam.
3.	State Excise	21.19	10.63	Rs 11.71 crore covered by recovery certificates, Rs 4.42 crore stayed by High Court and other Judicial Authorities, Rs 0.43 crore proposed to be written off. Action regarding remaining amount of Rs 4.63 crore not intimated by the department.

Sl. No.	Heads of revenue	Total arrears	Arrears more than 5 years old	Remarks
		(Rupees in crore)		
4.	Taxes on Goods and Passengers	23.82	6.70	Rs 0.18 crore stayed by the courts. Specific action taken to recover the remaining amount of Rs 23.63 crore not intimated by the department.
5.	Non-ferrous mining and metallurgical industries	7.64	3.07	Rs 1.33 crore covered under recovery certificates, Rs 0.28 crore stayed by High Court and other Judicial Authorities, Rs 0.03 crore held up due to rectification/review applications, Rs 0.02 crore proposed to be written off and Rs 2.90 crore recoverable from individuals. Detailed break up of remaining amount of Rs 3.08 crore was not available with the department.
6.	Animal Husbandry	0.33	0.30	Rs 0.02 crore due from Chief Superintendent, Live Stock Farm, Hisar, Rs 0.29 crore due from Project Director, State Cattle Breeding Project, Hisar, and Rs 0.02 crore due from Director, Haryana Veterinary Vaccine Institute, Hisar.
7.	Police	2.03	0.89	The amount was due from 8 States.
8.	Other taxes and duties on commodities and services: (i) Receipts under the Sugarcane (Regulation of Purchase and Supply) Act. (ii) Receipts under entertainment duty and show tax	8.32 1.11	2.35 0.19	Four sugar mills (Panipat: Rs 3.13 crore, Rohtak: Rs 2.28 crore, Yamunanagar: Rs 2.85 crore and Sonapat: Rs 0.06 crore) did not deposit the tax. Rs 0.17 crore stayed by courts, Rs 0.01 crore proposed to be written off. Reasons for remaining amount of Rs 0.93 crore not intimated by the department.
	Total	395.57	141.89	

The arrears outstanding for more than 5 years constituted 36 per cent of total arrears.

* Assam, Bihar, Chandigarh (U.T.), Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh and West Bengal.

1.5 Arrears in assessment

The details of assessment cases of taxes on sales, trade etc. and passengers and goods tax pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and the number of cases pending at the end of each year during 1996-97 to 2000-2001 as furnished by the department are given below:

Year		Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of col 5 to col 4
1		2	3	4	5	6	7
1996-97	ST*	158521	171538	330059	169535	160524	51
	PGT**	235	1213	1448	691	757	48
1997-98	ST	160524	147059	307583	194116	113467	63
	PGT	757	628	1385	688	697	50
1998-99	ST	113467	96544	210011	123595	86416	59
	PGT	697	775	1472	576	896	39
1999-2000	ST	86416	199560	285976	127082	158894	44
	PGT	896	651	1547	567	980	37
2000-2001	ST	158894	168142	327036	164418	162618	50
	PGT	980	472	1452	450	1002	31

The above table shows that number of pending cases in respect of taxes on sales, trade etc. at the beginning of 1996-97 was 158521 which has gone up to 162618 at the end of 2000-2001 registering an increase of about 3 per cent while the percentage of finalisation of assessment cases increased from 44 per cent during 1999-2000 to 50 per cent in 2000-2001. During 2000-2001, 48 per cent and 53 per cent assessment cases have been finalised out of old and current cases respectively. The position of finalisation of assessment cases in respect of taxes on passengers and goods tax decreased from 37 per cent during 1999-2000 to 31 per cent in 2000-2001.

* Taxes on Sales, Trade etc.

** Passengers and Goods Tax.

1.6 Frauds and evasions of taxes/duties

The cases of frauds and evasions of taxes and duties pending at the beginning of the year, number of cases detected by the departmental authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties etc.) of taxes/duties raised against the dealers during the year and the number of cases pending finalisation at the end of March 2001, as supplied (July 2001) by the respective departments, are given as under:

Name of tax/duty	Cases pending as on 31 March 2000	Cases detected during the year 2000-2001	Total (2+3)	Number of cases in which assessments/investigations completed and additional demand including penalty raised	Amount of demand (Rupees in crore)	Number of cases pending finalisation as on 31 March 2001 (4-5)
1	2	3	4	5	6	7
Taxes on Sales, Trade etc.	158	4210	4368	4239	3.62	129
Passengers and Goods Tax	74	3964	4038	3976	3.66	62
Entertainment Duty and Show tax	13	59	72	72	0.02	Nil

1.7 Results of Audit

Test-check of records of departmental offices relating to revenues of Taxes on Sales, Trade etc., Stamp Duty and Registration Fee, Taxes on Motor Vehicles, Passengers and Goods Tax, State Excise Duty, Agriculture, Land Revenue, Electricity Duty, State Lotteries, Forest, Home (Police), Public Works (Irrigation, Buildings and Roads), Co-operation, Medical, Mines and Minerals, Animal Husbandry, Foods and Supply, Industries and Public Health conducted during the year 2000-2001 revealed under-assessments, non/short levy of taxes and duties and losses of revenue amounting to Rs 312.80 crore in 134974 cases. During the course of the year 2000-2001, the concerned departments accepted under-assessment etc. of Rs 31.03 crore involved in 48885 cases of which 48809 cases involving 30.27 crore had been pointed out in audit during 2000-2001 and the rest in earlier years. An amount of Rs 4.16 crore was recovered in 898 cases during 2000-2001 of which Rs 4.07 crore recovered in 812 cases related to earlier years.

The Report contains 22 paragraphs and 2 reviews relating to "Recovery of sales tax in arrears" and "Receipts of Police Department" involving Rs 100.33 crore. The department accepted audit observations involving Rs 46.49 crore out of which Rs 6.84 crore had been recovered up to July 2001. No replies had been received in other cases.

1.8 Outstanding inspection reports and audit observations

(i) Audit observations on incorrect assessments, short levy of taxes, duties, fees etc. as also defects in initial records noticed during audit and not settled on the spot are communicated to the Heads of Offices and other departmental authorities through inspection reports. Serious financial irregularities are reported to the Heads of Departments and Government. The Heads of Offices are required to furnish replies to the inspection reports through the respective Heads of Departments within a period of two months.

(ii) The number of inspection reports and audit observations relating to revenue receipts issued upto 31 December 2000 and which were pending settlement by the departments as on 30 June 1999, 2000 and 2001 are given below:

Particulars	At the end of June		
	1999	2000	2001
Number of inspection reports pending settlement	2301	2517	2785
Number of outstanding audit observations	6092	6176	6560
Amount of revenue involved (Rupees in crore)	279.93	650.03	461.36

(iii) Department-wise break-up of the inspection reports and audit observations upto December 2000 and outstanding as on 30 June 2001 is as follows:

Department	Number of outstanding		Amount of receipts involved (Rupees in crore)	Number of inspection reports to which even first replies had not been received
	Inspection reports	Audit observations		
Revenue Department*	800	1438	24.82	55
Excise and Taxation	610	2680	233.08	28
Transport	329	587	8.87	4
Forest	61	134	10.58	8
Others	985	1721	184.01	77
Total	2785	6560	461.36	172

* This includes "Stamp Duty and Registration Fee" and "Land Revenue".

** This includes "Sales Tax", "Passengers and Goods Tax", "Entertainment Duty and Show Tax" and "Prohibition and Excise".

The matter was brought to the notice of Government in June/July 2001; replies regarding steps taken to settle the outstanding inspection reports and audit observations have not been received (October 2001).

1.9 Follow up on Audit Reports - Summarised position

With a view to ensure accountability of the executive in respect of all the issues dealt within various Audit Reports, the PAC recommended in 1982 that departments should furnish remedial/corrective Action Taken Notes (ATNs) on all paragraphs contained therein within the prescribed period.

PAC took a serious view of the inordinate delays and persistent failures on the part of large number of departments in furnishing the ATNs within the prescribed framework and recommended on 30 May 1995 that pending ATNs pertaining to Audit Reports should be submitted within three months from the laying of the Reports in the State Legislature.

Review of outstanding ATNs on paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) as on 31 March 2001 disclosed that departments had not submitted remedial ATNs on 43 paragraphs (May 2001).

Departments failed to submit ATNs within three months in respect of 79 paragraphs included in the Audit Reports upto and for the year ended March 1998. Of these, ATNs in respect of 20 paragraphs have not been received at all (May 2001). Though the Audit Report for the year ended March 1999 was laid on the table of legislature on 16 March 2000 and time limit for furnishing the ATNs had lapsed on 16 June 2000, the departments did not submit (May 2001) ATNs on 23 paragraphs (May 2001).

1.10 Response of the departments to Draft Audit Paragraphs

Department of Finance issued directions to all departments on 5 January 1982 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft Paragraphs are always forwarded to the secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments are invariably indicated at the end of each paragraphs included in the Audit Report.

22 Draft Paragraphs and 2 Reviews included in the Report of the Comptroller and Auditor General of India for the year ended March 2001 were forwarded to the secretaries of the concerned departments during March to July 2001 through demi-official letters. The secretaries of the departments did not send replies thereto.

CHAPTER-II
TAXES ON SALES, TRADE ETC.

2.1 Results of Audit

Test-check of sales tax assessments, refund cases and other connected records conducted during the year 2000-2001, revealed under-assessments etc. of sales tax amounting to Rs 15680.14 lakh in 763 cases, which broadly fall under the following categories:

Sl. No.	Particulars	Number of cases	Amount (Rupees in lakh)
1.	Incorrect computation of turnover	136	728.01
2.	Application of incorrect rate of tax	124	816.81
3.	Non-levy of interest	45	249.97
4.	Non/short levy of penalty	14	265.58
5.	Under-assessment under CST, Act	45	508.03
6.	Other irregularities	398	7828.74
7.	Review on Recovery of sales tax in arrears	1	5283.00
	Total	763	15680.14

During the course of the year 2000-2001, the department accepted under-assessment of tax of Rs 86.16 lakh involved in 96 cases of which 20 cases involving Rs .9.60 lakh were pointed out during the year 2000-2001 and the rest in earlier years. An amount of Rs 10.39 lakh had been recovered in 35 cases during the year 2000-2001, of which Rs 8.61 lakh recovered in 29 cases related to the earlier years. An amount of Rs 11.19 lakh in 5 cases had also been enhanced in the notional sales tax liability.

A few illustrative cases involving Rs 542.90 lakh and one review on "Recovery of sales tax in arrears" involving Rs 5283 lakh are mentioned in the following paragraphs.

2.2 Recovery of sales tax in arrears

2.2.1 Introductory

Under the Sales Tax Laws/Rules, applicable in Haryana, every dealer is required to submit to the assessing authority a monthly/quarterly return of turnover and pay tax due as per returns within prescribed period. After making final assessment, a demand notice is served on the dealer for the balance tax, if any, specifying the time by which demand shall be payable. For delayed payment of tax, simple interest at the rate of one *per cent* for the first month and thereafter at one and half *per cent* per month for the whole of the period till the default continues, is payable by the dealer. Penalty is also leviable for non/delayed payment of the tax assessed under the Acts/Rules. The dealer may prefer appeal against the demand assessed to the appellate authority for specific reasons. Thus, amount of tax, interest and penalty which remains unpaid constitute arrears of sales tax. If the dues are not paid by the dealer within time specified in the demand notice or within the extended period, if any, the assessing authorities may apply to the collector for the recovery of Government dues as arrears of land revenue and to issue recovery certificates and take all legal steps such as attachment of property/assets and detention of dealer necessary for recovery of tax dues as arrears of land revenue.

2.2.2 Organisational Set up

The overall control and superintendence of the sales tax organisation vests with the Prohibition, Excise and Taxation Commissioner (PETC) who is assisted by the Deputy Excise and Taxation Commissioners (DETCs), Excise and Taxation Officers (ETOs), Assistant Excise and Taxation Officers (AETOs), Taxation Inspectors and other allied staff in the administration of Haryana General Sales Tax Act, 1973 and Central Sales Tax Act, 1956. AETOs and ETOs have been vested with the powers of Assistant Collectors Grade I and DETCs as Collectors under section 27 of Punjab Land Revenue Act, 1887 for effecting recoveries of tax, interest and penalty imposed under the Acts but remained unpaid by due date(s) as arrears of land revenue.

2.2.3 Scope of Audit

Out of 21 Offices of DETCs, records of 11 offices* for the years 1997-98 to 1999-2000 were test-checked (August 2000 to March 2001) with a view to ascertain the extent of compliance of rules and executive instructions relating to recovery of sales tax in arrears. In addition, points of similar nature noticed in audit during earlier years have also been included.

* Bhiwani, Faridabad (East), Faridabad (West), Gurgaon (East), Gurgaon (West), Hisar, Jind, Karnal, Panipat, Rewari and Sonipat.

2.2.4 Highlights

As on 31 March 2000, arrears of Rs 248.11 crore remained unrecovered and amount of Rs 8.50 crore was not included therein.

(Paragraph 2.2.5)

Delay in assessment/follow-up action and in rejection/cancellation/withdrawal of exemption/eligibility certificates resulted in non-recovery of Rs 22.76 crore.

(Paragraph 2.2.6)

Non-raising/delay in raising of demand resulted in non-recovery of revenue of Rs 2.25 crore besides consequential loss of interest of Rs 0.31 crore.

(Paragraph 2.2.7)

Non-pursuance of recovery proceedings to recover the arrears in Sales Tax as arrears of land revenue under the Land Revenue Act resulted in accumulation of arrears of Rs 17.12 crore.

(Paragraph 2.2.8)

Recovery proceedings for Sales Tax arrears of Rs 4.34 crore were not initiated and amount treated as having been stayed by Court/appellate authority without the necessary stay-orders.

(Paragraph 2.2.9 (a), (b) & (c))

Claims of interest liability amounting to Rs 6.73 crore were not lodged with/intimated to the liquidators.

(Paragraph 2.2.10)

2.2.5 Position of Arrears

Total tax arrears as intimated (August 2000 and May 2001) by the PETC, Haryana pending collection as on 31 March of each year during the years

1997-98 to 1999-2000 under both the Acts were as under:-

Year	Arrears at the beginning of the year	Current demand added during the year	Total	Collection of demands during the year	Closing balance at the end of the year	Sales tax Receipts	Percentage of arrears to total sales tax receipts
1	2	3	4	5	6	7	8 (Col. 6 & 7)
(Rupees in crore)							
1997-98	182.16	157.01	339.17	121.82	217.35	1552.69	14
1998-99	217.35	135.22	352.57	119.92	232.65	1599.38	15
1999-2000	232.65	104.25	336.90	88.79	248.11	1967.38	13

It would be seen from the above that the percentage of clearance of arrears fell short of their additions resulting in continuous increase in arrears from 1997-98 to 1999-2000. Besides, the arrears to the sales tax receipts constituted 13 to 15 per cent of the total sales tax receipts.

The break-up of arrears of Rs 248.11 crore pending as on 31 March 2000 was as under:

Sl. No.	Stage of action	Amount of arrears (Rupees in crore)
1.	Recoveries stayed by (i) Courts (ii) Sales Tax Tribunal (iii) Joint ETCs (Appeals) (iv) Government/ Departmental authorities	55.32 18.02 2.77 1.74
2.	In the process of recovery covered by recovery certificates	31.30
3.	Under liquidation	40.68
4.	Pending with the department (i) Demands under writing off (ii) Recoverable (iii) Property attached (iv) Under instalments	10.91 72.52 5.38 9.47
	Grand Total	248.11

* Figures do not tally with those depicted in earlier audit reports as the same were stated to contain the recovery effected between 31 March and 30 June of the succeeding years.

Correctness of arrears

It was noticed in twelve cases of seven offices that arrear demands of Rs 8.50 crore assessed (between April 1993 and January 2000) by the assessing authorities for the years 1986-87 to 1997-98 were not included by the respective DETCs in the arrear statements sent to PETC, Haryana resulting in short depiction of arrears to that extent.

2.2.6 Non-recovery due to delay in assessment

As per provisions contained in Haryana General Sales Tax Act, 1973 and Rules framed thereunder, the assessing authority, if satisfied with the returns filed by the dealer shall assess the amount of tax due from him. However, no time limit had been prescribed in the Act/Rules for the finalisation of assessments.

(a) During test-check of records of eleven districts, it was noticed (between August 2000 and March 2001) that in 204 cases involving revenue of Rs 30.50 crore assessed during 1997-98 to 1999-2000, there was an abnormal delay ranging between twelve and seventy nine months in the finalisation of the assessments as detailed below:

Assessments taken up	No. of cases	Amount (Rupees in crore)
After 12 months but up to 24 months	45	3.43
After 24 months but up to 36 months	68	5.70
After 36 months but up to 48 months	55	7.30
After 48 months	36	14.07
Total	204	30.50

Some of important cases where arrears amounting to Rs 22.76 crore could not be recovered due to delays in assessments are illustrated below:

(i) Five cases of two* dealers of Bhiwani for the years 1991-92 to 1993-94 were finalised (between December 1997 and March 1998) and additional demand of Rs 11.57 crore was created but not realised (March 2001). It was observed that of these, one dealer had already closed down (July 1997) his business before the finalisation (December 1997 and February 1998) of the assessment. Even service notice in this case was served/issued (July 1997) after the close of the business. Similarly, in other case, the assessment was finalised (January and March 1998) after the closure of business in June 1993.

* M/s Rama Fibers Limited Bhiwani (Rs 200.32 lakh) and M/s Mohta Electro Steel Limited Bhiwani (Rs 956.57 lakh).

Both the dealers had gone in liquidation. Thus delay in finalisation of assessments resulted in non-recovery of Rs 11.57 crore.

(ii) An additional demand of Rs 1.72 crore was created (between March 1997 and August 1999) in 15 cases of 8 dealers {(three each of Faridabad (West) and Gurgaon (East) and two of Faridabad (East)} in respect of assessment years 1992-93 to 1996-97 but the same was not recovered (March 2001). All the dealers had closed down their business during the pendency of their assessments cases. Delay in finalisation of assessments cases by 20 to 53 months had thus resulted in non-recovery of tax of Rs 1.72 crore.

(b) Under the provisions of Haryana General Sales Tax Rules, 1975, the exemption/entitlement certificate granted to an eligible industrial unit shall be withdrawn either in case of discontinuance of its business by the unit at any time for a period exceeding six months or its closing down the business during the period of exemption. Further, on withdrawal of the eligibility certificate before it is due for expiry, the entire amount of tax exempted shall become payable immediately in lumpsum alongwith interest and penalty and provisions relating to recovery of tax shall be applicable in such cases.

(i) During test-check of records of Deputy Excise and Taxation Commissioners, Kaithal and Panchkula, it was noticed (between May and July 2000) that 4 industrial units (2 each of Kaithal and Panchkula) who were granted exemption from payment of tax for the period between March 1992 and October 2002 had discontinued and closed (between August 1996 and June 1998) their business before the date of expiry of exemption period. The eligibility certificates of the units were also cancelled/withdrawn (between March 2000 and May 2001) by the Industries Department. Of the 4 cases, exemption certificate in three cases were not cancelled at all while in another case of M/s Pawan Agro Food Ltd. the certificate of exemption was cancelled and the firm was sold to M/s Surbhi (India). No steps were taken for recovery of the exemption amount granted. This resulted in non-realisation of Government revenue of Rs 2.06 crore including interest and penalty of Rs 0.72 crore.

On this being pointed out (between May and July 2000), the department stated (February and May 2001) that proceeding to cancel the exemption certificates in 3 cases had been initiated and in the other case, efforts were being made to recover the Government dues.

The cases were referred (August 2000) to Government; their reply had not been received (October 2001).

* M/s Elson Cotton Mills Faridabad (West) (Rs 50.12 lakh).

(ii) During test-check of records of 2* offices, it was noticed (May 2001) that 4** exempted industrial units had closed their business during the period of exemption. The eligibility certificates of the units were cancelled (January 1999 and March 2001) but the amount of tax exemption of Rs 88.59 lakh availed by the units during the period 1995-96 to 1999-2000 alongwith interest of Rs 67.04 lakh which became payable by the dealers was neither demanded nor recovered by the department.

(iii) In two cases (one each of Jind and Rewari), renewal of exemption certificates was rejected and exemption certificates were cancelled by the respective DETCs in March 1994 and January 1998 but assessments for the years 1991-92 to 1994-95 were framed during January 1998 and March 1999, i.e., late by 46 and 14 months respectively after the rejection/cancellation of exemption certificates, creating additional demand of Rs 0.87 crore.

In audit, it was observed that the Jind unit had since been closed and demand notices for Rs 0.47 crore were served by substituted service in July 1998 and arrears of Rs 0.40 crore of Rewari unit had not been declared (March 2001) recoverable under Land Revenue Act.

(c) As per instructions issued (September 1983 and June 1994) by Excise and Taxation Commissioner, Haryana, assessing authorities were impressed upon to take action for realisation of sales tax within 10 days of the end of the quarter or month from the assesseees who had not filed the returns in time or had not made payment of tax due alongwith the returns.

A test-check of records revealed that in four*** offices, eight dealers (four of Gurgaon (West), two of Gurgaon (E) and one each of Rewari and Sonipat) did not make payment of tax due alongwith returns filed by them during the years 1994-95 to 1998-99. The assessing authorities did not take timely action to recover the tax dues of Rs 4.77 crore and finalised (between March 1997 and January 2000) the assessments late by 4 to 29 months creating additional demand of Rs 4.98 crore which were not recovered (March 2001). Five of these eight dealers had already closed down their business.

2.2.7 *Non/delay in raising of demands for the assessed dues*

Under the Haryana General Sales Tax Act, 1973 and rules made thereunder, if the amount specified in any notice of demand, whether as tax or penalty, is not paid within the period specified in such notice or in the absence of such specification, within thirty days from the date of service of such notice, the dealer shall be liable to pay simple interest on such amount at one *per cent* per month from the date commencing after the end of such period for a period of

* DETCs, Ambala and Jagadhari.

** M/s Llyod Cement Limited Barara, Ambala (Rs.144.84 lakh).

*** Gurgaon (E), Gurgaon (W), Rewari and Sonipat.

one month and if the default continues thereafter, at one and a half *per cent* per month for the whole of the period of default.

In 33 cases, demands for Rs 2.25 crore were raised in seven districts (Faridabad (East): 1 case-Rs 8.32 lakh, Gurgaon (East): 5 cases-Rs 53.04 lakh, Gurgaon (West): 7 cases-Rs 93.29 lakh, Jind: 13 cases-Rs 38.90 lakh, Karnal: 4 cases -Rs 6.66 lakh, Panipat: 2 cases-Rs 22.90 lakh and Rewari: one case-Rs 2.32 lakh) during the period March 1997 to January 2000. It was noticed that demand notices of Rs 1.80 crore in 21 cases were issued late by 2 to 30 months after completion of assessments. Further in 12 cases involving demand of Rs 0.45 crore, demand notices were not issued (March 2001). Late/non-issuance of demand notices, after allowing the grace period of one month from the date of assessment, resulted in non-realisation of tax amounting to Rs 2.25 crore with consequential loss of interest of Rs 0.31 crore.

2.2.8 Failure to initiate follow up action for recovery of arrears

Section 34 of the HGST Act, 1973 provides that the amount of tax, interest and penalty under the Act, which remains unpaid after the due date, shall be recoverable as arrears of land revenues. On initiation of recovery proceedings under the Land Revenue Act, several steps, i.e., service of writ of demand, issue of arrest warrants and detention, issue of distress warrant and attachment of property of the defaulters are taken by the collector for recovery of the dues.

(a) Non-initiation of recovery proceedings

Additional demands of Rs 3.07 crore were created (between May 1997 and December 1999) in respect of 22 cases of 15 dealers for the years 1993-94 to 1998-99 but the same were not recovered (March 2001). It was seen that the demands were not declared as arrears under Land Revenue Act. The details of cases are given below:

Sl. No.	Name of district	No. of dealers	Year(s) of assessment	Period of assessment	Amount of tax assessed (Rupees in lakh)
1.	Karnal	5	1993-94 to 1998-99	January 1998 to July 1999	34.12
2.	Sonipat	1*	1995-96	March 1999	118.67
3.	Hisar	3	1993-94 to 1998-99	October 1998	41.39
4.	Faridabad (West)	3	1993-94 to 1998-99	January 1998 to November 1998	87.18
5.	Gurgaon (West)	2	1996-97 to 1997-98	November 1999	23.46
6.	Rewari	1	1996-97	March 1998	2.29
	Total	15			307.11

* M/s Swetchem Antibiotics Limited, Sonipat (Rs.118.67 lakh).

(b) Delay in issue of recovery certificates

Under the Haryana General Sales Tax Law, no time limit has been prescribed for issue of recovery certificates against the defaulting dealer. A test-check of records of eight districts revealed that delay ranging from 2 to 140 months in sending the recovery certificates against the defaulting dealers resulted in non-realisation revenue of Rs 4.87 crore in 49 cases as detailed below:-

Sl. No.	Name of the district	No. of dealers	Assessment year(s)/ Period of finalisation of assessment (between)	Period during which RC sent (between)	Delay (in months) (between)	Amount involved (Rupees in lakh)
1	Faridabad (East)	7	1981-82 to 1994-95 (March 1987 to September 1997)	June 1996 to December 1999	7 to 140	50.34
2.	Faridabad (West)	8	1989-90 to 1994-95 (February 1992 to September 1997)	May 1997 to March 2000	3 to 52	31.53
3.	Gurgaon (East)	14	1987-88 to 1998-99 (November 1991 to September 1999)	December 1996 to February 2000	2 to 92	239.86
4.	Gurgaon (West)	7	1988-89 to 1994-95 (March 1991 to April 1999)	August 1997 to March 2000	4 to 78	7.24
5.	Hisar	4	1990-91 to 1997-98 (June 1991 to October 1997)	January 1997 to December 1998	12 to 72	3.17
6.	Jind	1	1988-89 to 1989-90 (February 1993 to June 1993)	March 1997	43	5.12
7.	Rewari	3**	1983-84 to 1996-97 (March 1989 to May 1996)	July 1998 to February 1999	9 to 110	77.60
8.	Sonipat	5	1981-82 to 1993-94 (February 1993 to March 1998)	January 1998 to February 1999	3 to 45	72.21
	Total	49				487.07

(c) Disposal of recovery certificates

Test-check of records of five districts revealed that the number of cases settled during the period 1997-98 to 1999-2000 was very small as compared to the cases pending for disposal during the respective years as detailed below:

Period	Number of cases to be settled during the year		Number of cases settled		Percentage of settled cases during the period	
			Number of cases	Amount (Rupees in lakh)		
1997-98	Opening balance	181	704.89			
	Received during the year	30	80.90			
	Total	211	785.79	5	18.10	2.37
1998-99	Opening balance	206	767.69			
	Received during the year	20	116.29	1	6.58	
	Total	226	883.98	2*	21.34	0.44
1999-2000	Opening balance	223	856.06			
	Received during the year	17	63.77			
	Total	240	919.83	8	2.00	3.33

** M/s Gitanjali Metal Box, Rewari (Rs.52.38 lakh).

* Not realised as the cases were "under stay".

It would be seen from the above that the percentage of cases settled ranged between 0.44 to 3.30 and Rs 26.68 lakh only could be recovered.

Thus, failure to initiate follow up action for recovery of arrears resulted in accumulation of arrears of Rs 17.12 crore.

2.2.9 Demands under stay

(a) Under the provisions of Haryana General Sales Tax Act, a demand against which an appeal is filed before any appellate authority or court is recoverable unless stay for its recovery has been granted. Further, as per instructions issued (January 1982) by the Excise and Taxation Commissioner, Haryana, recovery proceedings were not to be stayed in cases where assessing authorities were not in possession of stay orders.

Test-check of records in four offices revealed that in 54 cases of 43 dealers, action to recover the demands of Rs 2.30 crore finalised (between March 1997 and February 2000) for the years 1991-92 to 1999-2000 was not initiated. It was further noticed that no stay orders were available with the assessing authorities in these cases and appeals were pending with the appellate authorities.

(b) As per instructions issued (March 1984) by the Excise and Taxation Commissioner, Haryana, it should be ensured that appeal cases where revenue of more than five thousand rupees is involved and stay has been granted against recovery of tax are decided within three months of the grant of stay.

A test-check of records revealed that in five offices, demands of Rs 1.05 crore created (between November 1996 and November 1999) in 23 cases of 20 dealers were stayed (May 1997 to March 2000) by the Joint Excise and Taxation Commissioners (Appeals) but the cases were not decided within the prescribed period and were pending till 31 March 2001.

(c) Stay of tax on incidental charges on wheat was vacated (12 March 1998) by the State Government and PETC issued (18 March 1998) instructions to all the DETCs to take action for recovery of arrears of tax by 31 March 1998.

A test-check of records revealed that in four* offices, demands of Rs 0.99 crore created (between December 1984 and June 1998) in 29 cases of 5 dealers for the years 1980-81 to 1996-97 on account of tax on incidental charges on wheat were not recovered (March 2001) despite lapse of over three years of the issue of executive instructions.

* DETCs, Gurgaon (West), Hisar, Panipat and Sonapat.

Thus, recovery proceedings for Sales Tax arrears were not initiated and amount treated as having been stayed by Court/appellate authority without the necessary stay orders and tax of Rs 4.34 crore remained unrecovered.

2.2.10 Non-inclusion of interest in the demand sent to the liquidator

As per instructions issued by Excise and Taxation Commissioner, Haryana in March 1984, interest liability which arises against a dealer on account of non-payment of tax under section 59 is to be included in the arrears while registering the claim with the official Liquidator. For this purpose, upto date interest liability is worked out and claim of consolidated amount is to be registered with the liquidator.

During test-check of records, it was noticed that in the case of 15 dealers {three each of Gurgaon (East), Karnal** and Rewari; two each of Bhiwani*** and Faridabad (East) and one each of Faridabad (West) and Gurgaon (West)}, claims amounting to Rs 26.50 crore relating to the assessment years 1987-88 to 1998-99 (finalised between August 1992 and March 1999) were registered with the official Liquidators during the period between April 1997 and May 1999 but claim of interest liability amounting to Rs 6.73 crore was not included.

On this being pointed out (August 2000), the assessing authority, Gurgaon admitted (August 2000) the lapse and stated that claim of interest would be lodged in due course.

2.3 Under-assessment of 'notional' sales tax liability

Under the provisions of Haryana General Sales Tax Rules, 1975, as amended from time to time and clarification issued (March 1997) by the Commercial Taxation Commissioner, Haryana, 'notional' sales tax liability means the amount of tax payable on the sale of finished products of the eligible industrial unit under the local sales tax law but for an exemption computed at the maximum rates leviable in the State. In the case of exemption, the benefit shall extend to tax on gross turnover and in case of deferment, it shall extend to tax on taxable turnover of finished goods manufactured by the unit. Further, Prohibition, Excise and Taxation Commissioner, Haryana also clarified (18 January 2001) that in case of inter-State sale, production of 'C' forms is necessary for deferment of tax granted under Rule 28 (A) for availing concessional rate of tax.

** M/s Chattar Chemicals, Karnal (Rs.912.61 lakh).

*** M/s Mohta Electro Steels, Bhiwani (Rs.1051.65 lakh) and M/s Rama Fibers Limited, Bhiwani (Rs.235.99 lakh).

(i) During test-check of records of eight* offices, it was noticed (between August 1999 and November 2000) that in 18 cases of 14 industrial units availing benefit of exemption/deferment from payment of tax sold their finished products for Rs 34.61 crore during the years 1994-95 to 1998-99 but the assessing authorities, while finalising (between December 1997 and January 2000) assessments, erroneously levied tax short by Rs 1.87 crore due to application of incorrect rate of tax. The mistake resulted in under-assessment of notional sales tax liability of Rs 1.87 crore as tabulated below:-

Sl. No	Name of the DETCs/ ETOs/ No. of Unit	Assessment Year/date of assessment	Nature of Observation	Turnover involved (Rupees in lakh)	Tax under-assessed (Rupees in lakh)	Remarks
1.	Faridabad (West)/ 01	1997-98 1998-99/ January and October 1999	On the sale of polythene based cable components, tax was levied @4 per cent instead of correct rate of 10 per cent.	1115.09	66.91	The case was sent for suo motu action.
2.	Faridabad (East)/ 01	1996-97/ September 1999	Local sales of PVC pipes taxable at 9 per cent and 10 per cent was incorrectly taxed at 4 per cent under CST Act.	55.75	2.95	The mistake was rectified (September 2000) and the notional sales tax liability was enhanced by Rs 2.95 lakh.
3.	Gurgaon (East)/ 01	1996-97/ March 1999	Plastic furniture taxed at the rate of 4 per cent instead of 12 per cent.	57.21	4.58	Demand of Rs 4.58 lakh had been created by the revisional authority (January 2000) and notional sales tax liability increased by Rs 4.58 lakh
4.	Gurgaon (West)/ 01	1996-97/ October 1998	The sale of chemicals and allied products was taxed at 8.8 per cent (including surcharge) instead of correct rate of 9 per cent upto 4 July 1996 and 10 per cent thereafter.	571.93	6.47	The case was sent (February 2001) to the revisional authority for taking suo motu action.
5. (i)	Rohtak/ 01	1997-98/ May 1999	The dealer availing exemption was incorrectly taxed at the rate of 5 per cent instead of 10 per cent.	58.90	2.94	Additional demand of Rs 2.94 lakh was created (June 2000) and adjusted against the available exemption.

* DETCs, Faridabad (East), Faridabad (West), Gurgaon (East), Gurgaon (West), Rewari, Rohtak, Sonipat, and ETO Bahadurgarh.

** M/s Elkay International (P) Limited, Faridabad (West) (Rs.66.91 lakh).

Sl. No	Name of the DETCs/ ETOs/ No. of Unit	Assessment Year/date of assessment	Nature of Observation	Turnover involved (Rupees in lakh)	Tax under-assessed (Rupees in lakh)	Remarks
(ii)	Rohtak/ 01	1997-98/ April 1999	Deduction of sale of 'formaldehyde' to the registered dealers against declarations was incorrectly allowed as the notional sales tax liability was to be calculated on gross turnover in the case of exemption.	149.83	14.98	The case was sent (August 2000) to the revisional authority for suo motu action.
6.	Sonipat/ 01	1998-99/ January 2000	Inter-State sale of forgings was taxed @ 1 per cent instead of 3 per cent.	136.57	2.73	Additional demand of Rs 2.73 lakh was created and adjusted against the balance notional sales tax liability.
7. (i)	Rewari/ 01	1994-95/ May 1999	The inter-State sale of beer without forms 'c', tax was levied at the rate of 4 per cent and 20 per cent on Rs 148.39 lakh and Rs 86.82 lakh respectively instead of correct rate of 22 per cent including surcharge in the case of unit availing deferment of tax benefit.	235.21	28.45	Additional demand of Rs 41.13 lakh (tax:Rs 28.45 lakh+interest:Rs 6.68 lakh+Penalty:Rs 6.00 lakh) was created (October 2000) and adjusted against deferred amount.
(ii)	Rewari/ 01	1995-96 1996-97 1997-98/ between December 1997 and September 1999	The inter-State sale of rubber rolls without C forms, tax was levied at concessional rate of 4 per cent instead of correct rate of 10 per cent in the case of unit availing deferment of tax benefit	760.18	45.61	Additional demand of Rs 21.69 lakh was created and adjusted against amount deferred after considering forms 'C' produced by the dealer.
8. (i)	Bahadurgarh /02	1996-97 1997-98/ November 1998 and March 1999	The sale of packing materials was taxed @ 5 per cent against STD 4 instead of correct rate of 10 per cent.	141.36	7.07	Additional demand of Rs 7.07 lakh was created (March 2000) and adjusted against the notional sales tax liability.
	Bahadurgarh /02	1996-97 1997-98 1998-99/ between December 1997 and October 1999	The sale of bone china crockery and television sets including their parts was taxed at the rate of 10 per cent instead of 12 per cent..	162.37	3.25	Additional demand of Rs 3.25 lakh was created (March 2000) and adjusted the same against notional sales tax liability.

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

Sl. No.	Name of the DETCs/ ETOs/ No. of Unit	Assessment Year/date of assessment	Nature of Observation	Turnover involved (Rupees in lakh)	Tax under-assessed (Rupees in lakh)	Remarks
9.	Kamal/ 01	1996-97/ March 1999	Deduction of sale of vegetable-oils made to other exempted units was incorrectly allowed to a dealer availing exemption as the notional sales tax liability was to be assessed on gross turnover.	16.50	1.15	Additional demand of Rs 1.15 lakh was created (May 2001) and adjusted against the exemption allowed.
	14	18 cases		3460.90	187.09	

The cases were referred to Government between January 2000 and February 2001; their reply had not been received (October 2001).

2.4 Short levy of tax

Under the provisions of Haryana General Sales Tax Act, 1973, "sale" means any transfer of property in goods for cash or deferred payment or other valuable consideration and includes transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract. Further, under the Act *ibid*, rubber being unclassified item was taxable at the rate of 9 *per cent* upto 4 July 1996 and 10 *per cent* thereafter.

During test-check of records of Deputy Excise and Taxation Commissioner, Gurgaon (West), it was noticed (March 2000) that a dealer purchased goods (rubber and other consumable stores) from within the State without payment of tax and used the same in the execution of Job works (retreading of tyres) during the years 1996-97 and 1997-98. The assessing authority, while finalising (July and December 1998) assessments incorrectly levied purchase tax of Rs 3.15 lakh instead of Rs 6.67 lakh due to application of incorrect rate of tax and undervaluation of goods used in the job works. This resulted in short levy of tax of Rs 3.52 lakh.

On this being pointed out (March 2000), the revisional authority, created (October 2000) additional demand of Rs 3.52 lakh of which Rs 1.80 lakh had been recovered (between November 2000 and April 2001). Report on balance recovery was awaited (October 2001).

The case was referred (July 2000) to the Government; their reply had not been received (October 2001).

2.5 Application of incorrect rate of tax

Under section 8 (2) Central Sales Tax Act, 1956, inter-State sales of goods other than declared goods shall be taxable at the rate of ten *per cent* or at the rate applicable to the sale or purchase of such goods inside the State, whichever is higher, when such sales are not supported by Form 'C'. Electronic goods were taxable at the rate of 10 *per cent* plus surcharge during the year 1994-95 under the Local Act.

During test-check of records of Deputy Excise and Taxation Commissioner, Faridabad (West), it was noticed (September 2000) that a dealer made inter-State sales of electronic goods valued at Rs 5.97 crore during the year 1994-95 without Form 'C'. The assessing authority, while finalising (June 1999) assessment, erroneously levied tax on these sales at the rate of ten *per cent* instead of correct rate of eleven *per cent* including surcharge leviable in case of inter-State sale without declaration in Form 'C'. This resulted in under-assessment of tax of Rs 5.97 lakh.

On this being pointed out (September 2000), the assessing authority created (November 2000) additional demand of Rs 5.97 lakh.

The case was referred to Government in February 2001; their reply had not been received (October 2001).

2.6 Non-levy of purchase tax

(a) Under the Haryana General Sales Tax Act, 1973, a dealer is liable to pay tax on the purchase of goods (other than those specified in schedule-B) which are purchased from within the State without payment of tax and used in the manufacture of goods disposed of otherwise than by way of sale.

During test-check of records of Deputy Excise and Taxation Commissioner, Gurgaon (East), it was noticed (April 2000) that a dealer purchased raw material valued at Rs 53.36 lakh from within the State without payment of tax during 1994-95. Of Rs 53.36 lakh, goods valued at Rs 34.06 lakh were used in the manufacturing of goods worth Rs 1.09 crore sent on consignment sale/branch transfer. While finalising (August 1999) assessment, the assessing authority did not levy purchase tax on raw material valued at Rs 34.06 lakh purchased without payment of tax and used in the manufacturing of goods disposed of otherwise than by way of sale. The mistake resulted in under-assessment of tax of Rs 1.50 lakh.

On this being pointed out (April 2000), the department intimated (January 2001) that additional demand of Rs 1.50 lakh had been created (July 2000) by the revisional authority and property of the dealer had been attached for effecting recovery of the arrears. Further report on recovery was awaited (October 2001).

The case was referred to Government in August 2000; their reply had not been received (October 2001).

(b) Under the Central Sales Tax Act, 1956, the last sale or purchase of any goods preceding the sale or purchase occasioning the export of those goods out of India shall also be deemed to be in the course of such export if such last sale or purchase took place after and was for the purpose of complying with the agreement or order for or in relation to such export. The Punjab and Haryana High Court also held (2000) 16 PHT 304 (P&H) * (July 2000) that purchase tax on paddy purchased within the State without payment of tax is leviable where rice procured out of such paddy has been exported out of India indirectly.

During test-check of records of Deputy Excise and Taxation Commissioners Jind and Panipat, it was noticed (between February 1998 and August 2000) that 8 dealers in 9 cases (6 of Jind and 3 of Panipat) purchased paddy valued at Rs 15.36 crore from within the State without payment of tax during the years 1996-97 to 1998-99 and used the same in the manufacture of rice exported out of India indirectly. The assessing authorities, while finalising (between September 1997 and October 1999) assessments, did not levy tax on paddy at the stage of last purchase. This resulted in non-levy of purchase tax of Rs 61.44 lakh.

On this being pointed out (between February 1999 and August 2000), the department stated (February and April 2001) that in two cases of Panipat revisional authority created additional demand of Rs 3.46 lakh and the remaining 7 cases (six of Jind and one of Panipat) had been referred to revisional authorities for taking suo motu action. Further report on action taken had not been received (October 2001).

The cases were referred (June 1999 and February 2001) to Government; their reply had not been received (October 2001).

(c) Under the Haryana General Sales Tax Act, 1973, cotton when purchased from within the State without payment of tax is taxable at the stage of last purchase.

During test-check of records of Deputy Excise and Taxation Commissioner, Jind, it was noticed (July 2000) that a dealer purchased raw cotton valued at Rs 76.54 lakh from within the State without payment of tax and used the same in the manufacturing of surgical cotton during the years 1993-94 to 1995-96. The assessing authority, while finalising (February 2000) assessments under self assessment scheme, erroneously levied purchase tax of Rs 0.93 lakh instead of Rs 3.06 lakh resulting in short levy of purchase tax of Rs 2.13 lakh.

* Punjab and Haryana High Court Judgement dated 13-07-2000 pronounced in the case of M/s Veerumal Monga and Sons Vs. State of Haryana (2000) 16 PHT 304 (P&H).

On this being pointed out (July 2000), the department created (November 2000) an additional demand of Rs 2.15 lakh of which a sum of Rs 0.35 lakh had been recovered upto March 2001 and the balance was being recovered in monthly instalments as intimated (March 2001) by the department.

The case was referred (October 2000) to Government; their reply had not been received (October 2001).

Thus, due to non/short-levy of purchase tax, State revenue Rs 65.07 lakh remained unrecovered.

2.7 Under-assessment due to incorrect deduction

As per Government notification issued in May 1994 under the Haryana General Sales Tax Act, 1973, tax on motor parts is leviable at the first stage of sale in the State with effect from 6 May 1994 as such its deduction from turnover on account of sale of such goods to registered dealers against prescribed declaration (ST-15) is not admissible. Motor parts are taxable at the rate of ten *per cent*.

During test-check of records of Excise and Taxation Officer, Ambala City, it was noticed (February 2000) that the assessing authority, while finalising assessment for the year 1994-95, allowed (February 1999) deduction of Rs 13.49 lakh from the gross turnover on account of sale of motor parts made after 6 May 1994 to registered dealers against prescribed declarations (ST-15). The omission resulted in under-assessment of tax of Rs 1.48 lakh besides interest and penalty.

On this being pointed out (February 2000), the assessing authority stated (February 2001) that the case has been sent (July 2000) to the Excise and Taxation Commissioner (Inspection-cum-revisional authority) for taking suo motu action. Further report on decision taken was awaited (October 2001).

The case was referred (March 2000) to Government; their reply had not been received (October 2001).

2.8 Non-recovery of tax

(a) Under the provisions of Rule 28 (A) of Haryana General Sales Tax Rules, registered dealers exempted from payment of tax are required to make applications in form ST-71 alongwith exemption certificates and surety for the amount prescribed under the rules for renewal of their exemption certificates every year. In the event of failure to furnish the adequate surety, exemption certificate is liable to be cancelled and the whole amount of exemption availed becomes recoverable alongwith interest and penalty.

In Rewari, a registered* dealer was granted exemption from payment of tax under Rule 28 (A) for the period 7 September 1992 to 6 September 2001. The dealer availed exemption of Rs 1.34 crore during the period 1992-93 to 1997-98 without furnishing adequate surety. By the time Deputy Excise and Taxation Commissioner, Rewari cancelled (January 1998) the exemption certificate, the unit had already closed and tax of Rs 1.34 crore and interest of Rs 1.07 crore (upto September 2000) could not be recovered from the dealer.

(b) In Faridabad, an industrial unit was granted (April 1998) eligibility certificate (valid from 23 April 1996 to 22 April 2005) by Industries Department. The dealer applied (May 1998) for grant of exemption from payment of tax under Rule 28 (A) but did not furnish the complete documents and surety bond with the application. The department issued (April 1999) notice to the unit for furnishing of complete documents, i.e. surety bond etc., but the same could not be served as the dealer had already closed its business and his application was filed (December 1999). In audit, it was noticed (May 2001) that by the time the department started action on the application for grant of exemption certificate, the dealer had already availed exemption from payment of tax of Rs 25.89 lakh during the period April 1996 to September 1998. The Industries department withdrew the eligibility certificate on 7 July 2000 but the Sales Tax Department did not cancel (May 2001) the exemption certificate. Thus amount of tax-exemption of Rs 25.89 lakh alongwith interest of Rs 12.88 lakh, which became recoverable from the dealer was neither demanded nor recovered by the department till May 2001.

Thus, tax of Rs 2.80 crore recoverable from the exempted/closed units remained unrecovered.

CHAPTER-III
STAMP DUTY AND REGISTRATION FEE

3.1 Results of Audit

Test-check of records of various registration offices conducted in audit during the year 2000-2001 revealed non/short levy of stamp duty and registration fee amounting to Rs 334.76 lakh in 1882 cases which broadly fall under the following categories:

Sl. No.	Nature of irregularities	Number of cases	Amount (Rupees in lakh)
1.	Evasion of stamp duty and registration fee	76	46.49
2.	Irregular exemption of stamp duty and registration fee	844	55.51
3.	Non/short levy of stamp duty and registration fee	546	78.78
4.	Loss of stamp duty due to misclassification of deeds	286	96.23
5.	Loss of stamp duty due to undervaluation of properties	51	34.87
6.	Short levy of stamp duty on lease deed	47	20.46
7.	Other irregularities	32	2.42
	Total	1882	334.76

During the year 2000-2001, the department accepted under-assessments of Rs 16.45 lakh in 48 cases and recovered Rs 9.41 lakh in 161 cases pertaining to earlier years.

A few illustrative cases involving Rs 101.50 lakh are mentioned in the following paragraphs.

3.2 Short levy of stamp duty on exchange of property

As per Indian Stamp Act, 1899, as applicable to Haryana, (hereinafter referred to as the Act), stamp duty on exchange of property is chargeable as a conveyance deed. Government of Haryana further clarified (September 1996) that compromise decrees which create for the first time right, title or interest in the said immovable property in favour of any party to the suit, the compromise decree or order would require registration and is chargeable with stamp duty as an instrument or conveyance deed for a consideration equal to the value of the property or the value set forth in such instrument, whichever is higher.

During test-check of records in 12 offices* of Sub-Registrars, it was noticed (between November 1999 and December 2000) that 53 compromise decrees, registered between April 1998 and August 2000 created for the first time right, title or interest in the said immovable property valued at Rs 5.35 crore, were registered for exchange of property without levying stamp duty of Rs 67.68 lakh due on the value of the property exchanged. This resulted in non-levy of duty amounting to Rs 67.68 lakh.

On this being pointed out (between November 1999 and December 2000), 6** Sub-Registrars accepted the audit observation and stated (November 1999 and January 2001) that steps to recover the amounts were being taken while the other 6 Sub-Registrars stated (December 1999 and January 2001) that the cases would be referred to the Collectors for adjudication of stamp duty.

The matter was referred (between February 2000 and February 2001) to Government who directed (March and May 2000) the Deputy Commissioners, Faridabad, Gurgaon and Karnal to effect the recovery within three weeks. Further report on recovery had not been received (October 2001).

3.3 Short levy of stamp duty on plant and machinery

Under the Indian Stamp Act, 1899, 'Conveyance' includes conveyance on sale and every instrument by which property, whether movable or immovable, is transferred. Further, Indian Registration Act, 1908 provides that immovable property includes land, buildings and things attached to the earth.

During test-check of records of Sub Registrars, Hisar, Panchkula and Joint Sub-Registrar, Raipur Rani (Panchkula), it was noticed (between December 2000 and February 2001) that 5 vendors purchased factories for a consideration of Rs 80.85 lakh (Rs 35.01 lakh for land and building and Rs 45.84 lakh for plant and machinery) in auction conducted by the Haryana Financial Corporation. While executing (April and May 1999 and

* Sub-Registrars, Assandh, Ballabgarh, Gurgaon, Hathin, Hisar, Hodel, Kosli, Nilokheri, Palwal, Rewari, Rohtak and Sirsa.

** Assandh, Hodel, Kosli, Nilokheri, Palwal and Rewari.

February 2000) the sale deeds, the registering authorities, Hisar, Panchkula and Raipur Rani levied stamp duty on the cost of land and building valued at Rs 35.01 lakh only but did not levy stamp duty on cost of plant and machinery valued at Rs 45.84 lakh. The omission resulted in short levy of stamp duty of Rs 5.73 lakh leviable on the cost of plant and machinery.

On this being pointed out (between December 2000 and February 2001), the department intimated that notices for recovery were being issued to the concerned parties. Report on recovery had not been received (October 2001).

The matter was referred (February 2001) to the Government; their reply had not been received (October 2001).

3.4 Short levy of stamp duty on lease deeds

Under the Indian Stamp Act, 1899, as applicable to Haryana, on an instrument of lease, stamp duty is chargeable at different rates on the basis of period of lease and the average annual rent reserved.

During test-check of records in two offices of Sub-Registrars, Faridabad and Ballabgarh for the years 1998-99 and 1999-2000, it was noticed (between November 1999 and September 2000) that 11 instruments of lease for the periods ranging between 9 and 99 years executed between August 1998 and October 1999 were charged stamp duty of Rs 1.37 lakh instead of Rs 4.05 lakh due to application of incorrect rates of duty. The omission resulted in short levy of stamp duty of Rs 2.68 lakh.

On this being pointed out (between December 1999 and September 2000), the registering authorities stated (December 1999 and August 2000) that notices would be issued for effecting recovery.

The matter was also referred to Government (February and December 2000) who directed (July 2000 and February 2001) the Commissioner, Faridabad to reply within three weeks after effecting the recovery. Report on recovery had not been received (October 2001).

3.5 Embezzlement/evasion of stamp duty

(a) Punjab Financial Rules, as applicable to Haryana, provide that all moneys received by or tendered to a Government servant on account of the revenue of the Government shall be paid fully into treasury or bank on the same day or on the next day at the latest.

During the course of test-check of records of Sub-Registrar, Gurgaon, it was revealed (December 1999) that an amount of Rs 4.76 lakh on account of deficient stamp duty recovered between January 1998 and August 1998 was not deposited in the Government account. This resulted in an embezzlement of Rs 4.76 lakh.

On this being pointed out (between December 1999 and February 2000), the Government directed (March 2000) the Deputy Commissioner, Gurgaon to effect the recovery from the official at fault. FIR was also lodged (12 May 2000) and connected records were seized by the vigilance department, Gurgaon. Further progress on action taken/recovery made was awaited (October 2001).

(b) The Indian Stamp Act, 1899, as applicable to Haryana, provides that the consideration and all other facts and circumstances affecting the chargeability of an instrument with duty or the amount of duty with which it is chargeable, should be fully and truly set forth therein. The Act further provides that any person who with intent to defraud the Government, executes any instrument in which all the facts and circumstances required to be set forth in such instrument under the Act are not fully and truly set forth, is punishable with a penalty which may extend to five thousand rupees per instrument.

During test-check of records of 20* registering offices, it was noticed (between January and November 2000) that 53 conveyance deeds were registered (between March 1998 and June 2000) on account of sale of immovable properties. The total value of properties set forth in all the conveyance deeds was Rs 1.19 crore whereas the total value found recorded in the agreements executed between affected parties during the period from October 1997 to March 2000 by various document writers in these 53 cases worked out to Rs 2.41 crore. Under-valuation of the properties by Rs 1.22 crore resulted in evasion of stamp duty of Rs 15.36 lakh. Besides, penalty not exceeding Rs 2.65 lakh for under-valuation done with intent to defraud the Government was also leviable.

On this being pointed out (between January and November 2000), 12 registering authorities stated that notices would be issued to recover the amount. In 2 cases, a sum of Rs 0.39 lakh had been recovered (June and July 2000) by registering authorities Uchana and Gohana. No reply had been received in respect of 6 cases (October 2001).

Sub-Registrars Ambala city, Fatehabad, Gohana, Hathin, Jagadhari, Jind, Kalayat, Naraingarh, Narwana, Pilukhera, Palwal, Ratia, Safidon, Sonipat and Tohana.
Joint Sub-Registrars Bilaspur, Bapoli, Bhattukalan, Radaur and Uchana.

The matter was referred (between April 2000 and January 2001) to Government. The Government directed (between May and December 2000) the Deputy Commissioners, Jind, Sonapat, Ambala and Yamunanagar to effect the recovery. Reply in respect of remaining cases had not been received (October 2001).

3.6 Incorrect exemption of stamp duty

Haryana Government, vide notification issued in August 1995, remitted the stamp duty leviable on the deeds of conveyance to be got executed by the farmers whose land is acquired by the Government in public interest and who purchase agricultural land in Haryana State within one year of the amount of compensation received by them for the acquired land. It was further provided that such remission would be limited to the compensation amount only and the additional amount involved for the purchase of agricultural land would be liable to stamp duty leviable under the rules. The Government in Revenue Department further clarified (March 1998) that benefit of exemption of stamp duty was not available for House Building Co-operative Societies.

(i) During test-check of records of Sub-Registrar, Nuh (Gurgaon), it was noticed (July and August 2000) that two land owners of district Faridabad whose land was acquired (May 1998) by Government, purchased (June 1999) agricultural land in district Gurgaon on payment of compensation received in May 1998. Five conveyance deeds, each after a lapse of one year of the receipt of amount of compensation, were got executed in June 1999 without payment of stamp duty leviable under the Act. This resulted in non-levy of stamp duty of Rs 1.40 lakh.

On this being pointed out (August 2000), the department directed (February 2001) the Deputy Commissioner, Gurgaon to effect the recovery within three weeks but further progress of recovery was awaited (October 2001).

The matter was referred (November 2000) to Government; their reply had not been received (October 2001).

(ii) During test-check of records of Sub-Registrar, Hisar, it was noticed (December 2000) that a House Building Co-operative Society of Hisar whose land was acquired by Government in May 1995, received (October 1999) a compensation of Rs 50.81 lakh and executed an instrument of conveyance deed for purchase of agricultural land within the same district for Rs 9.90 lakh. However, stamp duty of Rs 1.24 lakh though leviable, was incorrectly exempted. This resulted in non-levy of stamp duty of Rs 1.24 lakh.

On this being pointed out (December 2000), the department accepted the audit observations and stated (December 2000) that notice would be issued for effecting recovery. Further report on recovery was awaited (October 2001).

The matter was referred (February 2001) to Government; their reply had not been received (October 2001).

**CHAPTER-IV
OTHER TAX RECEIPTS**

4.1 Results of Audit

Test-check of records in departmental offices relating to revenues received from purchase tax (Agriculture), Taxes on Motor Vehicles, Passengers and Goods Tax, State Excise Duty, Land Revenue and Electricity Duty revealed under-assessments of taxes and duties and loss of revenue amounting to Rs 8381.30 lakh in 114490 cases as depicted below:

	Heads of revenue	Number of cases	Amount
			(Rupees in lakh)
A	Agriculture	9	468.00
B	Taxes on Motor Vehicles	113842	513.20
C	Passengers and Goods Tax	363	256.05
D	State Excise Duty	106	2213.75
E	Land Revenue	144	8.63
F	Electricity Duty	26	4921.67
	Total	114490	8381.30

In the cases of Purchase tax (Agriculture), Taxes on Motor Vehicles, Passengers and Goods Tax, State Excise Duty, Land Revenue, and Electricity Duty, the departments accepted under-assessments etc. of Rs 750.28 lakh involved in 48518 cases which were pointed out during the year 2000-2001 and recovered Rs 175.90 lakh in 463 cases of which Rs 169.88 lakh were recovered in 384 cases pertaining to earlier years.

A few illustrative cases involving Rs 759.09 lakh highlighting important cases are mentioned in the following paragraphs.

A-AGRICULTURE

4.2 Non/short recovery of purchase tax and interest

As per notification issued (October 1977) under the Punjab Sugarcane (Regulation of Purchase and Supply) Act, 1953 and the rules framed thereunder, as applicable to Haryana, a sugar factory is required to pay tax at the rate of Rs 1.50 per quintal on purchase of cane latest by 14th of the following month. In the event of default, interest at the rate of fifteen *per cent* per annum shall be charged for the period of default. The Act further provides that all sums payable to Government but not paid by the due date, shall be recoverable as arrears of land revenue.

During test-check of records of 4* Assistant Cane Development Officers, it was noticed (between April and June 2000) that six assesseees (two each of Karnal and Yamunanagar and one each of Panipat and Rohtak) purchased 3,03,53,747.55 quintals of sugarcane between December 1996 and May 2000. However, purchase tax of Rs 4.55 crore though payable by them was not paid. This resulted in non-recovery of purchase tax of Rs 4.55 crore besides interest (upto March 2001) of Rs 1.08 crore.

On this being pointed out (between April and June 2000), Assistant Cane Development Officer, Karnal intimated (February 2001) that one mill deposited (April and June 2000) the amount of Rs 33.66 lakh (purchase tax: Rs 33.26 lakh and interest: Rs 0.40 lakh). In the cases of remaining five sugar mills, ACDOs stated that action for recovery of purchase tax and interest thereon would be initiated. The Cane Commissioner, Haryana intimated (August 2001) that the notices in all cases were issued (May 2001) and purchase tax alongwith interest due thereon has been treated as recoveries under arrears of land revenue.

The matter was referred to Government (between May and July 2000); their reply had not been received (October 2001).

4.3 Non-realisation of lease money

Financial rules require departmental controlling officers to ensure that all sums due to Government are regularly and promptly assessed, realised and credited into treasury. Departmental receipts from lease money received in respect of 267 Acres, 02 kanals, 17 marlas of land of agriculture farm at Hansi under the control of the Deputy Director, Agriculture, Hisar, were to be assessed and credited to Government Account.

* Karnal, Panipat, Rohtak and Yamunanagar.

During test-check of records of the Deputy Director, Agriculture, Hisar, it was noticed (August and September 1999) that the above farm-land was leased out for cultivation to 35 tenants for one year during 1989-90 by the Deputy Director, Agriculture, Hisar. After the expiry of the initial period of lease of one year, the tenants un-authorisedly continued cultivation of land from 1990-91 to 1998-99 without payment of lease money. This unauthorised occupancy of the Government land resulted in non-realisation of lease money of Rs 10.90 lakh (including Abiana: Rs 0.87 lakh).

On this being pointed out (November 1999), Deputy Director admitted (November and December 2000) the facts and stated that fresh agreements were entered into with the tenants for the year 1999-2000 and efforts were being made to effect recovery of earlier period.

The matter was referred (November 1999 and January 2001) to the Government; their reply had not been received (October 2001).

B-Taxes on Motor Vehicles

4.4 Non/short charging of fitness fee (passing fee)

Under the provisions of the Central Motor Vehicles Rules, 1989, fee for grant or renewal of certificate of fitness (passing fee) chargeable in respect of Heavy Goods Vehicles, Medium Goods Vehicles and Light Motor Vehicles (both transport and non-transport vehicles) were revised (22 October 1999) from Rs 150, Rs 100 and Rs 50 to Rs 500, Rs 200 and Rs 150 to Rs 300 (transport and non-transport Light Motor Vehicles) respectively. The revised rates were withdrawn by Government of India with effect from 31 January 2000 and passing fee was chargeable at the pre-revised rates with effect from 1 February 2000.

During test-check of records in 14* offices of Registering Authorities (MV) and Motor Vehicle Inspectors, it was noticed (between August 2000 and January 2001) that fee for the grant of fitness certificates (passing fee) in respect of 48876 Light Transport Vehicles, 2820 Medium and Heavy Goods Vehicles was charged at the old rates instead of revised rates from 22 October 1999 to 30 January 2000 by the Motor Vehicle Inspectors and no fee was charged at all in respect of Light Motor Vehicles (non-transport) by the Registering Authorities during the year 1999-2000. This resulted in non/short charging of fee of Rs 40.79 lakh.

* Registering Authority (MV) Ballabhgarh, Faridabad, Gurgaon, Hathin, Hodel, Kosli, Mohindergarh, Narnaul, Palwal and Rewari.
Motor Vehicle Inspectors: Ambala, Gurgaon, Hisar and Rohtak.

On this being pointed out (between August 2000 and January 2001) to the department, Transport Commissioner, Haryana directed (October 2000) the Registering Authority (MV), Gurgaon to effect the recovery. Report on recoveries and replies in respect of other cases had not been received (October 2001).

The cases were referred (between September 2000 and February 2001) to Government; their reply had not been received (October 2001).

4.5 Non-realisation of fees

Under the provisions of the Central Motor Vehicles Rules, 1989 and Central Government notifications issued (5 October 1999 and 31 January 2000), registration fee, trade fee, hypothecation allowance, passing fee and driving licence fee were chargeable at increased rates with effect from 22 October 1999 to 30 January 2000.

During test-check of records of 10* Registering Authorities (M.V.), it was noticed (between June and December 2000) that registration fee, trade fee, hypothecation allowance, passing fee, driving licence fee etc. were charged at the old rates instead of revised rates from 22 October 1999 to 30 January 2000. This resulted in short realisation of fee of Rs 16.09 lakh in 6883 cases.

On this being pointed out (between June 2000 and January 2001), the department accepted the audit observations and stated that the amount would be recovered from the concerned persons.

The matter was referred (between July 2000 and February 2001) to Government; their reply had not been received (October 2001).

4.6 Short charging of permit/countersignature fee

Regional Transport Authorities are to issue permits under various sections of Motor Vehicles Act, 1988 for the region under their jurisdiction and countersign for each additional region of the State only after charging countersignature fee at rates prescribed under the Punjab Motor Vehicle Rules, 1940 and the Regional Transport Authorities are supposed to collect the revised rates under the provisions of the Act/Rules.

* Registering Authority (MV)-Ambala, Assandh, Ballabgarh, Faridabad, Gurgaon, Gohana, Kalka, Karnal, Panchkula and Palwal.

During test-check of records of Regional Transport Authorities, Gurgaon, Karnal, Rohtak and Yamunanagar, it was noticed (between July 2000 and February 2001) that permit/countersignature fee for a block of five years was recoverable at Rs 4125 and Rs 2750 per heavy and Light Transport Vehicle respectively but the same was charged at Rs 2625 and Rs 1750 from 24 March 1999 to March 2000. This resulted in short charging of permit fee amounting to Rs 1.27 crore in 9290 cases.

On this being pointed out (between September 2000 and February 2001), the department stated (between July 2000 and February 2001) that permit fee at new rates would be charged on receipt of instructions from the Government/Transport Commissioner. Plea of the department is not tenable as no separate orders were required to charge permit fee at new rates.

The matter was referred (between September 2000 and April 2001) to Government; their reply had not been received (October 2001).

4.7 Application of incorrect rates of licence fee

As per provisions of Motor Vehicle Rules, 1989 and Ministry of Surface Transport (Transport Wing) notification issued in January 2000, minimum charges for the issue, renewal of learner's licence of each class, issue of driving licence in Form 7 including charges for test of competence were required to be charged at the rate of Rs 90 per driving licence for two classes of vehicles.

During test-check of records of Registering Authorities (MV), Panchkula and Kalka, it was noticed (July 2000) that driving licence fee was charged at the rate of Rs 80 instead of Rs 90 per driving licence during the period from 1 April 1999 to 30 June 2000. This resulted in short charging of licence fee of Rs 1.18 lakh in respect of 11815 licences.

On this being pointed out (July 2000), Registering Authority (MV), Panchkula admitted (July 2000) the facts and started charging driving licence fee at the correct rate of Rs 90 instead of Rs 80 per driving licence with immediate effect and also stated that efforts were being made to recover the outstanding dues. The Registering Authority (MV), Kalka also admitted (April 2001) the facts.

The matter was referred (August 2000) to Government as well as Transport Commissioner, Haryana. Transport Commissioner, Haryana directed (August 2000) the Registering Authorities, Panchkula and Kalka to effect recoveries. Further report on recovery was awaited (March 2001). Reply from Government had not been received (October 2001).

CHAPTER-V
NON-TAX RECEIPTS

5.1 Results of Audit

Test-check of records in departmental offices relating to revenues of State Lotteries, Forest, Home (Police), Public Works (Irrigation, Buildings and Roads), Co-operation, Agriculture (Crop Husbandry), Medical, Mines and Minerals, Animal Husbandry, Food and Supply, Industries and Public Health conducted in audit during the year 2000-2001 revealed under-assessments and losses of revenue amounting to Rs 6883.53 lakh in 17839 cases as depicted below:

Sl. No.	Heads of revenue	Number of cases	Amount (Rupees in lakh)
A	Home (Police)		
(i)	Review "Receipts of Police Department"	1	1866.38
(ii)	Other irregularities	26	21.96
B.	Co-operation	708	1373.51
C.	Public Works		
(i)	Irrigation	512	1663.88
(ii)	Buildings and Roads	148	58.10
D.	Forest	91	235.56
E	Finance (State Lotteries)	86	507.71
F.	Agriculture (Crop Husbandry)	92	18.40
G.	Medical	380	16.51
H.	Public Health	14532	562.21
I.	Animal Husbandry	01	1.90
J.	Food and Supply	208	5.12
K.	Industries	220	64.03
L.	Mines and Minerals	834	488.26
	Total	17839	6883.53

The departments accepted under-assessments/loss of revenue etc. of Rs 2250.44 lakh in 223 cases which were pointed out during the year 2000-2001, of which an amount of Rs 0.84 lakh had been recovered in one case. Besides an amount of Rs 219.37 lakh had been recovered in 238 cases pertaining to the earlier years.

A few illustrative cases involving Rs 1480.56 lakh and a review "Receipts of Police Department" involving Rs 1866.38 lakh highlighting important observations are mentioned in the following paragraphs.

A-HOME DEPARTMENT
(POLICE)

5.2 Receipts of Police Department

5.2.1 *Introductory*

The State Government is responsible for maintenance of law and order in the State. This responsibility is discharged through the police department whose duties and functions are governed under the Police Act, 1861 and Rules made thereunder i.e. Punjab Police Rules, 1934 as applicable to Haryana. While the services rendered by the police personnel for maintenance of general law and order in the State is the normal function of the Government, their services are extended for special occasions and lent to central and other State Governments, autonomous bodies, organisations and individuals on payment of charges fixed by the Government from time to time. Receipts of police department mainly comprise recovery of expenditure on the cost of police personnel provided to other States, public undertakings, banks, railways within the State of Haryana towards guarding chest/remittance or performing watch and ward duties, for maintenance of law and order either permanently or as a temporary measures. Incidence of recovery of expenditure on the cost of police personnel provided to other Governments also arises from discharging functions, when so undertaken, for maintenance of law and order in other States in unusual circumstances like communal riots, terrorism, natural calamities and at the time of elections etc.

Other police receipts conform to recoveries under the Arms Act, fees, fines and forfeiture in respect of services controlled by the department and sale of confiscated arms and ammunition, unserviceable vehicles and other material.

5.2.2 *Organisational set-up*

Overall control and superintendence of police force vests with the Director General of Police (DGP). The State is further sub-divided into 4* ranges, each consisting of 4 or more districts and headed by an Inspector General of Police. Maintenance of law and order in each district has been entrusted to a Superintendent of Police (SP) who also supplies additional police to persons and places as requested for and is responsible to recover the cost thereof. Besides, Haryana Armed Police (HAP) having 5 battalions in reserve, each under the charge of a Superintendent-cum-Commandant is placed at the disposal of the DGP for any emergency duty within or outside the State. Claims on account of cost of police force supplied to Central/Other State

* Ambala, Gurgaon, Hisar and Rohtak.

Governments are preferred by the Director General of Police. In addition, Government Railway Police (GRP) headed by a Superintendent of Police (SP), provides security to railway passengers within the State and is responsible to recover 50 *per cent* of its cost to be shared by the Railways. Apart from this, the State Police has a Forensic Science Laboratory (FSL) and a Police Training College (PTC), each headed by a Director for crime investigation and providing training to recruits of Haryana police/ other States police respectively.

5.2.3 Scope of audit

With a view to evaluate the efficiency and effectiveness of the system and procedure relating to assessment and collection of receipts under the Police Department, records for the years 1995-96 to 1999-2000 of 18* district police offices (out of 19), 5 HAP Battalions, five IGs in charge of ranges, Police Training College, SP, Railways and DGP, Haryana were test-checked between October 2000 and March 2001.

5.2.4 Highlights

An amount of Rs 6.39 crore had been pending collection as on 31 March 2000, of which Rs 1.55 crore were in arrears for more than 5 years in four offices.

(Paragraph 5.2.6)

Demands of police cost were not raised in advance resulting in non-recovery of Rs 2.91 crore.

{Paragraph 5.2.7 (b)}

Police-cost amounting to Rs 1.57 crore was under-assessed due to non-inclusion/short-inclusion of different elements of cost and claims of Rs 0.76 crore were not preferred at all.

{Paragraph 5.2.8 (a) & (b)}

Fifty *per cent* share of Government Railway Police amounting to Rs 2.19 crore was not demanded from the Railways.

{Paragraph 5.2.9 (ii)}

* Ambala, Bhiwani, Faridabad, Gurgaon, Hisar, Jind, Jhajjar, Karnal, Kurukshetra, Kaithal, Narnaul, Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonipat and Yamunanagar.

5.2.5 Trend of Revenue

The table below shows figures of revised estimates and actual receipts during the years 1995-96 to 1999-2000:

Year	Revised Estimated Receipts	Actual receipts	Percentage of variation between estimated and actual receipts
(Rupees in lakh)			
1995-96	631.96	382.30	(-) 40
1996-97	691.93	1105.44	(+) 60
1997-98	800.00	762.14	(-) 5
1998-99	950.00	1083.10	(+) 14
1999-2000	1085.00	893.01	(-) 18

Decrease in receipts during the year 1995-96, 1997-98 and 1999-2000 was mainly due to less-receipt of police cost recoverable from other States/institutions. Reasons for increase in receipts during the year 1996-97 and 1998-99 were due to heavy receipts of police cost raised in the previous years.

5.2.6 Arrears of revenue

No periodical reporting system showing demands raised, amount recovered and balance amount to be recovered was in existence in the department. As a result, the total amount of arrears for deployment of police personnel to various autonomous bodies, commercial companies, private organisations and individuals and year-wise break-up thereof was not available with the department. This was indicative of lack of control over realisation of revenue and inadequate monitoring system. However, the arrears of demands raised and year-wise break-up thereof in respect of the offices test-checked in audit

was as under:

Sl. No.	Name of office which raised the demand	Amount of arrears as on 31 March 2000	Year-wise break-up				
			Upto 1995-96	1996-97	1997-98	1998-99	1999-2000
			(Rupees in lakh)				
1.	3 [*] Police Offices	285.17	93.55	40.49	44.08	48.90	57.15
2.	SP Railways (GRP)	150.49	61.30	15.93	17.46	28.97	26.83
3.	DGP Haryana	203.34	Year-wise break-up not made available.				
	Total	639.00	154.85				

The increasing trend in arrears indicated that efforts were not made to effect the recovery. Similarly, for delayed payments, provision of interest had not been made in the Rules, which adversely affected revenue collections.

5.2.7 (a) *Non/delayed raising of claims to other States*

Government of India, Ministry of Home Affairs issued instructions (March 1977 and September 1995) to all the State Governments and Union Territories that the borrowing State should reimburse expenditure on the Armed Police Battalions on quarterly basis to be adjusted against actual dues on the basis of audited figures. The payment should be made within a period of one month from the close of relevant quarter/receipt of audited figures.

During the course of scrutiny of records of Director General of Police, it was noticed in audit that the State Government had deployed forces in 6^{**} States and one Union Territory between March 1977 and October 1999 and whereas demands for re-imbursement of expenditure of Rs 87.71 lakh for the years 1977 to 1987 against 5 States and one Union Territory were raised between March 1991 and October 1995 late by 7 to 14 years, demands for Rs 1.16 crore recoverable from 3^{***} States and one Union Territory had not been raised even after a lapse of period ranging from 1^{1/2} to 6 years

* Commandant 1st Battalion HAP Ambala, SP Ambala and SP Faridabad.

** Assam, Bihar, Jammu and Kashmir, Punjab, Rajasthan and Uttar Pradesh.

*** Bihar (Rs.75.96 lakh), Rajasthan (Rs.28.97 lakh), Uttar Pradesh (Rs.9.14 lakh), and Union Territory of Chandigarh (Rs.2.25 lakh).

(June 2001). Non-raising of demands within the stipulated period of one month resulted in blockage of revenue of Rs 2.04 crore (June 2001).

(b) *Non-realisation of police cost from other parties*

As per Punjab Police Rules, 1934, in the case of police guard provided to private persons, corporate bodies or commercial companies, the cost of police deployed was to be recovered in full and in advance. It was seen in audit that advance payment was not insisted upon resulting in non-realisation of police cost to the extent of Rs 2.91 crore as discussed below:

- (i) Police guard consisting of 1 ASI, 2 HCs and 20 Constables had been deployed at Faridabad Thermal Power Plant since January 1989 but the cost thereof was neither recovered in advance nor demanded after the deployment, with the result, police cost of Rs 1.41 crore remained unrealised till date (June 2001).
- (ii) Police guard consisting of 1 ASI, 3 HCs and 25 constables had been deployed to Indian Oil Corporation depot at Ambala Cantt. for the patrolling and security of pipeline terminals since July 1983 without recovering the police cost of Rs 1.34 crore upto May 2000 in advance. The claims were preferred after a delay of 1 to 14 years.
- (iii) Police guard had been supplied to the resident editor of Punjab Kesri, a Hindi daily newspaper, since March 1994 but neither payment in advance was insisted upon nor claims of police cost raised till it was pointed out (June 1997) in audit. As a result, police cost of Rs 34.52 lakh remained unrealised till March 1999. Further, a claim for supply of police guard consisting of one head constable and 4 constables for the year 1999-2000 amounting to Rs 6.21 lakh was not raised.

On this being pointed out (June 1997), the department admitted (June 2001) the audit observation and stated that recoveries would be made in advance in future. Further, action to realise the amount was under process.

5.2.8(a) Under-assessment of claims due to non-inclusion of different element of cost

As per provisions of Punjab Police Rules, 1934, claim of police cost includes pay, dearness allowance and other allowances as well as indirect charges in respect of the establishment for the period of deployment.

Test-check of records in 16 offices revealed under-assessment of revenue amounting to Rs 1.57 crore due to non-inclusion of different elements of

police cost as under:

Number of offices	Nature of observation	Period involved	Amount not included in the claim (Rupees in lakh)	Remarks
9	Contingency charges were not included in claims submitted to other states/private parties.	1995-96 to 1999-2000	14.23	The department stated that the recovery would be made.
5	Contributions towards leave salary and pension were not included in the amount preferred against other parties/bodies.	1997-98 1998-99 1999-2000	6.89	Recovery of Rs 0.60 lakh had been made. Report on balance recovery was awaited.
5	Supplementary claims for increase in police cost due to revision of pay with effect from 1.1.1996 were not raised against other parties/bodies.	1.1.1996 to 31.03.1998	9.89	The department accepted the audit observation. Further action was awaited.
1	Share payable by railways on account of arrears paid due to revision of pay with effect from 1.1.1996.	1.1.96 to 31.3.1998	123.56	Department accepted the audit observation and raised the demand (February 2000) for the said amount.
14	Supplementary bills payable on account of increase in dearness allowance were not raised.	1995-96 to 1999-2000	2.33	An amount of Rs 0.31 lakh was recovered in June 1999. Recovery in balance cases was awaited.
Total			156.90	

(b) Non raising of claims of police cost against autonomous bodies and private organisations

(i) During test-check of records of Senior Superintendent of Police, Faridabad, it was noticed (March 2001) that police force was deployed for Surajkund Crafts Mela organized by the Haryana Tourism Development Corporation and cricket matches organised by Haryana Cricket Association during the years 1995-96 to 1999-2000 but demand for advance payment for cost of police (Guard) amounting to Rs 46.20 lakh was not recovered by SSP, Faridabad from the concerned bodies. This resulted in non-recovery of Rs 46.20 lakh.

On being pointed out in audit (March 2001), the SSP stated that notices would be issued for recovery of amount.

(ii) Test-check of records in 5 offices revealed that police guard was provided to 14 private persons/organisation from 1998-99 to 1999-2000 but claims of Rs 29.83 lakh were neither raised nor recovered from them.

On being pointed out (between May 1999 and March 2001), all the 5 Superintendents of Police accepted the audit observations. One SP recovered (February 2000) Rs 1.43 lakh and 4 SPs informed that notices for recovery were being issued to 12 persons. Further report on recovery was awaited (October 2001).

Thus, claims of Rs 0.76 crore were not raised against the fifteen autonomous bodies/private organisations.

5.2.9 Non/short recovery of police cost from Railways

(i) As per provisions of the Police Act, 1861 and Financial Rules of Indian Railways, cost of Government Railway Police (GRP) shall be shared between the State Government and the Railways on 50:50 basis provided the strength is determined with the approval of Railways. The cost for this purpose includes pay and allowances, office expenses and contingencies, contributions towards leave salary and pension of the establishment as well as rent of building occupied by Staff of the Railway Police. Railway's share of police cost in Haryana State is distributed between Northern, Central and Western Zones of Railways in the proportion of strength of GRP posted on duty with the Railway concerned.

A test-check of records of Superintendent of Police, Railways, Haryana, Ambala Cantt revealed that the department raised claims of police-cost amounting to Rs 27.02 crore duly certified against Northern Railway for the period from January 1996 to March 2000 but the Railway passed the claim for Rs 26.54 crore by disallowing claim of Rs 48.30 lakh. Further, an amount of Rs 7.94 crore was deducted by Railway on account of expenses incurred by them on Haryana Police. The details of amount disallowed (Rs 48.30 lakh) and expenses incurred (Rs 7.94 crore) were neither supplied by Railway nor ever called for by the Superintendent of Police, as such legitimacy of the deductions of Rs 8.43 crore could not be vouched for in audit.

On this being pointed out (November 2000), SP (GRP), Ambala stated (June 2001) that details had been called for (May 2001) from the Northern Railway and reply would be given after reconciliation of claims with Northern Railway. Report on further progress had not been received (October 2001).

(ii) During test-check of records of Superintendent of Police (GRP), Ambala, it was noticed (September 1999) that 50% share of Government Railway Police for the period 1 January 1999 to 31 March 1999 amounting to

Rs 2.19* crore was recoverable from the Railways but no demand had been raised by the department. This resulted in non-recovery of Rs 2.19 crore.

On this being pointed out (September 1999), the department recovered (February 2000) Rs 2.12 crore. Report on recovery of balance amount of Rs 0.07 crore was awaited (October 2001).

5.2.10 Non-recovery of capitation fee

As per manual of Police Training College of Haryana Police, officers of all states other than Haryana shall be admitted to various courses run by the college against payment of the college fees (non-refundable) as prescribed by the State Government. Capitation fee of Rs 1528.60 per recruit had been prescribed for "Recruits' Basic Course".

It was observed that 999 constables of Jammu and Kashmir State were imparted training in 'Recruits Basic Course' from 21 November 1997 to 18 July 1998 but capitation fee amounting to Rs 15.27 lakh was demanded (August 1998) by the College Authorities after completion (July 1998) of the training but the same was not recovered (August 1999). Non-recovery of fee resulted in non-realisation of Rs 15.27 lakh.

On this being pointed out (August 1999), the department accepted (November 2000) the audit observation and recovered (April 2001) Rs 15.22 lakh. Report on recovery of balance amount of Rs 0.05 lakh was awaited (October 2001).

5.2.11 Non-recovery of penal rent

Government accommodation is provided to different categories of departmental employees on the basis of seniority subject to its availability and licence fee as fixed by the Government for each type of accommodation is recoverable from monthly pay of the beneficiaries. As per instructions issued by Haryana Government, a Government employee on transfer can retain the accommodation provided to him upto 2 months in normal circumstances and for additional 2 months on medical grounds or on grounds of his children's education subject to approval by the competent authority. In case the official/officer does not vacate the house after permitted period, he will be liable to pay penal rent at the rate 50 times of the normal house rent.

In three offices (DIG, HAP, Madhuban, Commandant 2nd Battalion HAP, Madhuban, and Director PTC, Madhuban), it was noticed (August 1999) that 12 officers/officials were transferred to other stations but they did not vacate the Government accommodation allotted to them at the previous place of their posting within the prescribed period. Neither penal rent was recovered from them nor were they evicted from the quarters. As a result, penal rent of

* Northern Railway (Rs.211.61 lakh), Central Railway (Rs.5.57 lakh) and Western Railway (Rs.1.69 lakh).

Rs 3.93 lakh for the period from June 1997 to August 1999 remained unrecovered.

On this being pointed out (September 1999), the department accepted the audit observation and intimated (October 2000) that efforts were being made to effect the recoveries. Further report on action taken was awaited (October 2001).

5.2.12 Non-recovery of leave salary and pension contribution

In accordance with Civil Services Rules, an employee of a Government department proceeding on deputation to an autonomous body is treated as on 'foreign service' for the period his pay is drawn from a source other than the Consolidated Fund of the State and the lending department is to recover contribution towards leave salary and pension of the employee based on his pay drawn by him during foreign service. As per Rules, the contribution shall be paid by the Government employee himself unless the foreign employer consents to pay them.

A test-check of records of 5* offices revealed (January to March 2001) that 12 employees of the department sent on deputation to autonomous bodies (Haryana State Electricity Board now Haryana Vidyut Prasaran Nigam and Co-operative Institutions) had been drawing their salaries from a source other than the Consolidated Fund of the State during the period from October 1984 to February 2001 but contributions towards leave salary and pension were neither deposited by the foreign employer nor by the employees themselves. This resulted in non-recovery of Rs 2.95 lakh.

5.2.13 Non-disposal of condemned vehicles

Financial rules as well as instructions issued by the State Government from time to time stress upon the need to survey and dispose of quickly through auction, vehicles which become off-road due to aging and maintenance/repairs of which become uneconomical. Due to delay in its disposal after condemnation, the condition of a vehicle may deteriorate and it may not fetch the expected price/reserve price fixed by the competent authority.

A test-check of records in 18 offices revealed (between July 1999 and March 2001) that 127 vehicles lying off-road from November 1991 to March 1999 were declared (between December 1991 and September 2000) condemned and their reserve price was fixed at Rs 54.16 lakh but these were not auctioned till March 2001 resulting into non-realisation of revenue to that extent. It was further observed that out of these, reserved price of 32 vehicles was reduced from Rs 18.75 lakh to Rs 8.00 lakh. However, the vehicles were still not sold (April 2001). Thus, continued delay in auction will result in loss of Government revenue apart from blockage of departmental receipts.

* SPs Faridabad, Hisar, Jhajjar, Rewari and Rohtak.

5.2.14 Monitoring and Control mechanism

Headquarters office monitors and controls all the revenue receipts and disbursements of police cost by obtaining various monthly returns prepared and furnished by each Superintendent of Police from General Police Fund Ledger in Form No.10.27 (2) kept at district level. These returns are centralized in an 'Additional Police Account Central Ledger' showing district-wise (i) amount payable or recoverable, (ii) realisations made (iii) disbursements made from the fund and (iv) the total figures for the whole State.

During test-check of records in 18* offices, it was noticed (between October 2000 and March 2001) that neither the field offices nor Headquarters office were maintaining the General Police Fund Ledger in Form 10.27 (2) and the Additional Police Account Central Ledger respectively. In their absence, the department was not able to supply year-wise figures of demand and collection of police cost for police guard supplied to private parties and corporate bodies.

B-CO-OPERATION

5.3 Non-redemption of Government share capital

The State Government contributes towards the share capital of Co-operative Societies registered with the Co-operative Department. The share capital so contributed by Government is required to be redeemed in accordance with the instructions/terms and conditions stipulated in the sanctions issued by the Co-operative Department/State Government in ten equal annual instalments commencing from the 6th anniversary of the drawal of amount.

During test-check of records of 13** offices of the Assistant Registrars, Co-operative Societies, it was noticed (between October 1999 and January 2001) that share capital of Rs 13.17 crore had been invested by the Government of Haryana between 1963-64 and 1992-93 in 31*** Co-operative Societies. Of these, share capital of Rs 7.67 crore due for redemption between 1969-70 and 1998-99 had not been redeemed till December 2000 in contravention of the terms and conditions stipulated in the sanctions.

* SP Ambala, Bhiwani, Faridabad, Gurgaon, Hisar, Jind, Jhajjar, Kaithal, Karnal, Kurukshetra, Narnaul, Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonapat and Yamunanagar.

** Dabwali, Faridabad, Ferozpur Zhirka, Gurgaon, Jind, Karnal, Kurukshetra, Naraingarh, Narnaul, Narwana, Safidon, Sonipat and Yamunanagar.

*** Co-operative Societies:16; Central Co-operative Consumer Stores:12; Co-operative Sugar Mills:2 and Co-operative Agricultural and Rural Development Bank:1.

On this being pointed out (between October 1999 and January 2001), the department recovered Rs 9.05 lakh in 13 cases out of which recovery in 5 cases was made in full, 6 societies/units had closed between March 1992 and July 2000 thus no recovery could be effected. The financial position of 2 sugar mills and one Co-operative consumer store was stated to be too weak to pay the amount. Action to recover the amount in remaining cases was awaited (October 2001).

5.4 Non-deposit of dividend on share capital of State Government

As per terms and conditions laid down in the sanction orders issued by the Registrar, Co-operative Societies, Haryana, Chandigarh from time to time, every Co-operative Society shall furnish a return in the form of dividend on contribution of Haryana Government's share capital on the basis of resolutions passed by the Board of Directors. Rule 72 (1) of Haryana Co-operative Societies Rules, 1989 provides that in no Co-operative Society, the dividend shall exceed 10 *per cent* per annum of the paid-up share capital.

(i) During test-check of records of the Registrar, Co-operative Societies, Haryana, Chandigarh for the period 1995-99, it was noticed (September 1999) that Haryana State Co-operative Supply and Marketing Federation Ltd., Chandigarh (HAFED) was running in profit during the period 1995-96 to 1998-99 but the Board of Directors did not declare any dividend on share capital. This resulted in non-realisation of potential earnings amounting to Rs 5.83 crore.

On this being pointed out (September 1999) in audit, amount of Rs 5.83 crore had been deposited (January and February 2000) by the HAFED into Government account.

(ii) During test-check of records of Assistant Registrar Co-operative Societies, Palwal (Faridabad), it was noticed (November 1999) that Palwal Co-operative Sugar Mills Ltd., Palwal was running in profit during the period 1995-96 to 1998-99 and their Board of Directors had passed (June 1998 and May 1999) resolutions for payment of dividends at the rate of ten *per cent* to the shareholders for the years 1996-97 and 1997-98. A dividend of Rs 57.30 lakh was payable to Government for this period but the same was neither deposited by the sugar mill in Government account nor demanded by the department.

On this being pointed out (November 1999), the department intimated (May 2000) that the entire amount of Rs 57.30 lakh had been recovered and deposited (April 2000) in Government account.

The matter was referred (January 2000) to Government; their reply had not been received (October 2001).

(iii) During test-check of records of 5* Assistant Registrars, Co-operative Societies (ARCs), it was noticed (between October 2000 and January 2001) that 5 societies/banks had been running in profits and their Board of Directors had passed (between August 1997 and November 2000) the resolutions for payment of dividend ranging between one and five *per cent* of the share capital invested for the years 1992-93 and 1994-95 to 1999-2000. A dividend of Rs 45.65 lakh was payable to Government but the same was neither deposited by any of the societies in Government account nor demanded by the department.

On this being pointed out (between October 2000 and January 2001), the department recovered (December 2000) Rs 7.40 lakh (ARCS Kurukshetra: Rs 5.39 lakh and ARCS Panipat: Rs 2.01 lakh) and stated that efforts were being made to effect the remaining amount of recovery. Further report on action taken was awaited (October 2001).

Thus, dividend of Rs 6.86 crore on Government share capital was not deposited into Government Account by all the seven co-operative societies/banks.

5.5 Short recovery of audit fee

Under the Haryana Co-operative Societies Rules, 1989, every Co-operative Society is liable to pay audit fee for audit of its annual accounts by the auditors of Co-operative Department for each co-operative year in accordance with the scales and rates fixed by the Registrar. The Central Co-operative Banks and Co-operative House Building Societies are liable to pay audit fee at the rate of 5 *per cent* of the net profit arrived at before appropriation for income tax.

During test-check of records of Assistant Registrar, Co-operative Societies, Panipat, it was noticed (November 2000) that audit fee amounting to Rs 11.01 lakh worked out on the basis of audited figures of net profit of one bank and six societies had become recoverable from them for the years 1996-97 to 1999-2000. Except two societies who deposited only minimum audit fee of Rs 1,000 for the years 1996-97 and 1998-99, the balance amount of Rs 11.00 lakh was neither deposited by the societies nor recovered/demanded by the department.

On this being pointed out (November 2000), Assistant Registrar, Co-operative Societies, Panipat accepted (November 2000) the audit observation and intimated (February and April 2001) that Rs 0.43 lakh had been recovered in February 2001. Recovery for the remaining amount of Rs 10.57 lakh was awaited (October 2001).

* Asstt. Registrars, Co-operative Societies, Ambala, Kurukshetra, Panipat, Sonipat and Yamunanagar.

The matter was referred (January 2001) to Government who directed (February 2001) the Registrar Co-operative Societies, Haryana, Chandigarh to expedite reply. Report on further progress had not been received (October 2001).

**C-PUBLIC WORKS DEPARTMENT
(IRRIGATION)**

5.6 Utilisation of departmental receipts towards expenditure

Under the State Financial Rules, utilisation of departmental receipts towards expenditure is strictly prohibited. All moneys received by or tendered to a Government servant on account of revenue of the State Government shall be paid fully into treasury or bank on the same day or on the next day at the latest.

During test-check of records of Executive Engineer, water services division, Safidon, it was noticed (January 2001) that departmental receipts amounting to Rs 3.42 lakh collected by three sub-divisions during 1998-99 and 1999-2000 were not deposited into treasury/bank but were utilised to meet the departmental expenditure.

On this being pointed out (January 2001), the department intimated (January 2001) that the receipts were utilised for urgent petty works and the amount would be deposited into treasury on receipt of letters of credit (LOC) from Government. The reply of department is not tenable as the departmental receipts are required to be deposited into Government account immediately and their utilisation towards departmental expenditure is strictly prohibited.

The case was referred (February 2001) to Government and Engineer-in-Chief, Haryana, Irrigation Department; their reply had not been received (October 2001).

D-FOREST DEPARTMENT

5.7 Non-realisation of sales tax

Under the Haryana General Sales Tax Act, 1973, sales means any transfer of property in goods for cash or deferred payments or other valuable

* Water services Sub-Divisions, Anta, Rojla and Safidon.

consideration. 'Goods' means all kinds of movable property other than newspapers, auctionable claims, money, stocks and shares or securities but includes growing crops, grass, trees and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale. Further, sale of trees (timber) is taxable at first stage of sale from 18 July 1997.

During test-check of records of the offices of Divisional Forest Officers (Territorial), Ambala, Hisar and Karnal, it was noticed (between June 2000 and March 2001) that trees valued at Rs 2.30 crore were sold by them to Haryana Forest Development Corporation (HFDC) during the year 1999-2000 on which sales tax amounting to Rs 13.18 lakh was not levied/realised.

On the omission being pointed out (between June 2000 and March 2001), the Divisional Forest Officer (Territorial), Ambala stated (June 2001) that ST-15 forms were being collected from HFDC. Reply of the department is not tenable as the trees (timber) are taxable at first stage of sale. Reply from remaining two offices had not been received (October 2001).

The cases were referred (between March and July 2001) to Principal Chief Conservator of Forest, Haryana, Chandigarh but no reply had been received (October 2001).



(ASHWINI ATTRI)

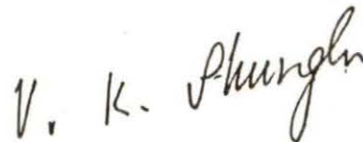
Chandigarh

Dated:

Accountant General (Audit) Haryana

05 FEB 2002

Countersigned



(V.K. SHUNGLU)

New Delhi

Dated:

07 FEB 2002

Comptroller and Auditor General of India

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