



REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2006

(REVENUE RECEIPTS)  
GOVERNMENT OF HIMACHAL PRADESH



## TABLE OF CONTENTS

Particulars	Paragraph	Page
<b>Preface</b>		iii
<b>Overview</b>		v-vii
<b>Chapter-1 : General</b>		
Trend of revenue receipts	1.1	1
Variations between budget estimates and actuals	1.2	4
Analysis of collection	1.3	5
Cost of collection	1.4	6
Collection of sales tax per assessee	1.5	7
Analysis of arrears of revenue	1.6	7
Arrears in assessments	1.7	9
Evasion of tax	1.8	9
Refunds	1.9	10
Results of audit	1.10	10
Failure of senior officials to enforce accountability and protect the interests of Government	1.11	10
Departmental audit committees meetings	1.12	12
Response of the State Government to draft audit Paragraphs	1.13	12
Follow up on Audit Reports- Summarised position	1.14	12
Recovery of revenue of accepted cases	1.15	13
<b>Chapter-II : Sales Tax</b>		
Results of audit	2.1	14
Government dues pending collection as arrears of land revenue	2.2	15
Short levy of tax on manufacturing units	2.3	23
Incorrect exemption/grant of concessional rate of tax	2.4	24
Under assessment due to non withdrawal of concession	2.5	25
<b>Chapter-III : State Excise</b>		
Results of audit	3.1	26
Non recovery of licence fee and interest	3.2	27
Non realisation of duty on excess wastage	3.3	27
Non recovery of excise duty at enhanced rate	3.4	28
<b>Chapter-IV : Taxes on Vehicles, Goods and Passengers</b>		
Results of audit	4.1	29
Non levy of special registration fee	4.2	30
Non payment of special road tax /non levy of penalty	4.3	30
Non payment of token tax	4.4	31
Short realisation of one time token tax	4.5	32
Short realisation of special road tax	4.6	32
Non charging of token tax	4.7	33
Vehicles not registered with the Excise and Taxation Department	4.8	34

Particulars	Paragraph	Page
<b>Chapter-V :Forest Receipts</b>		
Results of audit	5.1	35
<b>Review: Exploitation of Forests</b>	5.2	36
Recovery of arrears recoverable as arrears of land revenue	5.3	54
Non levy of permit fee	5.4	56
Non charging of cost of fence posts	5.5	57
Unauthorised grant of trees in timber distribution	5.6	57
Loss of revenue due to time barred cases	5.7	58
Under assessment of damages and compensation	5.8	58
Loss of interest due to non keeping of funds in fixed deposit	5.9	59
<b>Chapter-VI :Other Tax- Non Tax Receipts</b>		
Results of audit	6.1	61
<b>(A) Stamp Duty and Registration Fee</b>		
Misclassification of documents	6.2	62
Incorrect determination of market value of property	6.3	62
Incorrect exemption	6.4	64
Incorrect exemption on housing loans	6.5	64
<b>(B) Irrigation-cum-Public Health Department</b>		
Non recovery of water charges	6.6	65
<b>(C) Public Works Department</b>		
Non recovery of damages from unauthorised occupants	6.7	66



## **PREFACE**

This Report for the year ended 31 March 2006 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 sales tax, state excise, motor vehicles tax, passengers and goods tax, forest receipts and other tax receipts of the State.

The cases mentioned in the report are among those which came to notice in the course of test audit of records during the year 2005-06 as well as those noticed in earlier years but could not be included in previous years' reports.





## OVERVIEW

This report contains 28 paragraphs including one review relating to non/short levy of taxes, duties, fees, interest and penalty etc., involving Rs.58.32 crore. Some of the major findings are mentioned below:

### 1. General

- The total receipts of the Government for the year 2005-06 were Rs.6,558.62 crore. The revenue receipts of Rs.2,186.69 crore consisted of Rs.1,497.02 crore from tax and Rs.689.67 crore from non tax revenue. The State received Rs.493.26 crore as its share of divisible union taxes and Rs.3,878.67 crore as grants in aid from Government of India. Receipts under taxes on sales, trade etc. (Rs.726.98 crore), state excise (Rs.328.97 crore), taxes on vehicles (Rs.101.51 crore), taxes and duties on electricity (Rs.89.29 crore), taxes on goods and passengers (Rs.42.61 crore) and stamps and registration fee (Rs.82.43 crore) accounted for major portion of tax receipts. Under non tax revenue, the main receipts were from power (Rs.251.47 crore), forestry and wild life (Rs.149.63 crore) and non-ferrous, mining and metallurgical industries (Rs.42.90 crore).

(Paragraph 1.1)

- The arrears of revenue under principal heads of revenue as on 31 March 2006 amounted to Rs.396.96 crore, of which Rs.100.00 crore pertained to taxes on sales, trade etc.

(Paragraph 1.6)

- Test check of records of sales tax, state excise, taxes on vehicles, goods and passengers, forest receipts and other tax and non tax receipts conducted during the year 2005-06, revealed under-assessments/ short levy/ loss of revenue, revenue foregone amounting to Rs.219.88 crore, in 1037 cases. During the course of the year 2005-06, the concerned departments accepted under assessments etc., of Rs.28.11 crore in 850 cases which had been pointed out in audit in earlier years.

(Paragraph 1.10)

### 2. Sales Tax

Government dues pending for recovery as arrears of land revenue revealed as under:

- In four districts, interest of Rs.1.64 crore and tax dues of Rs.1.55 crore were not included in the arrear certificates. This resulted in short declaration of Government revenue of Rs.3.19 crore.

(Paragraph 2.2.9 & 2.2.10)



- In eight districts, properties of 18 defaulters were attached for auction. But permission for their auction, as required under rules, was not obtained from the respective divisional commissioners. This resulted in non realisation of Government revenue of Rs.19.93 crore.

(Paragraph 2.2.11)

- Inadequate action by the department resulted in non recovery of Rs.1.18 crore in nine cases of four districts.

(Paragraph 2.2.13)

- Incorrect exemption/grant of concessional rate of tax in two AETCs resulted in non levy/ short realisation of tax of Rs.1.07 crore.

(Paragraph 2.4)

### **3. State Excise**

- Five licensees of five districts failed to pay the monthly instalments of license fee and interest thereon during 2004-05 resulting in non recovery of Government dues of Rs.39.97 lakh.

(Paragraph 3.2)

### **4. Taxes on Vehicles, Goods and Passengers**

- In seven regional transport authorities, non payment of special road tax and non levy of penalty resulted in non recovery of Government dues of Rs.18.98 crore.

(Paragraph 4.3)

- Token tax of Rs.99.61 lakh was not recovered in 18 registering and licensing offices and State Transport Authority, Shimla. Besides, for non payment of token tax, penalty of Rs.99.61 lakh was also leviable.

(Paragraph 4.4)

### **5. Forest Receipts**

A review on “**Exploitation of Forests**” revealed the following:

- The department failed to ascertain correct position of arrears pending collection as on 31 March 2005. It showed Rs.91.70 crore pending collection against corporation while the latter admitted only Rs.11.70 crore.

(Paragraph 5.2.9)



- No mechanism existed to ascertain correctness of weighted average sale rate, furnished by the corporation, which formed basis for fixation of rates of royalty.
- Variation was found in figures supplied to Pricing Committee/Hon'ble Vidhan Sabha and to PCCF. Accordingly correct fixation of royalty rates could not be ascertained.

(Paragraph 5.2.12)

- Lacuna in the decision of pricing committee in grant of rebate to half broken trees resulted in less assessment of royalty by Rs.1.63 crore.

(Paragraph 5.2.14)

- Extension in working period of 276 lots during 2001-02 to 2004-05 though applied for by the corporation was not granted. This resulted in non recovery of extension fee of Rs.1.04 crore.

(Paragraph 5.2.18)

- Non charging of interest on belated payment of royalty of resin blazes resulted in less realisation of revenue of Rs.1.75 crore.

(Paragraph 5.2.20)

- Short handing over of resin blazes for tapping and non recovery of registration fee from resin tappers resulted in non realisation of revenue of Rs.1.78 crore.

(Paragraph 5.2.23 & 5.2.24)

- Delay in transportation of timber to sale depots after extraction resulted in its degradation which adversely affected fixation of royalty rates. This resulted in loss of revenue of Rs.6.38 crore.

(Paragraph 5.2.27)

## **6. Other-Tax- Non Tax Receipts**

- In 33 sub registrars, misclassification of documents in 137 cases and incorrect determination of market value in a conveyance deed resulted in short levy of stamp duty and registration fee of Rs.57.81 lakh.

(Paragraph 6.2 & 6.3)

- In 20 irrigation cum public health divisions, water charges amounting to Rs.12.37 crore remained unrealised as on 31 March 2005 resulting in loss of revenue to that extent.

(Paragraph 6.6)



THE UNIVERSITY OF CHICAGO

DEPARTMENT OF THE HISTORY OF ARTS AND ARCHITECTURE

THE HISTORY OF ARTS AND ARCHITECTURE

CHICAGO, ILL.

THE HISTORY OF ARTS AND ARCHITECTURE

CHICAGO, ILL.

THE HISTORY OF ARTS AND ARCHITECTURE

CHICAGO, ILL.

THE HISTORY OF ARTS AND ARCHITECTURE

CHICAGO, ILL.

THE HISTORY OF ARTS AND ARCHITECTURE

CHICAGO, ILL.

THE HISTORY OF ARTS AND ARCHITECTURE

CHICAGO, ILL.

THE HISTORY OF ARTS AND ARCHITECTURE

THE HISTORY OF ARTS AND ARCHITECTURE

CHICAGO, ILL.

THE HISTORY OF ARTS AND ARCHITECTURE

CHICAGO, ILL.

THE HISTORY OF ARTS AND ARCHITECTURE

THE HISTORY OF ARTS AND ARCHITECTURE

## CHAPTER-1 : GENERAL

### 1.1 Trend of revenue receipts

The tax and non tax revenue raised by the Government of Himachal Pradesh during the year 2005-06, the State's share of divisible Union taxes and grants in aid received from the Government of India during the year and corresponding figures for the preceding four years are given below:

(Rupees in crore)

Sr. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
I.	Revenue raised by the State Government					
	• Tax revenue	916.50	889.57	984.33	1,251.88	1,497.02
	• Non tax revenue	198.33	175.49	291.76	610.77	689.67
	<b>Total</b>	<b>1,114.83</b>	<b>1,065.06</b>	<b>1,276.09</b>	<b>1,862.65</b>	<b>2,186.69</b>
II.	Receipts from Government of India					
	• State's share of divisible Union taxes	324.13	345.60	449.54	537.32	493.26 <sup>@</sup>
	• Grants in aid	2,276.84	2,248.09	2,255.29	2,234.54	3,878.67
	<b>Total</b>	<b>2,600.97</b>	<b>2,593.69</b>	<b>2,704.83</b>	<b>2,771.86</b>	<b>4,371.93</b>
III.	<b>Total receipts of the State</b>	<b>3,715.80</b>	<b>3,658.75</b>	<b>3,980.92</b>	<b>4,634.51</b>	<b>6,558.62</b>
IV.	<b>Percentage of I to III</b>	<b>30</b>	<b>29</b>	<b>32</b>	<b>40</b>	<b>33</b>

<sup>@</sup> For details, please see "Statement No.11-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of the Government of Himachal Pradesh for the year 2005-2006. Figures under the major head "0020-Corporation Tax"; "0021-Taxes on Income other than Corporation Tax"; "0028-Other Taxes on Income and Expenditure"; "0032-Taxes on Wealth"; "0037-Customs"; "0038-Union Excise Duties"; "0044-Service Tax" and "0045-Other Taxes and Duties on Commodities and Services- 901 Share of net proceeds assigned to States" booked in the Finance Accounts under A-Tax Revenue have been excluded from the revenue raised by the State Government and included in State's share of divisible Union taxes.



**1.1.1** The details of tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given below:

(Rupees in crore)							
Sr. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) or decrease (-) in 2005-06 over 2004-05
1.	Taxes on sales, trade etc.	355.08	383.34	436.75	542.37	726.98	(+) 34
2.	State excise	236.28	273.42	280.12	299.90	328.97	(+) 10
3.	Stamps and registration fees	34.27	37.40	52.37	75.34	82.43	(+) 9
4.	Taxes and duties on electricity	8.32	0.25	16.67	88.00	89.29	(+) 1
5.	Taxes on vehicles	132.70	81.98	78.37	107.82	101.51	(-) 6
6.	Taxes on goods and passengers	34.27	31.45	33.96	38.32	42.61	(+) 11
7.	Other taxes and duties on commodities and services	63.73	77.13	86.98*	97.54@	124.10*	(+) 27
8.	Land revenue	51.85	4.60	0.84	2.30	1.09	(-) 53
	<b>Total</b>	<b>916.50</b>	<b>889.57</b>	<b>986.06*</b>	<b>1,251.59@</b>	<b>1,496.98*</b>	<b>(+) 20</b>

There was significant variation in receipts under the following heads and the reasons therefor as reported by the concerned departments were as under:

**Taxes on sales, trade etc:** The increase was mainly due to implementation of Value Added Tax Act, 2005, increase in receipts of petrol, diesel and aviation turbine fuel and more import of material by the industrial units.

**State excise:** The increase was mainly due to establishment of two new distilleries, increase in auction money by three *per cent*, more consumption of liquor.

**Taxes on goods and passengers:** The increase was due to more income from yarn, iron and steel and plastic goods and increase in number of vehicles.

**Other taxes and duties on commodities and services:** The increase was mainly due to imposition of professional tax, receipts of bid money from auction of toll barriers and more receipts under Himachal Pradesh certain goods (carried by road) and Luxury tax Act.

**Land revenue:** The decrease was mainly due to less receipts from rates cesses on land and miscellaneous receipts.

\* Excludes Rs.(-) 0.04 crore on account of share of net proceeds assigned to State

\* Includes Rs. 1.73 crore on account of share of net proceeds assigned to State

@ Excludes Rs. (-) 0.29 crore on account of share of net proceeds assigned to State



**1.1.2** The details of major non tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given below:

(Rupees in crore)							
Sr. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) or decrease (-) in 2005-06 over 2004-05
1.	Interest receipts	7.67	9.97	11.35	42.77	49.29	(+) 15
2.	Other non tax receipts	86.51	66.21	101.51	89.59	151.41	(+) 69
3.	Forestry and wild life	28.98	31.52	76.93	102.17	149.63	(+) 46
4.	Non ferrous, mining and metallurgical industries	32.97	35.46	36.84	38.42	42.90	(+) 12
5.	Miscellaneous general services (including lottery receipts)	1.80	2.81	1.81	1.86	2.13	(+) 15
6.	Power	7.13	(-)0.08	35.01	284.71	251.47	(-)12
7.	Major and medium irrigation	11.06	0.06	0.06	0.09	0.44	(+)389
8.	Medical and public health	3.31	3.10	3.36	3.70	5.31	(+) 44
9.	Co-operation	1.26	1.68	1.44	1.64	1.68	(+) 2
10.	Public works	3.10	6.82	7.54	9.08	12.07	(+) 33
11.	Police	7.57	7.87	8.08	7.74	8.98	(+) 16
12.	Other administrative services	6.97	10.07	7.83	29.00	14.36	(-) 50
	<b>Total</b>	<b>198.33</b>	<b>175.49</b>	<b>291.76</b>	<b>610.77</b>	<b>689.67</b>	<b>(+) 13</b>

There was significant variation in receipts under the following heads and the reasons therefor as reported by the concerned departments were as under:

**Forestry and wild life:** The increase was due to receipt of more royalty from Himachal Pradesh State Forest Corporation.

**Non ferrous, mining and metallurgical industries:** The increase was mainly due to more recovery of pending amount of royalty from stone crusher owners, more receipt of registration fees, penalty/ fine under illegal mining, receipt from drilling operation and other miscellaneous receipts.

**Power:** The decrease was mainly due to shut down of production units of Nathpa Jhakri project during July to October 2005 caused by floods resulting in accumulation of silt/water.

**Major and medium irrigation:** The increase was mainly due to more receipts on account of water supplied to the farmers from Shah Nahar project and Balh valley medium irrigation plan.

**Medical and public health:** The increase was mainly due to receipts from drugs manufacturers, recovery of over payments, auction of waste material and sale of tender forms.

**Police:** The increase was due to receipt of outstanding recoveries from NJPC Jhakri, banks and reimbursement of cost of police supplied to other departments/organisations.

The reasons for variation, though called for from other departments, were awaited (September 2006).

## **1.2 Variations between budget estimates and actuals**

Variation between the budget estimates and actuals of revenue receipts for the year 2005-06 in respect of the principal heads of tax and non tax revenue are given below:

(Rupees in crore)					
Sr. No.	Head of revenue	Budget estimates	Actual receipts	Variations excess(+) or shortfall (-)	Percentage of variation
1.	Taxes on sales, trade etc.	600.00	726.98	(+)126.98	(+)21
2.	State excise	315.00	328.97	(+)13.97	(+)4
3.	Taxes on goods and passengers	37.00	42.61	(+) 5.61	(+)15
4.	Taxes on vehicles	110.00	101.51	(-) 8.49	(-)8
5.	Other taxes and duties on commodities and services	95.05	124.10*	(+) 29.05	(+)31
6.	Stamps and registration fees	71.58	82.43	(+) 10.85	(+)15
7.	Taxes and duties on electricity	35.15	89.29	(+) 54.14	(+)154
8.	Land revenue	2.18	1.09	(-) 1.09	(-)50
9.	Industries	5.54	24.13	(+) 18.59	(+)336
10.	Forestry and wild life	56.00	149.63	(+) 93.63	(+)167
11.	Interest receipts	11.58	49.29	(+) 37.71	(+)326
12.	Education, sports, art and culture	24.14	41.64	(+) 17.50	(+)72
13.	Crop husbandry (including horticulture)	4.48	8.40	(+) 3.92	(+)87
14.	Non ferrous, mining and metallurgical industries	36.04	42.90	(+) 6.86	(+)19
15.	Housing	1.71	1.96	(+) 0.25	(+)15
16.	Fisheries	0.91	0.74	(-) 0.17	(-)19
17.	Water supply and sanitation	9.70	13.00	(+) 3.30	(+)34
18.	Police	7.80	8.98	(+) 1.18	(+)15
19.	Medical and public health	4.04	5.31	(+) 1.27	(+)31
20.	Stationery and printing	1.70	3.76	(+) 2.06	(+)121
21.	Public works	7.65	12.07	(+)4.42	(+)58
22.	Animal husbandry	0.45	0.53	(+) 0.08	(+)18
23.	Power	232.00	251.47	(+) 19.47	(+)8

The reasons for variation between the budget estimates and actuals as reported by the concerned departments were as under:

\* Excludes Rs.(-) 0.04 crore on account of share of net proceeds assigned to State



**Taxes on vehicles:** The decrease was mainly due to downwards revision of rates of special road tax.

**Stamps and registration fees:** The increase was due to increase of market value of land, sale of land property, more sale of stamps and registration of more documents.

**Taxes and duties on electricity:** The increase was due to deposit of balance amount of electricity duty of previous year in 2005-06 by Himachal Pradesh State Electricity Board.

**Land revenue:** The decrease was due to less receipts of fixed land revenue, sale proceeds of waste land and mutation fee.

**Industries:** The abnormal increase was due to more receipts of licence fees, premium from industrial areas, receipt of central transport subsidy from Government of India and other miscellaneous receipts.

**Forestry and wild life:** The increase was mainly due to receipt of cost of trees coming in the project area, receipts on account of compensatory plantation and more receipt under catchment area treatment plans and net present value.

**Fisheries:** The decrease was due to shortfall in production of fish in Gobindsagar and Pong Dam reservoir and consequently less sale of fish and fish seed.

**Water supply and sanitation:** The increase was due to enhancement of water rates in rural and urban areas.

**Stationery and printing:** The increase was mainly due to more receipts on account of sale of stationery articles, waste materials, printing charges including recoveries of previous years.

**Public works:** The increase was mainly due to recovery on account of departmental charges on deposit works.

**Animal husbandry:** The increase was mainly due to income generated from sale of immovable/movable property of various offices of the department.

The reasons for variation, though called for from other departments, were awaited (September 2006).

### **1.3 Analysis of collection**

Breakup of the total collections at pre assessment stage and after regular assessment of state excise, taxes on sales and trade, passengers and goods tax and other taxes and duties on commodities and services during the year 2005-06 and the corresponding figures for the preceding two years, as furnished by the Excise and Taxation Department is given below:

(Rupees in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
State excise	2003-04	222.35	57.19	1.50	0.92	280.12	79
	2004-05	299.15	--	1.12	0.37	299.90	100
	2005-06	326.85	--	2.26	0.14	328.97	99
Taxes on sales, trade etc.	2003-04	419.57	13.12	5.86	1.80	436.75	96
	2004-05	520.14	15.40	8.11	1.28	542.37	96
	2005-06	711.10	10.20	6.03	0.35	726.98	98
Taxes on goods and passengers	2003-04	31.96	0.85	1.19	0.04	33.96	94
	2004-05	35.44	1.58	1.30	#	38.32	92
	2005-06	40.47	1.07	1.09	0.02	42.61	95
Other taxes and duties on commodities and services	2003-04	81.41	5.53	0.05	0.01	86.98 <sup>ψ</sup>	94
	2004-05	97.02	0.89	0.08	0.16	97.54 <sup>*</sup>	99
	2005-06	120.53	3.56	0.05	--	124.10 <sup>ε</sup>	97

It would be seen from the above that amount collected at pre assessment stage ranged between 95 per cent to 99 per cent during 2005-06.

#### 1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2003-04, 2004-05 and 2005-06 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2004-05 were as follows:

(Rupees in crore)

Sr. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2004-05
1.	Taxes on sales, trade etc.	2003-04	436.75	6.60	1.51	0.95
		2004-05	542.37	7.57	1.39	
		2005-06	726.98	9.38	1.29	
2.	State excise	2003-04	280.12	4.23	1.51	3.34
		2004-05	299.90	4.19	1.39	
		2005-06	328.97	4.24	1.29	
3.	Taxes on vehicles, goods and passengers	2003-04	112.33	1.25	1.11	2.74
		2004-05	146.14	1.27	0.87	
		2005-06	144.12	1.28	0.89	
4.	Stamps and registration fee	2003-04	52.37	2.05	3.91	3.44
		2004-05	75.34	2.02	2.68	
		2005-06	82.43	1.22	1.48	

# Rs. 13,850 only

ψ Includes Rs. 1.73 crore on account of share of net proceeds assigned to State

\* Excludes Rs. (-)0.29 crore on account of share of net proceeds assigned to State

ε Excludes Rs. (-)0.04 crore on account of share of net proceeds assigned to State



It would be seen from the above that the cost of collection under taxes on sales, trade etc. was higher than the all India average.

### 1.5 Collection of sales tax per assessee

The collection of sales tax per assessee during the period 2001-02 to 2005-06 is mentioned as under:

(Rupees in lakh)			
Year	No. of assessees	Sales tax revenue	Revenue/assessee
2001-02	27,323	35,508	1.30
2002-03	30,903	38,334	1.24
2003-04	33,840	43,675	1.29
2004-05	37,226	54,237	1.46
2005-06	39,486	72,698	1.84

It would be seen that the revenue per assessee increased by 26 per cent during 2005-06.

### 1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs.396.96 crore of which Rs. 76.81. crore were outstanding for more than five years, as detailed in the following table:

(Rupees in crore)				
Sr. No.	Head of revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	Remarks
1.	Taxes on sales, trade etc.	100.00	24.61	Arrears pertained to the years 1968-69 and onwards. Out of arrears of Rs.100.00 crore, demands for Rs.50.87 crore had been certified as arrears of land revenue. Recoveries amounting to Rs.2.21 crore were stayed by the High Court/other Judicial Authorities. Recovery of Rs.4.87 crore was held up due to rectification/ review of applications. Demands for Rs.2.92 crore were likely to be written off. Specific action taken in respect of remaining arrears of Rs.39.13 crore called for in April 2006 had not been intimated (September 2006).
2.	Forestry and wild life	75.22	23.13	Arrears pertained to the years 1949-50 and onwards. Out of arrears of Rs.75.22 crore, the outstanding amounts relate to Contractor Agency: Rs.3.89 crore; Himachal Pradesh State Forest Corporation: Rs. 71.26 crore and the balance: Rs.0.07 crore relate to other Government departments. Specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
3.	Taxes and duties on electricity	66.61	--	Arrears were recoverable from Himachal Pradesh State Electricity Board.
4.	Taxes on vehicles	85.76	10.54	Arrears pertained to the year 1977 and onwards. Specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
5.	Taxes on goods and passengers	14.07	7.43	Arrears pertained to the year 1961-62 and onwards. Out of arrears of Rs.14.07 crore, demands for Rs.2.62 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.29 crore were stayed by the High Court/other Judicial Authorities and Government. Specific action taken in respect of remaining arrears of Rs.11.16 crore called for in April 2006 had not been intimated (September 2006).



**Audit Report (Revenue Receipts) for the year ended 31 March 2006**

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	Remarks
6.	Police	13.28	4.79	Arrears pertained to the years 1990-91 and onwards. Out of total arrears of Rs. 13.28 crore, the outstanding amounts relate to Bhakra and Beas Management Board: Rs.7.24 crore; Nathpa Jhakri Power Corporation: Rs.0.84 crore; Railway Authorities: Rs. 1.60 crore; Civil Aviation Authority: Rs.1.00 crore; Yamuna Hydel Project Khodri Majri and Cement Corporation of India Rajban: Rs. 0.74 crore and National Hydro Electric Power Corporation: Rs. 0.83 crore. The remaining Rs.1.03 crore relates to other departments/ institutions. For recovery of arrears pertaining to the Bhakra Beas Management Board and Yamuna Hydel Project, Khodri Majri, cases had been filed under Land Revenue Act. Further report had not been received (September 2006).
7.	Water supply, sanitation and minor irrigation	23.63	0.89	Arrears pertained to the years 1963-64 and onwards. Out of arrears of Rs.23.63 crore, Rs. 22.67 crore relates to Municipal Corporation, Shimla, Municipalities and Notified Area Committees. The remaining arrears relating to minor irrigation and housing (Rs.0.96 crore) were recoverable through Deputy Commissioners of the districts and Superintending Engineers respectively. Specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
8.	State excise	5.28	3.91	Arrears pertained to the year 1972-73 and onwards. Out of arrears of Rs.5.28 crore, demands for Rs.3.94 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.01 crore were stayed by the High Court and other Judicial Authorities. Demands for Rs.0.05 crore were likely to be written off. Specific action taken in respect of remaining arrears of Rs.1.28 crore called for in April 2006 had not been intimated (September 2006).
9.	Other taxes and duties on commodities and services	3.89	0.05	Arrears pertained to the years 1989-90 and onwards. Out of arrears of Rs.3.89 crore, demands for Rs.1.25 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.18 crore had been stayed by the Government. Specific action taken in respect of remaining arrears of Rs.2.46 crore called for in April 2006 had not been intimated (September 2006).
10.	Industries (including village and small scale industries).	4.98	0.98	Arrears pertained to the years 1977-78 and onwards. Specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
11.	Non ferrous, mining and metallurgical industries	2.69	0.08	Arrears pertained to the years 1970-71 and onwards. Specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
12.	Land revenue	0.77	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
13.	Printing and stationery	0.55	0.40	Arrears pertained to the years 1997-98 to 2002-03 and were recoverable from the Director, Public Relations, Himachal Pradesh Shimla.
14.	Public works	0.23	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
	<b>Total</b>	<b>396.96</b>	<b>76.81</b>	

\* All India Radio, Intelligence Bureau, United Commercial Bank, Shimla and Rohru, Punjab National Bank, Shimla, Mandi, Kinnaur and Punjab State Electricity Board, Patiala



**1.7 Arrears in assessments**

The details of cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year as furnished by the Sales Tax Department in respect of sales tax, motor spirit tax, luxury tax and tax on works contracts was as follows:

Head of revenue	Opening balance	New cases due for assessment during 2005-06	Total assessments due	Cases disposed of during 2005-06	Balance at the end of the year	Percentage of column 5 to 4
1.	2.	3.	4.	5.	6.	7.
Taxes on sales, trade etc.	1,11,702	65,968	1,77,670	76,491	1,01,179	43
Luxury tax	1,470	1,258	2,728	1,227	1,501	45
Tax on works contracts	4,427	980	5,407	2,096	3,311	39
Motor spirit tax	8	--	8	--	8	--

**1.8 Evasion of tax**

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demands for additional tax raised as reported by the department are given below:

Sr. No.	Head of revenue	Cases pending as on 31 March 2005	Cases detected during 2005-06	Total	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2006
					Number of cases	Amount of demand (In lakh of rupees)	
1.	Taxes on sales, trade etc.	84	6,032	6,116	6,045	276.06	71
2.	State excise	22	123	145	139	4.35	6
3.	Passengers and goods tax	1,040	4,481	5,521	4,611	60.12	910
4.	Other taxes and duties on commodities and services	10	2,252	2,262	2,252	97.80	10
	<b>Total</b>	<b>1,156</b>	<b>12,888</b>	<b>14,044</b>	<b>13,047</b>	<b>438.33</b>	<b>997</b>



## **1.9 Refunds**

The number of refund cases pending at the beginning of the year 2005-06, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2005-06 as reported by the departments is given below:

Sr. No.	Particulars	(Rupees in crore)			
		Sales Tax		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	16	0.22	--	--
2.	Claims received during the year	19	0.36	3	0.14
3.	Refunds made during the year	14	0.35	3	0.14
4.	Balance outstanding at the end of year	21	0.23	--	--

## **1.10 Results of audit**

Test check of the records of sales tax, state excise, taxes on vehicles, goods and passengers, forest receipts, other tax and non tax receipts conducted during the year 2005-06 revealed under assessments/short levy/loss of revenue amounting to Rs. 219.88 crore in 1,037 cases. During the course of the year 2005-06, the concerned departments accepted under assessments etc., of Rs.28.11 crore involved in 850 cases, which had been pointed out in audit in earlier years.

This report contains 28 paragraphs including one review relating to non/short levy of tax, fees, interest and penalty etc. involving Rs. 58.32 crore. Departments/ Government accepted audit observations involving Rs.12.32 crore of which Rs.0.28 crore had been recovered upto August 2006. No replies have been received in the other cases.

## **1.11 Failure of senior officials to enforce accountability and protect the interests of Government**

**1.11.1** Accountant General (Audit) (AG) arranges to conduct periodical inspection of Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). When important irregularities etc., detected during inspection are not settled on the spot, IRs are issued to the heads of offices inspected with a copy to the next higher authorities. The financial rules/orders of Government provide for prompt response by the executive to the IRs issued by the AG to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during inspection. The heads of offices and next higher authorities are required to comply with observations contained in the IRs



and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the head of the department by the AG. A half yearly report of pending reports is sent to the Financial Commissioner cum Secretary (Finance) in respect of pending IRs to facilitate monitoring of audit observations in the pending IRs.

**1.11.2** The number of IRs and audit observations relating to revenue receipts issued during the last three years upto 31 December 2005, which were pending settlement by the departments as on 30 June 2004, 30 June 2005 and 30 June 2006 are given below:

Particulars	At the end of June		
	2004	2005	2006
Number of IRs pending settlement	2,933	2,836	3,052
Number of outstanding audit observations	7,343	6,821	7,135
Amount of revenue involved (in crore of rupees)	341.52	318.50	278.05

**1.11.3** Department wise breakup of the IRs and audit observations outstanding as on 30 June 2006 is given below:

Sr. No.	Department	Number of outstanding		Amount of audit observations raised (Rupees in crore)	Year to which observations relate	Number of IRs to which even first replies not received
		IRs	Audit observations			
1.	Revenue	743	1,424	6.13	1977-78 to 2004-05	47
2.	Forest Farming and Conservation	521	1,419	166.93	1970-71 to 2004-05	15
3.	Excise and Taxation	776	1,945	62.66	1973-74 to 2004-05	9
4.	Transport	516	1,499	25.73	1972-73 to 2004-05	28
5.	Other Departments (Irrigation and Public Health, Public Works, Agriculture, Horticulture, Co-operation, Food and Civil Supplies and Mining)	496	848	16.60	1976-77 to 2004-05	14
	<b>Total</b>	<b>3,052</b>	<b>7,135</b>	<b>278.05</b>		<b>113</b>

The issue of outstanding IRs was brought to the notice of the Chief Secretary to Government in July 2005. It is recommended that Government may look into the matter and ensure that procedure exists for:

- action against officials who fail to send replies to IRs/ paragraphs as per the prescribed time schedule;
- action to recover loss in a time bound manner and;
- revamp the system to ensure proper response to audit observations by the department.



### **1.12 Departmental audit committees meetings**

In order to expedite the settlement of outstanding audit observations contained in the IRs on revenue receipts of the Government of Himachal Pradesh, departmental audit committees were to be constituted by Government, on the recommendations of the Finance Department. These committees were to be chaired by special secretary/additional/joint secretary of the concerned administrative department and attended by the head of the department/other concerned officer and the Deputy Accountant General from the office of the AG.

For expeditious clearance of the outstanding audit observations, it is necessary that the audit committees meet annually and ensure that final action is taken on all outstanding audit observations. For the year 2005-06, only one (Excise and Taxation Department) out of 10 Government departments relating to revenue receipts, convened meeting of the audit committee, and constitution of committees was not notified by four administrative departments. The matter relating to annual meeting in respect of Forest and Transport departments was under correspondence. Thus majority of the departments had not taken any step in this regard inspite of clear directions from the Finance Department, which indicated lack of interest in reducing the pendency of old objections.

### **1.13 Response of the State Government to draft audit paragraphs**

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by AG to the principal secretaries/secretaries of the department concerned, drawing their attention to audit findings and requesting them to send their response within eight weeks. The fact of non receipt of replies from departments is invariably indicated at the end of each such paragraph included in the Audit Report.

Twenty eight draft paragraphs (including one review) included in the report for the year ended 31 March 2006 were sent to the Principal Secretaries/Secretaries of the respective departments by name between January and July 2006. The Principal Secretaries/Secretaries of the departments did not send replies to 27 draft paragraphs despite issue of reminders (July 2006). These paragraphs have been included in this report without the response of the Principal Secretaries/Secretaries of the departments.

### **1.14 Follow up on Audit Reports- Summarised position**

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Vidhan Sabha, the departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by Government within three months of tabling the



Report, for the consideration of the committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Report(s) were being delayed inordinately. Out of 153 paragraphs (including reviews) included in the Reports of the Comptroller and Auditor General of India on revenue receipts of the Government of Himachal Pradesh for the years ended 31 March 2001, 2002, 2003 and 2004, action taken explanatory notes had not been received in respect of 43 paragraphs from three<sup>@</sup> departments.

### 1.15 Recovery of revenue of accepted cases

During the years between 2000-01 and 2004-05, the departments/Government accepted audit observations involving Rs.63.98 crore of which an amount of Rs.54.51 crore was recovered till 31 March 2006 as detailed below:

(Rupees in crore)			
Year of Audit Report	Total money value	Accepted money value	Recovery made
2000-01	47.03	5.51	0.61
2001-02	19.55	7.12	5.89
2002-03	80.37	6.04	44.54
2003-04	107.31	38.20	1.59
2004-05	54.39	7.11	1.88
<b>Total</b>	<b>308.65</b>	<b>63.98</b>	<b>54.51</b>

<sup>@</sup> 2002-2003: Forest Farming and Soil Conservation

2003-2004: Forest Farming and Soil Conservation, Multipurpose Projects and Power, Revenue

## CHAPTER-II: SALES TAX

### 2.1 Results of audit

Test check of records relating to sales tax assessments and other records conducted, during the year 2005-06, revealed short assessment of tax, non levy of penalty, etc., amounting to Rs.46.23 crore in 212 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sr. No.	Particulars	Number of cases	Amount
1.	Evasion of tax due to suppression of sales/ purchase	43	0.44
2.	Non /short levy of penalty/ interest	10	0.05
3	Under assessment of tax	117	19.06
4	Other irregularities	41	2.38
5	<b>Dues pending collection as arrears of land revenue</b>	1	24.30
	<b>Total</b>	<b>212</b>	<b>46.23</b>

During 2005-06, the department accepted under assessments of Rs.1.73 crore involved in 74 cases which had been pointed out in audit in earlier years.

After issue of draft paragraph, the department recovered Rs.19.80 lakh pertaining to a single observation during the year 2005-06.

A few illustrative cases highlighting important observations involving financial effect of Rs.2.78 crore are given in the following paragraphs.



## 2.2 Government dues pending collection as arrears of land revenue

### Introduction

**2.2.1** The Excise and Taxation Department is responsible for recovery of dues pertaining to its own department. However, if the dues cannot be recovered by the department, such dues are certified for recovery as arrears of land revenue (ALR), under the Land Revenue Act, administered by the respective collector of the State. However, powers of collectors were delegated to departmental officers of the Excise and Taxation Department in December 1990 and January 1993. Cases of arrears pending with the collectors for recovery as ALR were returned to the concerned assistant excise and taxation commissioner (AETC) for effecting recovery alongwith other cases of arrears initiated by the department itself. Cases of recovery as ALR relating to other districts within the State or outside the State were being referred to collectors of the concerned district/ or collector of the concerned district of that State.

Under the Himachal Pradesh Land Revenue Act, 1954, recovery of arrears as ALR may be done by adopting any one or more of the following processes namely by:

- service of a writ<sup>s</sup> of demand on the defaulter;
- arrest and detention of the person;
- distress and sale of his moveable property and uncut or ungathered crops;
- transfer of the holding in respect of which the arrear is due;
- attachment of estate or holding in respect of which the arrear is due;
- annulment of the assessment of that estate or holding;
- sale of that estate or holding;
- proceedings against other immovable property of the defaulter.

### Scope of audit

**2.2.2** There are 11 districts offices in the state. Test check of records relating to ALR of 10\* districts for the period 2000-01 to 2004-05 revealed as under:

<sup>s</sup> Known as 'dastak'. It is little more than a reminder and shows the amount of arrear and requires the person addressed to pay it

\* Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmour, Solan and Una

**Position of pendency vis a vis demand recovered/quashed**

**2.2.3** Each AETC was required to submit monthly report to Excise and Taxation Commissioner (ETC) showing therein stages at which Government dues were pending finalisation.

A perusal of returns submitted by each AETC to ETC revealed that Government dues of Rs.73.92 crore in 713 cases were declared as ALR during 2000-01 to 2004-05, out of which, 573 cases involving Rs.57.99 crore were pending disposal in various districts as detailed below:

Sr. No.	Name of district.	Opening balance as on 1.4.2000	Addition during last five years (2000-01 to 2004-05)	Total	Period to which arrear relates	Amount of demand recovered	Amount of demand quashed <sup>@</sup>	Balance as on 31.3.2005
		Cases/ amount	Cases/ amount	Cases/ amount		Cases/ amount	Cases/ amount	Cases/ amount
1.	Bilaspur	12/1.83	46/93.11	58/94.94	Between 1983-84 and 2003-04	23/14.03	10/21.78	25/59.13
2.	Chamba	01/0.15	05/4.42	6/4.57	Between 1982-83 and 1999-2000	01/0.77	--	5/3.80
3.	Hamirpur	--	38/60.05	38/60.05	Between 1990-91 and 2001-02	08/0.85	01/0.89	29/58.31
4.	Kangra	34/80.70	15/30.89	49/111.59	Between 1985-86 and 2001-02	11/20.05	--	38/91.54
5.	Kullu	13/6.16	15/131.71	28/137.87	Between 1981-82 and 2003-04	15/31.75	01/12.84	12/93.28
6.	Mandi	15/47.51	11/121.08	26/168.59	Between 1996-97 and 2003-04	07/44.44	01/14.06	18/110.09
7.	Shimla	12/47.38	63/657.01	75/704.39	Between 1987-88 and 2003-04	03/215.54	--	72/488.85
8.	Sirmour	47/73.56	35/933.10	82/1,006.66	Between 1977-78 and 2003-04	08/77.04	04/192.26	70/737.36
9.	Solan	149/672.43	87/3,432.62	236/4,105.05	Between 1980-81 and 2001-02	26/265.61	10/224.02	200/3,615.42
10.	Una	--	115/998.48	115/998.48	Between 1978-79 and 2001-02	03/376.49	08/80.44	104/541.55
	<b>Total</b>	<b>283/929.72</b>	<b>430/6,462.47</b>	<b>713/7,392.19</b> <b>say Rs.73.92 crore</b>		<b>105/1,046.57</b> <b>say Rs.10.47 crore</b>	<b>35/546.29</b>	<b>573/5,799.33</b> <b>say Rs.57.99 crore</b>

It would be seen from above that position of recovery was 14 *per cent* of the total ALR cases. ETC reported in June 2006 that details of yearwise recovery of arrears was not available. No norms were fixed for finalisation of cases for any authority performing the duty of collectors/ assistant collectors.

<sup>@</sup> The cases were remanded by appellate authorities to the AETCs for re-assessment. Thereafter, the arrears were deleted. Further information regarding reassessment was not made available.

In district Kinnaur there were no arrears.



**Intra and inter state transfer of cases**

**2.2.4** Cases where defaulter had shifted from one district to another were required to be transferred to the concerned district through district collector.

Cross verification of information obtained from five AETCs with the records of concerned district collectors revealed that AETCs had sent 57 LAR cases involving Government revenue of Rs.28.53 crore to district collectors for onward transfer of cases to the districts where the defaulters had shifted their business. Against these, the district collectors depicted 63 LAR cases involving Rs.10.74 crore in their records. Thus there was discrepancy in six cases involving Rs.17.79 crore as detailed below:

Sr. No.	Name of district	Figures as per AETC office		Figures as per Distt. Collector office	
		No. of cases	Amt.(Rs. in lakh)	No. of cases	Amt.(Rs. in lakh)
1.	Shimla	--	--	1	2.36
2.	Kangra	5	20.75	2	1.89
3.	Sirmour	32	325.04	4	26.91
4.	Solan	20	2,507.68	39	547.58
5.	Una	--	--	17	495.08
	<b>Total</b>	<b>57</b>	<b>2,853.47</b>	<b>63</b>	<b>1,073.82</b>

It was further noticed that no separate register regarding these cases was maintained either at AETCs office or in district collector's office. Consequently, no check could be exercised by the controlling authority. It is recommended that registers may be maintained and above discrepancy be reconciled.

**2.2.5** It was noticed that AETC Mandi reported four ALR cases involving Rs.0.48 crore to ETC on 31 March 2005 against Rs.0.71 crore shown in the ALR register. Thus there was a discrepancy of Rs.0.23 crore. In another case, AETC Bilaspur declared Rs.7.31 lakh as ALR in October 2001, against which Rs.5.62 lakh were shown in arrear statements submitted to ETC indicating therein less reporting of Rs.1.69 lakh. The discrepancies need reconciliation.

## **Internal Control**

### **2.2.6 Demand register**

A demand register of ALR cases namely "Running Register" was being maintained in the office of each collector for keeping detailed particulars of cases received for recovery as ALR.

Test check of records of 10 AETCs\* revealed that though the register of ALR cases was being maintained but particulars such as registration certificate number, date of order, additional demand, penalty, interest, brief reference of action taken prior to declaration of ALR i.e. penalty, action against surety etc. with dates and other details, date with progress i.e. date of visit to the dealer's premises, were not found recorded in the relevant columns of the register. Further, the said register was not reviewed by any officer other than the official responsible for its maintenance. Thus, the very purpose of maintaining the register was defeated.

### **2.2.7 Internal audit wing**

The internal audit wing of Excise and Taxation Department consists of one Deputy Controller (Finance and Accounts), one Assistant Controller (Finance and Accounts) and six section officers working under the control of Finance Department.

During the course of audit of 10\* AETCs, it was noticed that no ALR case was checked by internal audit wing. The wing has also intimated in April 2006 that these cases were not monitored by them.

## **Non recovery of ALR cases pertaining to defaulters residing in other States**

**2.2.8** Under Revenue Recovery Act, 1890, when a sum recoverable as an ALR is payable to a collector by the defaulter who has left the State, the collector may send a certificate in the prescribed form to the collector of the district where the defaulter is situated, to recover the amount as if it was an ALR which had accrued in his own jurisdiction.

---

\* Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmour, Solan and Una



Analysis of a few cases is given below:

Name of district	Number of ALR cases	Amount (Rs. in lakh)	Period to which relates	Date of declaration of ALR	Remarks
Solan	7	127.00	1978-79 to 1997-98	Between 2000-01 and 2003-04	These cases were returned by the District Collector to AETC, Solan in October 2004 with the remarks to ascertain the addresses of concerned collectors at Delhi in whose jurisdiction these defaulters fall so that non recovery certificates (NRC) could be issued to the concerned collector at Delhi. In one case, period to which recovery related was also not known to the department. Necessary information was not furnished to the district collector by the AETC.
Sirmour	10	46.70	2000-01 to 2003-04	Between June 2000 and March 2004	The cases pertained to the defaulters who had left the State but were not sent to the district collector, Sirmour by the AETC Sirmour, for taking up further action for recovery.
-do-	1	199.00	1989-90 to 1992-93	July 2001	Collector Sirmour took up the matter in November 2001 with his counterparts at Chandigarh, New Delhi and Jalandhar for recovery of the amount from defaulters of a firm having three directors residing outside the State under Revenue Recovery Act, 1890. Neither the collectors of other States reported the progress of recovery nor were these pursued by the AETCs and district collectors.
-do-	1	20.04	1991-92 to 1999-2000	February 2002	As the dealer had left the State, therefore, a NRC was issued in June 2000. The certificate was returned by the Collector, Yamunanagar in July 2002 for want of proof of action taken by the department from time to time for the recovery of amount. The action of the Collector, Yamunanagar was uncalled for as the NRC had been issued after exhausting all channels of recovery. This point was not contested by the district collector, Sirmour. No further action had been taken by the department.
-do-	1	11.80	1988-89 to 1991-92	April 2001	Collector, Sirmour issued NRC in September 2001 to the District Collector, Yamunanagar. As per report on NRC received from Tehsildar Jagadhari (under jurisdiction of Collector Yamunanagar), out of three directors of the firm, one director was having residential house which was mortgaged with the Himachal Pradesh State Financial Corporation (HPSFC). The ETC took up the matter in December 2004 with the HPSFC to allow the share of the department. Latest position in the matter was not known to the department (March 2006). Whereabouts of the remaining two directors were not known. No action was taken by the department to trace the defaulters and pursue the case with HPSFC.
<b>Total</b>	<b>20</b>	<b>404.54</b> <b>Say Rs.4.05 crore</b>			

**Short declaration of arrears as arrears of land revenue**

**2.2.9** As per Revenue Recovery Act, 1890, arrear certificate shall be issued for all the dues payable by the defaulter to Government.

Test check of records of four districts revealed that in 12 cases, interest of Rs. 1.64 crore<sup>e</sup> for the period between May 1986 and July 2004, was due from the defaulter at the time of declaration of arrears as ALR. The same was not included in the arrear certificate resulting in short declaration of Government revenue to that extent.

**2.2.10** In another case of Nalagarh in Solan district, an amount of Rs. 1.14 crore for the period 1995-96 to 2002-03, was declared as ALR on 11 July 2003. Excise and Taxation Officer (ETO) Nalagarh revised the assessment to Rs.1.78 crore in November 2004 and total arrears recoverable as ALR worked out to Rs. 2.69 crore. ETO Nalagarh requested AETC Solan in February and April 2005 to declare the additional arrears of Rs. 1.55 crore as ALR, yet the same had not been declared. This resulted in short declaration of ALR to that extent.

**Non auction of attached property**

**2.2.11** Under Land Revenue Act, if arrear declared as ALR remains unpaid by the defaulter after the issue of writ of demand, the property of the defaulter may be got attached by the concerned AETCs.

In eight districts, properties of 18 defaulters were attached for auction. But permission for their auction, as required under rules, was not obtained from the respective divisional commissioners. This resulted in non realisation of Government revenue of Rs.19.93<sup>&</sup> crore as under:

(Rupees in crore)

Name of district/ AETC	Number of cases	Nature of irregularities	Amount
Bilaspur, Hamirpur, Kangra, Kullu, Sirmour, Solan and Una	16	The properties were attached between June 2001 and September 2004 but no action was taken by the AETCs to seek permission from the divisional commissioner for auction.	1.32

<sup>e</sup> Bilaspur: one case: Rs. 0.01 crore, Kangra: four cases: Rs. 0.16 crore, Mandi: one case: Rs. 0.03 crore and Solan: six cases: Rs. 1.44 crore

<sup>&</sup> Bilaspur: one case: Rs.0.06 crore, Hamirpur: two cases: Rs. 0.06 crore, Kangra: four cases: Rs.0.45 crore, Kullu: one case: Rs.0.12 crore, Shimla: one case: Rs.0.65 crore, Sirmour: one case: Rs.0.40 crore, Solan: two cases: Rs.18.01 crore and Una: six cases: Rs.0.18 crore



(Rupees in crore)

Name of district/ AETC	Number of cases	Nature of irregularities	Amount
Solan	1	The case was sent by AETC Solan to DC Shimla thrice. On two occasions i.e. in May 2004 and January 2005 the DC returned the case as it was found incomplete. The case was finally sent to DC in May 2005 but permission to auction was still awaited.	17.96
Shimla	1	The case was sent by AETC Shimla in July 2001 to Divisional Commissioner Shimla for sale of property. However, the case was found incomplete and returned on five occasions, last occasion being December 2004. The case is pending with AETC.	0.65
<b>Total</b>	<b>18</b>		<b>19.93</b>

**Non pursuance of recovery**

2.2.12 A dealer of Solan district assessed in March 1994, for the years 1991-92 to 1992-93, was liable to pay sales tax of Rs. 5.12 lakh. The arrear was declared as ALR in May 2004. Writ of demand was issued in June 2004, which could not be served upon the dealer as he had already sold his business premises and his present address was not known. Though the dealer furnished surety of Rs. 0.35 lakh at the time of registration and fixed deposit of Rs. 0.15 lakh, neither the surety was invoked nor the amount of fixed deposit was encashed. The department also made no efforts to trace the defaulter. Thus, Government revenue of Rs.5.12 lakh remained unrecovered.

**Arrears pending due to inadequate action**

2.2.13 It was noticed in four districts that arrears in nine cases relating to sales tax, passengers and goods tax, pertaining to period 1984-85 to 2002-03 were certified for recovery as ALR between July 2001 and April 2004. However department did not take any concrete steps to recover the amount as detailed below:

Name of district	No. of cases	Amount. (Rs. in lakh)	Period to which relates/ Date of assessment	Month in which ALR was declared	Remarks
Kullu PGT	one	16.30	1994-95 to 1999-2000/ NA	October 2001	Notices were issued to the defaulter five times. These were received undelivered as the defaulter was not available. There was nothing on record to indicate that copy of notices was pasted on conspicuous place near the property to which it relates as required under sub section 5 of section 6 of Land Revenue Act. Neither the sureties were invoked nor did the department take any action to attach the property.



Name of district	No. of cases	Amount. (Rs. in lakh)	Period to which relates/ Date of assessment	Month in which ALR was declared	Remarks
<u>Kangra</u> Sales Tax	one	0.93	1995-96/ 30.08.2000	June 2002	A sum of Rs.0.20 lakh out of total arrears of Rs. 0.93 lakh was recovered in April 2002. No action was taken by the department to recover the remaining amount by attachment of property etc.
-do-	one	1.88	1994-95 to 1996-97/ 15.6.96 and 12.11.99	August 2001	The defaulter deposited Rs. 0.20 lakh in March 2004 and promised to pay the arrears by July 2004, but he failed to pay the same. He had immovable property in the form of land and shop building at Palampur, but no action was taken by the department to attach the same.
<u>Hamirpur</u> PGT	one	3.26	1997-98 to 1999-2000/ 31.08.2000	July 2001	Teshildar Jaisinghpur was approached in October 2001 by AETC to attach the property. However, the property was not attached. It was further seen that no reminder was sent by AETC to the concerned tehsildar. Lack of pursuance resulted in non attachment of property (April 2006).
<u>Solan</u> Sales Tax	one	0.27	1984-85 and 1985-86/ 31.03.1990	April 2004	The arrear was declared as ALR after 14 years, when not only the dealer but his surety had already closed his business as informed by ETO in February 2004.
-do- PGT	one	2.52	1998-99 to 1999-2000/ 18.07.2000	December 2001	The writ of demand was issued in December 2001. Thereafter, recovery notices were issued to the sureties in March 2002 and to the defaulter in August 2003. The property of the defaulter was not identified and no reference was made to the concerned tehsildar to inquire about the property owned by the defaulter.
-do- Sales Tax	one	27.62	1991-92 to 1993-94/NA	September 2001	Writ of demand was issued in September 2001. The case was not pursued thereafter.
-do-	one	39.41	1996-97 to 2002-03/ NA	October 2003	The arrears were declared as ALR in October 2003. However, at the time of declaration essential documents like jamabandi, tatima* were not available with the department as these were not supplied by the concerned tehsildar though called for.

\* Map of particular land



Name of district	No. of cases	Amount. (Rs. in lakh)	Period to which relates/ Date of assessment	Month in which ALR was declared	Remarks
-do-	one	25.95	1989-90 to 1994-95/ NA	October 2001	Last notice was issued to defaulter in February 2001. The business was stated to be closed down by the dealer who had reportedly left the state and was residing at Ludhiana. Sureties had also closed down their business. Scrutiny by audit revealed that the said case was not sent to the Collector Solan for issuing NRC.

Inadequate action on the part of department in the above cases resulted in non recovery of ALR of Rs. 1.18 crore.

### Conclusion

2.2.14 The department had not fixed norms for finalisation of ALR cases for any authority performing the duty of collector/assistant collector. No system exists between AETCs and district collector's office to reconcile the ALR cases sent to the collectors of other states. The functioning of the internal audit wing of the department was not existent.

These points were reported to the department and to Government between May 2005 and March 2006; their reply had not been received (September 2006).

### 2.3 Short levy of tax on manufacturing units

According to a notification issued in January 1997, sales tax was leviable at rate of one *per cent* in respect of goods manufactured and sold by an industrial unit. However, in respect of goods, that do not amount to manufacture, tax was payable at the rates prescribed in Himachal Pradesh General Sales Tax Act (HPGST Act). Hon'ble Supreme Court of India held that retreading<sup>▼</sup> of tyres does not amount to manufacture as no new and distinct article is formed.

During test check of the records of two<sup>&</sup> AETCs, it was noticed between September 2005 and March 2006 that two units engaged in tyre retreading were incorrectly allowed concessional rate of tax during the years 2001-02 to 2003-04 by treating these units as manufacturing units. As transfer of material in the shape of rubber used for retreading of tyres was involved, sales tax at the rate of eight *per cent* was leviable. Allowance of concessional rate of tax resulted in short levy of sales tax of Rs.4.44 lakh including interest.

▼ Tamil Nadu State Transport Corporation Ltd. Vs Commissioner of Income Tax (1999) 239 ITR 375  
 & Chamba and Hamirpur

The matter was reported to the department and Government between October 2005 and April 2006; their replies had not been received (September 2006).

#### **2.4 Incorrect exemption/grant of concessional rate of tax**

Under HPGST Act, flour mills are not eligible for sales tax incentives. State Government clarified in August 1995 that "roller flour mills" were included in the wider term "flour mills" and were not eligible for sales tax incentives. Further, if a dealer failed to pay the tax due by the prescribed date, he became liable to pay interest at the prescribed rates.

**2.4.1** During audit of records of AETC, Solan, it was noticed in December 2005 that a flour mill dealer registered with Industries Department for manufacture of wheat products viz atta, maida, suji etc. started production from March 1994. The assessing authority while finalising the assessments for the years 2001-02 and 2002-03 in January 2005, incorrectly exempted sales valued at Rs.16.15 crore from levy of tax, treating it as an exempted sale. This resulted in non levy of sales tax of Rs.56.53 lakh. Besides, interest of Rs.30.69 lakh was also leviable.

The matter was reported to the department and Government in January 2006; their reply had not been received (September 2006).

**2.4.2** Under HPGST Act, polishing and grinding units are not eligible for sales tax incentive. As per clarification dated 16 February 1999 issued by the department, grinding of haldi and spices does not tantamount to manufacture but is merely processing; as such no concessional rate of tax was admissible to units dealing with haldi and spices. Haldi and spices are taxable at the rate of four *per cent*.

During audit of records of AETC, Mandi, it was noticed in December 2005 that four\* dealers engaged in grinding of haldi and spices and sale thereof, were assessed for the years 1997-98 to 2002-03 by the assessing authorities between December 2001 and March 2005. The assessing authorities incorrectly allowed concessional rate of one *per cent* on taxable turnover of Rs. 3.43 crore.

This resulted in short realisation of tax of Rs. 10.31 lakh for sales valued at Rs.3.43 crore. Besides, interest of Rs.9.39 lakh was also leviable.

The matter was reported to the department and Government in January 2006; their replies had not been received (September 2006).

---

\* M/s Joyti Enterprises Mandi: Rs. 13.33 lakh, M/s K.V. Spices, Nerchowk: Rs. 2.83 lakh, M/s Sanjay Enterprises Lunapani, Mandi: Rs. 2.68 lakh, and M/s Nav Durga Udhyog Mandi: Rs. 0.86 lakh



## **2.5 Under assessment due to non withdrawal of concession**

Under HPGST Act, tiny industrial unit falling in "C"<sup>@</sup> category of industrial block is entitled for concessional rate of tax of one *per cent*, for a period of six years from the date of commencement of production.

During audit of records of AETC, Solan, it was noticed in December 2005 that a dealer engaged in the manufacture of plastic containers and bottles commenced its production from 25 September 1995 and was entitled for concessional rate of tax for a period upto 24 September 2001. However, the assessing authority while finalising the assessments for the years 2001-02 to 2003-04 in March and April 2005, allowed concessional rate of tax on taxable turnover of Rs. 32.04 lakh, beyond admissible period. This resulted in non realisation of revenue of Rs. 3.05 lakh including interest.

The matter was reported to the department and Government in January 2006; their reply had not been received (September 2006).

---

<sup>@</sup> For the purpose of concessional rate of sales tax, the State has been divided into three categories of industrial blocks i.e. "A", "B" and "C"

## CHAPTER-III: STATE EXCISE

### 3.1 Results of audit

Test check of records relating to state excise conducted during the year 2005-06, revealed non realisation of license fee/excise duty and other irregularities involving revenue amounting to Rs. 3.03 crore in 38 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sr. No.	Particulars	Number of cases	Amount
1.	Non realisation of license fee	7	1.07
2.	Non/short realisation of excise duty/ interest	23	1.08
3.	Other irregularities	8	0.88
	<b>Total</b>	<b>38</b>	<b>3.03</b>

During 2005-06, the department accepted under assessments of Rs.0.48 crore involved in 14 cases which had been pointed out in audit in earlier years.

A few illustrative cases highlighting important observations involving financial effect of Rs.0.12 crore are given in the following paragraphs.



### **3.2 Non recovery of license fee and interest**

Himachal Pradesh excise auction announcements for the year 2004-2005, provide for payment of license fee in 10 equal instalments by the licensee holding license for vending country made liquor or Indian made foreign liquor (IMFL). The licensee is required to pay the instalments by last day of each month. Failure to do so, renders him liable to pay interest at the prescribed rates.

During audit of five\* Assistant Excise and Taxation Commissioner (AETCs) it was noticed from interest receipt register that five licensees did not pay monthly instalments of license fee amounting to Rs.36.32 lakh during 2004-05. The department failed to recover the amount and levy of interest of Rs.3.65 lakh on the unpaid amount. As a result, Government dues of Rs.39.97 lakh remained unrecovered.

After this was pointed out between November 2005 and January 2006, the department stated between November 2005 and September 2006 that in four cases an amount of Rs.30.53 lakh including interest of Rs.2.49 lakh had been recovered. Report of recovery of remaining amount and levy of interest were awaited (September 2006).

The matter was reported to the department and Government between October 2005 and February 2006; their reply had not been received (September 2006).

### **3.3 Non realisation of duty on excess wastage**

The Punjab Distillery Rules (PDR), 1932, as applicable to Himachal Pradesh provide for prescribing of scale of wastage of spirit allowable in the maturation room of a distillery. Notification dated 20 September 1965 issued under PDR, prescribed norms for wastage in the spirit maturation warehouse/warehouses during the period of storage.

During test check of records of Kasauli distillery in Solan district, it was noticed between August and September 2005, that against admissible maturation wastage of 18,490.3 proof litres of spirit, actual wastage allowed was 30,681.3 proof litres. This resulted in excess wastage of 12,191 proof litres of spirit during 2004-05, on which excise duty of Rs. 3.29 lakh was payable by the licensee. The department, neither raised the demand nor was it paid by the licensee resulting in non realisation of Government revenue to that extent.

After this was pointed out, the department stated in January 2006 that the distillery had been directed to deposit the amount. However, it filed an appeal with the Excise and Taxation Commissioner against the demand raised. Further development was awaited (September 2006).

\* Bilaspur: Rs.13.15 lakh, Mandi: Rs.4.65 lakh, Kangra: Rs.4.95 lakh, Solan: Rs.8.32 lakh and Una: Rs.8.90 lakh

The matter was reported to Government in October 2005, their reply had not been received (September 2006).

**3.4. Non recovery of excise duty at enhanced rate**

Excise auction announcements for the year 2004-05 provide for levy of excise duty on various kinds of liquor and intoxicants at the prescribed rates. Rates of excise duty fixed in 2003-04 as Rs. 23 and Rs. 31 per proof litre in respect of cheap/regular, premium and superior brands of Indian made foreign spirit (IMFS) with strength of 25<sup>0</sup> under proof were enhanced to Rs.27 and Rs. 35 per proof litre respectively during 2004-05.

During audit of records of AETC, Solan it was noticed between August and September 2005 that four licensees sold 1.30 lakh proof litres of IMFS during 2004-05 at pre revised rates instead of revised rates. This resulted in non recovery of excise duty of Rs.5.19 lakh.

After this was pointed out, the Excise and Taxation Commissioner, Shimla stated in January 2006 that Rs. 1.56 lakh had been recovered and concerned taxation authority was being directed to expedite recovery of remaining amount. Further report was awaited (September 2006).

The matter was reported to the department and Government in October 2005; their replies had not been received (September 2006).



## CHAPTER-IV: TAXES ON VEHICLES, GOODS AND PASSENGERS

### 4.1 Results of audit

Test check of records of the motor vehicles, goods and passengers offices, conducted during the year 2005-06, revealed non/short realisation of tax and other irregularities amounting to Rs. 23.82 crore in 207 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sr. No.	Particulars	Number of cases	Amount
1.	<b>Non/ short realisation of</b> <ul style="list-style-type: none"><li>• Token tax</li><li>• Passengers and goods tax</li></ul>	79 16	1.10 0.95
2.	<b>Evasion of</b> <ul style="list-style-type: none"><li>• Token tax</li><li>• Passengers and goods tax</li></ul>	12 15	0.63 0.36
3.	<b>Other irregularities</b> <ul style="list-style-type: none"><li>• Vehicles tax</li><li>• Passengers and goods tax</li></ul>	80 05	18.83 1.95
	<b>Total</b>	<b>207</b>	<b>23.82</b>

During 2005-06, the department accepted under assessments of Rs.0.32 crore involved in 40 cases which had been pointed out in audit in earlier years.

A few illustrative cases highlighting important observations involving financial effect of Rs.21.49 crore are given in the following paragraphs.

#### **4.2 Non levy of special registration fee**

Under the Himachal Pradesh Motor Vehicles (Amendment) Rules, 2001, for allotment of registration marks of choice, special registration fee was leviable with effect from 10 August 2001. In September 2003, Principal Secretary (Transport), Government of Himachal Pradesh bifurcated the numbers of choice for registration of vehicles and clarified that if registration numbers from 0001 to 0200 were to be allotted to personal vehicles, special registration fee at the prescribed rates was leviable. No special registration fee was to be charged if allotted to Government vehicles.

During audit of the records of three<sup>@</sup> registering and licensing authorities (RLAs), it was noticed between May 2005 and September 2005 that special registration fee of Rs. 5.30 lakh leviable on 212 personal vehicles during July 2003 to February 2005, was not levied resulting in non realisation of Government revenue to that extent.

After this was pointed out, department stated between May 2005 and September 2005 that action would be taken as per rules.

The matter was reported to the department and Government between June 2005 and November 2005; their reply had not been received (September 2006).

#### **4.3 Non payment of special road tax/ non levy of penalty**

Under the Himachal Pradesh Motor Vehicles Taxation Act, 1972 (HPMVT Act), as amended from time to time, special road tax (SRT) on all specified transport vehicles used or kept for use in Himachal Pradesh shall be levied and paid in advance on 15<sup>th</sup> of each month. As per Transport Department, Government of Himachal Pradesh notification dated 28 May 2003, if the owner of the vehicle fails to pay the tax due by the specified date, the taxation authority, after giving an opportunity of being heard, shall direct him to pay the penalty at prescribed rates.

**4.3.1** During audit of the records of five regional transport authorities (RTAs)\*, it was noticed between April 2005 and December 2005 that in 70 cases SRT of Rs. 2.78 crore<sup>#</sup> was not deposited by the vehicle owners for the period April 2003 to March 2005. Department failed to take action to recover the tax due. Besides, penalty of Rs. 2.78 crore was also leviable for non payment of the tax due.

---

<sup>@</sup> Baijnath: 18 vehicles (including two construction equipment vehicles), Lahaul & Spiti: 94 vehicles and Nalagarh: 100 vehicles

\* Bilaspur, Hamirpur, Mandi, Shimla and Solan

<sup>#</sup> Himachal Road Transport Corporation (HRTC): 5 cases: Rs.2.32 crore; private stage carriages: 61 cases: Rs. 0.39 crore and stage carriages of other States: 4 cases:Rs.0.07 crore



After this was pointed out, the RTAs stated between April 2005 and December 2005, that action to recover the tax would be taken as per provision of the Act and rules. Further reply was awaited (September 2006).

The matter was reported to the department and Government between May 2005 and January 2006; their reply had not been received (September 2006).

**4.3.2** During test check of the records of six RTAs<sup>\*\*</sup>, it was noticed between April 2004 and December 2005 that SRT of Rs.17.96 crore<sup>§</sup> for the period June 2003 to March 2005 was not paid within the specified period. The delay in payment of tax ranged between 5 days to 729 days for which penalty of Rs.13.42 crore<sup>##</sup> though leviable, was not levied by the taxation authorities. This resulted in non levy of penalty of Rs.13.42 crore.

After this was pointed out, the RTA Bilaspur issued notice to Regional Manager Himachal Road Transport Corporation (HRTC) to deposit penalty. Other RTAs stated between April 2004 and December 2005, that the matter would be taken up with all concerned to recover penalty. Further reply was, however, awaited (September 2006).

The matter was reported to the department and Government between June 2004 and January 2006; their replies had not been received (September 2006).

#### **4.4 Non payment of token tax**

Under the HPMVT Act and Rules made thereunder, token tax is payable in advance and is collected quarterly or annually in the prescribed manner. If an owner of a registered vehicle defaults in payment of token tax, the taxation authority shall direct him to deposit, in addition to the arrears of token tax, penalty at the prescribed rates to the extent of delay.

During test check of the records of 18<sup>\*</sup> RLAs, and State Transport Authority, Shimla, it was noticed between May 2005 and December 2005 that in 1,067<sup>&</sup> cases, token tax amounting to Rs.99.61 lakh for the years 2003-04 and 2004-05 was neither deposited by the vehicle owners nor had the taxation authorities taken any

<sup>\*\*</sup> Bilaspur, Dharamsala, Hamirpur, Kullu, Mandi and Shimla

<sup>§</sup> HRTC: Rs.17.06 crore; private stage carriage operators:Rs.0.10 crore and transporters of other States:Rs.0.80 crore

<sup>##</sup> HRTC:Rs.13.27 crore; private stage carriage operators:Rs.0.05 crore and transporters of other States:Rs.0.10 crore

<sup>\*</sup>Bajjnath, Barsar, Dalhousie, Dehra, Dharamsala, Hamirpur, Jawali, Kangra, Kalpa, Kullu, Mandi, Nadaun, Nurpur, Palampur, Paonta Sahib, Rohroo, Sarkaghat and Theog

<sup>&</sup> Buses/mini buses/maxi cabs: 497 cases: Rs.87.64 lakh and goods carriers/ other vehicles: 570 cases: Rs.11.97 lakh

action to recover the same. There was nothing on record to show that vehicles were off the road or had paid tax in any other RLA. No action was taken against the defaulters by RLAs. This resulted in non recovery of token tax of Rs.99.61 lakh. For non payment of token tax, penalty of Rs.99.61 lakh was also leviable.

After this was pointed out, RLA, Dalhousie stated in December 2005 that an amount of Rs.0.48 lakh had been recovered. The remaining concerned taxation authorities stated that notices were being issued to owners of the vehicles to recover the amount. Further report had not been received (September 2006).

The matter was reported to the department and Government between June 2005 and January 2006; their replies had not been received (September 2006).

#### **4.5 Short realisation of one time token tax**

Under the HPMVT (Amendment) Act, 2001, effective from 18 October 2001, one time token tax based on the price of personal motor vehicle and motor cycle/scooter was leviable. As per notification dated 15 December 2001, issued under the Act *ibid*, one time tax on personal motor vehicle was leviable at the rate of two *per cent* of the price of the personal motor vehicle.

During audit of records of RLAs, Nalagarh and Parwanoo, it was noticed between September and October 2005 that one time token tax was realised from 30 vehicle owners registered between April 2003 and March 2005, at annual rate of tax instead of two *per cent* of the price of the vehicles. As against recoverable tax of Rs.5.49 lakh, only Rs.0.50 lakh was recovered by RLAs. This resulted in short realisation of token tax amounting to Rs.4.99 lakh.

After this was pointed out, RLA Parwanoo accepted audit contention and stated in September 2005 that tax due would be recovered. RLA Nalagarh stated in October 2005 that matter would be looked into. Further reply was awaited.

The matter was reported to the department and Government between October and November 2005; their replies had not been received (September 2006).

#### **4.6 Short realisation of special road tax**

HPMVT Act, provides for levy and collection of SRT in advance at specified rates. The rates are based on classification of routes on which vehicles are plying such as national highways, intra state/ inter state routes, state highways, rural roads and local buses/mini buses operating within a radius of 30 km.



During audit of records of three RTAs<sup>^</sup> it was noticed between June 2004 and September 2005 that in 53<sup>^</sup> cases SRT of Rs.9.85 lakh for the period April 2003 to March 2005 was levied short due to incorrect classification of routes. This resulted in short realisation of revenue to that extent.

After this was pointed out, RTAs stated between June 2004 and September 2005 that action to recover the amount would be taken as per provision of Act and rules.

The matter was reported to the department and Government between July 2004 and October 2005; their reply had not been received (September 2006).

#### **4.7 Non charging of token tax**

Under the HPMVT Act, token tax at the rate of Rs.200 per seat per annum subject to maximum of Rs.8,000 was to be charged on the buses belonging to educational institutions. With effect from January 2004, the rate of token tax was revised to Rs.250 per seat per annum subject to a maximum of Rs.35,000.

During audit of records of six RLAs<sup>\*</sup>, it was noticed between January 2005 and September 2005 that 35 buses owned by educational institutions, were not charged token tax for the period falling between April 2003 and March 2005. This resulted in non realisation of token tax of Rs.2.89 lakh.

After this was pointed out, RLA Dharamsala stated in April 2006 that recovery of Rs. 0.13 lakh in respect of one vehicle was made whereas RLA Una intimated that notices had been issued. The remaining registering authorities stated between January 2005 and August 2005 that notices would be issued to the concerned defaulters to deposit tax.

The matter was reported to the department and Government between February 2005 and September 2005; their replies had not been received (September 2006).

---

<sup>^</sup>Dharamsala: 13 cases, Kullu: 11 cases and Shimla: 29 cases

<sup>\*</sup>Dalhousie, Dehra, Dharamsala, Kangra, Parwanoo and Una

#### **4.8 Vehicles not registered with the Excise and Taxation Department**

Under Himachal Pradesh Passengers and Goods Taxation (HPPGT) Act, 1955 and Rules made thereunder, owners of stage/contract carriages and goods carriers are required to register their vehicles with the concerned excise and taxation officers and pay passenger tax and goods tax at the prescribed rates. Administrative instructions issued in December 1984 also stipulate that Excise and Taxation Department shall take suitable measures to ensure registration of all vehicles under the HPPGT Act and for that purpose maintain close co-ordination with RLAs. For failure to apply for registration, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of Rs. 500 is also leviable.

During test check of records of seven\* AETCs and ETO, Kinnaur, it was noticed between June and October 2005 that 906 vehicles registered with concerned RLAs and regional transport officers (RTOs) were not registered with the Excise and Taxation Department under the HPPGT Act. As a result, tax amounting to Rs. 24.36 lakh for the period between 2003-04 and 2004 -05, was not paid by the owners of the vehicles. A minimum penalty of Rs.4.53 lakh was also leviable.

After this was pointed out, the Additional ETC stated between October and November 2005 that in respect of Bilaspur district, 27 vehicles had been registered and Rs.0.55 lakh was recovered. As regards Kullu district, 20 vehicles had been registered and Rs.0.40 lakh was recovered. Further reply in respect of remaining districts had not been received (September 2006).

The cases were reported to the department and Government between July 2005 and November 2005; their reply had not been received (September 2006).

---

\*Bilaspur, Chamba, Kangra, Kullu, Reckong Peo, Shimla and Solan



## CHAPTER-V:FOREST RECEIPTS

### 5.1 Results of audit

Test check of records of forest receipts, conducted during the year 2005-06, revealed non recoveries, short recoveries and other losses of revenue amounting to Rs.111.22 crore, in 178 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sr. No.	Particulars	Number of cases	Amount
1.	Non/short recovery of royalty	17	5.68
2.	Non levy of extension fee	21	0.67
3.	Non levy of interest	09	0.24
4.	Other irregularities	129	48.20
5.	Arrears recoverable as arrears of land revenue	1	1.35
6.	Review on Exploitation of forests	1	55.08
	<b>Total</b>	<b>178</b>	<b>111.22</b>

During 2005-06, the department accepted under assessments of Rs.21.42 crore involved in 54 cases which had been pointed out in audit in earlier years.

A few illustrative cases highlighting important observations involving financial effect of Rs.32.94 crore are given in the following paragraphs.

## **5.2 Review: Exploitation of Forests**

### **5.2.1 Recommendations**

The State Government may consider the following points:

- The PCCF may develop a mechanism to ensure that the instructions and orders issued from time to time for marking of trees, checking of felling, conversion, carriage, resin tapping works are followed in letter and spirit by the field agencies.
- Government may like to implement its orders with regard to the duties assigned to internal audit so that an effective mechanism is developed to exercise control on the working of the corporation at all levels.
- Reconciliation of royalty, interest, damage bills and extension fee etc. should be done with the corporation on regular basis to ensure that the figures of outstanding arrears as shown in the books of department are the same as per books of the corporation. This will facilitate authentic depiction of arrears and their recovery position.



**5.2.2 Highlights**

- The department failed to ascertain correct position of arrears pending collection as on 31 March 2005. It showed Rs.91.70 crore pending collection against corporation while the latter admitted only Rs.11.70 crore.

**(Paragraph 5.2.9)**

- No mechanism existed to ascertain correctness of weighted average sale rate, furnished by the corporation, which formed basis for fixation of rates of royalty.
- Variation was found in figures supplied to Pricing Committee/ Hon'ble Vidhan Sabha and to PCCF. Accordingly correct fixation of royalty could not be ascertained.

**(Paragraph 5.2.12)**

- Lacuna in the decision of pricing committee in grant of rebate to half broken trees resulted in less assessment of royalty by Rs.1.63 crore.

**(Paragraph 5.2.14)**

- Extension in working period of 276 lots during 2001-02 to 2004-05 though applied for by the corporation was not granted. This resulted in non recovery of extension fee of Rs.1.04 crore.

**(Paragraph 5.2.18)**

- Non charging of interest on belated payment of royalty of resin blazes resulted in less realisation of revenue of Rs.1.75 crore.

**(Paragraph 5.2.20)**

- Short handing over of resin blazes for tapping and non recovery of registration fee from resin tappers resulted in non realisation of revenue of Rs.1.78 crore.

**(Paragraph 5.2.23 & 5.2.24)**

- Delay in transportation of timber to sale depots after extraction resulted in its degradation which adversely affected fixation of royalty rates. This resulted in loss of revenue of Rs.6.38 crore.

**(Paragraph 5.2.27)**

### **5.2.3 Introduction**

The State Government, besides exploiting forests departmentally, had been engaging private contractual agencies for regulating the timber trade and other work of forest operations. With a view to undertake proper and scientific exploitation of forest resources of the State, the State Government incorporated Himachal Pradesh State Forest Corporation (corporation) in March, 1974 under the Companies Act, 1956. The work relating to forest exploitation was entrusted to the corporation in a phased manner from the year 1974-75 and was completely handed over in 1982-83. The corporation was governed by the same terms and conditions which used to be applicable to private contractors prior to nationalisation of forests except the condition of security deposit which the contractors were required to pay and pricing pattern of the lots. The price, terms and conditions for the supply of resin blazes, standing trees, other forest produce to be handed over by the Forest Department to the corporation were to be determined for each year by a statutorily constituted committee known as "pricing committee".

The rate of royalty in case of resin was based on the price of N grade<sup>#</sup> rosin sold by the corporation in market. However, in case of timber no uniform policy was adopted upto 2001-02. Thereafter, the rates of royalty were based on the weighted average sale rates of timber obtained by the corporation in the Himkatha sale depots in the preceding year.

### **5.2.4 Organisational set up**

The Forest Department is headed by the Principal Chief Conservator of Forests (PCCF) under the administrative control of Principal Secretary (Forest) who is assisted by eight Conservators of Forests (CFs) in 37 territorial divisions. Each CF controls the exploitation and regeneration of forest activities being carried out by divisional forest officers (DFOs) under their control. Each DFO is incharge of assigned forest related activities in his territorial division.

### **5.2.5 Scope of audit**

Records of the PCCF office and 26 out of 37 DFOs were test checked for the period 2000-01 to 2004-05.

### **5.2.6 Audit objectives**

The review was conducted with a view to:

- assess the implementation of provisions of Indian Forest Act, rules and instructions issued from time to time for marking, felling and extraction of timber and resin;

---

<sup>#</sup> It is a processed form of resin



- evaluate recommendations made by the pricing committee to ascertain its impact on realisation of Government revenue; to ensure that there was no ambiguity/lacuna in the recommendations made by the Committee;
- evaluate the system of internal controls to ensure that there is no delay in realisation of Government revenue due from corporation.

### 5.2.7 Trend of revenue

Annual budget estimates were prepared by each DFO in respect of his division and submitted to conservator concerned who in turn sent these to the PCCF for approval and consolidation.

Though prescribed procedure for preparation of budget estimates was being followed, a wide variation was found between budget estimates and actual receipts of the corporation as detailed below:

(Rupees in crore)

Year	Original budget estimates	Revised budget estimates	Actual receipts	Receipts on a/c of escrow accounts	Total receipts	Increase/ decrease		% Increase/ decrease	
						Original	Revised	Original	Revised
2000-01	37.21	32.09	10.35	27.31	37.66	(+) 0.45	(+) 5.57	1.20	17.36
2001-02	40.09	35.74	9.98	17.59	27.57	(-) 12.52	(-) 8.17	31.23	22.86
2002-03	39.70	39.80	13.19	11.02	24.21	(-) 15.49	(-) 15.59	39.01	39.17
2003-04	39.18	22.84	21.72	13.19	34.91	(-) 4.27	(+) 12.07	10.90	52.84
2004-05	32.09	32.00	26.71	--	26.71	(-) 5.38	(-) 5.29	16.76	16.53

After this was pointed out, department attributed the variation mainly to receipt of payment through escrow\* account and stated in October 2005 that this payment was to be taken in account as per orders of Government. The reply of the department however is not tenable as even after taking into consideration the amount received through escrow account, the variation in original budget estimates and actual receipts ranged between (+) 0.45 crore to (-) 15.49 crore.

Besides, receipts on account of escrow account had also not been credited to the consolidated fund of the state which is a clear cut violation of principles of financial accounting.

\* A credit enhancement measure for the bond issue for both the interest payments and principal repayments. The State Bank of Patiala was nominated as escrow agent to administer the escrow mechanism

### **5.2.8 Lack of Internal Control**

#### **5.2.8.1 Internal Control**

PCCF instructed in July 1993 and July 2004 that range officer (RO) should check minimum of 25 *per cent*, Assistant Conservator of Forest (ACF) 15 *per cent*, DFO 10 *per cent* and the CF two *per cent* of markings of trees to be handed over to the corporation, in order to ensure adequate control and check. The results of checking/inspection were required to be mentioned in the detailed inspection notes and specific reference was to be made in the monthly tour diaries of the officers.

Test check of tour diaries of the concerned officers in 26 divisions, however, revealed that no such checking was ever done except in Palampur division. Similarly, felling, conversion, resin tapping, carriage works etc., were to be checked at least twice a month by RO and once in a month by ACF and as and when on tour by DFO. This was also not done. No checking /inspection notes were issued by any of the officers. There existed no monitoring mechanism at higher levels to ensure that prescribed checks had been made by the concerned officers.

After this was pointed out, PCCF again issued instructions in December 2005 to all CFs/DFOs to ensure compliance of the instructions.

#### **5.2.8.2 Internal Audit**

Internal audit is intended to provide reasonable assurance for prompt and efficient service. It is meant to ensure compliance with laws, rules and departmental instructions. It helps in correct assessment, speedy collection of revenue and prevention and detection of fraud and other irregularities. The State Government posted one deputy controller-cum-financial advisor and one section officer in the Forest Department to conduct internal audit, check accounts, supervise the clearance of outstanding audit objections and for physical verification of stores and stocks.

During test check of 26 divisions, it was noticed that no audit had been carried out by internal audit wing.

### **5.2.9 Reconciliation of figures**

The pricing committee decided in April 1995 that in order to review position of outstandings as well as performance on account of realisation of royalty and sales tax etc., the Managing Director (MD) of corporation and the Forest Department will present a status paper annually at the time of taking up agenda items relating to fixation of royalty.



The pricing committee further decided in February 2005 that joint reconciliation of outstanding dues would be made on quarterly basis at the level of divisional managers (DM)/ DFOs and at the level of CFs/directors. In case, the corporation failed to pay the reconciled dues within 90 days, it will have to pay interest on that amount upto the date of its actual realisation, at the rates as approved by the pricing committee from time to time.

It was noticed in audit that no status paper, as required, had ever been submitted to pricing committee. As per information furnished by PCCF, an amount of Rs.91.70 crore was outstanding against the corporation as on 31.3.2005. The year wise position of arrears was as under:

Year	Rupees in crore
Upto 1998-99	23.53
1999-2000	8.43
2000-01	8.02
2001-02	16.24
2002-03	10.25
2003-04	11.31
2004-05	13.92
<b>Total</b>	<b>91.70</b>

The department in their agenda note submitted to the pricing committee for its meeting held on 15.2.2005 stated for the first time that reconciliation of accounts upto 1998-99 had been done. As such, Rs.23.53 crore was to be paid by the corporation within 90 days of the date of reconciliation failing which interest of Rs.14.83 crore was also payable upto 31.3.2006.

**5.2.9.1** Examination of records revealed that PCCF in his letter of November 2005 stated that corporation had contradicted the outstanding amount shown by the department and had pleaded that only Rs.11.70 crore was outstanding against it. The PCCF directed all the conservators to reconcile figures latest by 5 December 2005. These have not been reconciled till date. Thus fate of Government revenue amounting to Rs.80 crore is uncertain. This shows that the department lacked monitoring/internal control over the correctness of the figures and recovery of arrears which resulted in non recovery of Government dues.

**5.2.9.2** Further scrutiny revealed that out of Rs.91.70 crore, Rs.7.11 crore was outstanding on account of interest and interest on interest for the period from 1981-82 to 1992-93. The corporation had not made any payment of this amount, as the pricing committee had not fixed any time limit for payment of interest and interest on interest which had been abolished from 1992-93 onwards. This resulted in blockade of Government funds to the extent of Rs.7.11 crore.



### **5.2.10 Reconciliation of figures of standing volume**

Cross verification by audit of figures of standing volume of various species supplied by Forest Department to the pricing committee on 15.2.2005 with the figures supplied by corporation to Vidhan Sabha in response to a question raised in assembly revealed huge differences as under:

(In cubic meters)									
Species	2001-02			2002-03			2003-04		
	Deptt. figures	Corporation figures	Difference	Deptt. figures	Corporation figures	Difference	Deptt. figures	Corporation figures	Difference
Deo	17,463.54	18,610.00	(+) 1,146.46	22,025.99	22,406.00	(+) 380.01	13,067.729	13,073.00	(+) 5.271
Kail	36,086.74	32,901.00	(-) 3,185.74	41,885.87	40,943.00	(-) 942.87	36,221.56	37,380.00	(+) 1,158.44
Chil	1,00,732.99	1,03,223.00	(+) 2,490.01	1,68,644.56	92,231.00	(-) 76,413.56	76,688.87	77,703.00	(+) 1,014.13
Fir/ Spruce	75,327.25	1,31,423.00	(+) 56,095.75	1,24,029.65	1,41,824.00	(+) 17,794.35	49,514.03	65,723.00	(+) 16,208.97

After this was pointed out, the department stated in December 2005 that figures of standing volume handed over by the department and actually received by the corporation were being reconciled and audit would be apprised of the position. Further reply was awaited (September 2006).

### **5.2.11 Determination of royalty structure**

Prior to July 2001, royalty was being charged on intensity\* basis. However, Government of Himachal Pradesh constituted in July 2001 a committee comprising of Financial Commissioner-cum-Secretary (Forests), Finance, PCCF and MD corporation for simplification of royalty and exploring feasibility of fixing royalty rates on advalorem basis. The committee was to submit its report preferably within a month.

During the course of audit it was noticed that the committee did not submit any report to Government or to the pricing committee. There was nothing on record to ascertain that the committee had ever met. Thus the purpose for which committee was constituted stood defeated.

### **5.2.12 Incorrect fixation of royalty rates**

As per decision dated August 2001 of pricing committee, corporation was required to furnish weighted average sale rate received during the preceding year in respect of timber sold in sale depots. Thereafter, rates of royalty were to be fixed on the basis of weighted average sale rates of preceding year in respect of timber sold in the sale depots.

It was noticed that the department had no mechanism to ascertain whether the weighted average sale rate furnished by the corporation was correct or not. Accordingly the correctness of royalty rates could not be ascertained.

\* Intensity means the total volume marked in lot divided by its area



**Variation in figures supplied to Vidhan Sabha**

**5.2.12.1** Corporation furnished two different sets of figures of average sale value of timber sold at their depots, one to the pricing committee and other to Vidhan Sabha. Taking into account the average sale rate furnished by the corporation to Vidhan Sabha as correct, the department suffered a loss of Rs.32.84 lakh as detailed below:

(Rupees in lakh)								
Year	Species/ Vol. @ sold 2002-03, 2003-04	Weighted average. sale rate furnished to pricing committee per cu.m by corporation	Royalty due per cu.m.	Average sale rate furnished to Vidhan Sabha per cu.m. by corporation	Royalty due per cu.m.	Diffe- rence per cu.m.	Total amount of royalty	Total sales tax leviable
2001-02	Deodar/ 22,406 cu.m.	15,809	3,952	15,973	3,993	41	9.19	2.76
2002-03	Kail/ 37,380 cu.m.	8,770	2,192	8,941	2,235	43	16.07	4.82
<b>Total</b>							<b>25.26</b>	<b>7.58</b>

**Variation with figures supplied to PCCF**

**5.2.12.2** Two sets of figures were supplied by the corporation, one to the pricing committee and other to the PCCF. The average sale value supplied to the pricing committee was less than that supplied to the PCCF resulting in loss of Rs.3.87 lakh as detailed below:

(Rupees in lakh)									
Year	Specie	Average sale value supplied to pricing committee in August 2001 per cu.m.	Royalty rate fixed by pricing committee for 2001-02 per cu.m.	Information furnished to the PCCF by corporation in October 2001	Royalty per cu.m.	Difference per cu.m.	Volume sold during 2001-02	Amount of royalty	Sales tax
2000-01	Deodar	15,573	3,890	15,625	3,906	16	18,610 cu.m.	2,97,760	89,400

After this was pointed out, department stated in December 2005 that the matter had been brought to the notice of the pricing committee which in turn had constituted a sub committee in October 2005 to deliberate on the said items and submit their report to the pricing committee. Further development was awaited (September 2006).

@ Average sale rates received during the year 2001-02 and 2002-03 were applicable for assessing royalty for the year 2002-03 and 2003-04 respectively



### **5.2.13 Sales made in roadside depots**

The residue left over after transportation of commercial timber is sold by the corporation in their roadside depots. The amount received thereunder was neither included in average sale value of the timber sold nor any part of it was credited to Government account.

During the course of audit it was noticed that the corporation made a sale of Rs.14.75 crore between 2001-02 and 2003-04 by auction of various types of residual wood in the roadside depots. Though the sale was in the knowledge of the department, it neither made any effort to recover any cost from the corporation nor was it brought to the notice of pricing committee for inclusion in the average sale value of timber.

After this was pointed out, department placed the matter before the pricing committee in October 2005 which in turn appointed a sub committee to deliberate on the issue and submit its recommendations to the pricing committee in its next meeting. Further development was awaited (September 2006).

### **5.2.14 Lacuna in fixing the rates of royalty**

As per procedure laid down by pricing committee, royalty is charged as percentage of weighted average sale rates. Weighted average sale rate is arrived at by dividing total sales received, by total volume sold in the preceding years in Himkatha sale depots. These sales consist of all kinds of timber including timber obtained from half broken trees. As such, the rates fixed take care of the loss suffered, if any, on account of half broken trees. However, pricing committee again allowed 50 *per cent* rebate in royalty in respect of half broken trees for which no basis was found on record. Thus, the decision of the committee was contrary to the decision to charge the royalty as percentage of weighted average sale rate for the timber extracted from all types of markings.

In 20 forest divisions, department charged royalty of Rs.1.25 crore which was 50 *per cent* of the full rates though loss on account of half broken tree was already taken care of while fixing the royalty rates. Thus department suffered a loss of Rs.1.25 crore in respect of half broken trees. Besides, Government was also deprived of Rs.37.45 lakh on account of sales tax.

After this was pointed out, department referred the case to pricing committee, which in turn had constituted a sub committee to deliberate on said items.

Government to whom the matter was referred intimated in December 2005 that a sub committee under the chairmanship of Principal Secretary (Forests) had been formed to look into the matter. Further reply was awaited (September 2006).



**5.2.15 Breach of condition in grant of rebate in royalty**

The pricing committee prescribed certain conditions for grant of concessional rate of royalty in respect of trees declared unfit after being marked for exploitation. These conditions included a joint inspection by sub divisional manager (SDM) and ACF who would certify that unfit trees were found rotten 25 *per cent* or more at stump cross section and did not yield one sound log of three m. length (with a minimum mid girth of 1.5 m), one sound pole of four m. length and width (a girth of one m. at any end) and one sound pole of three m. length (with a girth of 45 cm. at any end). These were required to be deleted from the marking lists and no royalty was to be paid for the same. PCCF also clarified in September 2004 that in addition to other conditions applicable for declaring a tree as unfit during joint inspection, it should also be certified in the joint inspection that a tree cannot yield one sound pole /log of specified size.

It was noticed in four\* divisions that joint inspections were carried out between July 2000 and February 2005 for declaring marked trees as unfit after felling. Though fulfilment of above mentioned condition(s) necessary for grant of rebate was not certified during the inspection(s), rebate in royalty and sales tax of Rs.91.59 lakh was allowed. This resulted in loss of revenue to Government to that extent.

**5.2.16 Loss of revenue due to delay in taking over of lot**

As per instructions of Chief Conservator of Forests (T) issued in May 1985, marking list of the marked salvage lot is to be sent to concerned divisional manager of corporation who would send formal receipt within 30 days of receipt of marking list. If no such receipt is received within 30 days, the lot shall be deemed to have been handed over.

During audit of the records of DFO Kullu, it was noticed in October 2005 that a salvage lot containing 846^ trees of fir/ spruce and other broad leaved species having 3,345.73 cu.m. of standing volume was marked in June 2001 and the marking lists were handed over to the corporation on 14 December 2001 for exploitation during 2002-04, with lease period upto 31 March 2004. The corporation intimated in September 2003 that standing trees were rotten and requested joint inspection which was not carried out by the department. The corporation again intimated in November 2004 i.e. after the expiry of lease period that 123 trees of fir/spruce had been found hollow after felling for which joint inspection was carried out in May 2005 and these trees having 580.96 cu.m. standing volume were found hollow and rotten. As exploitation was done after a lapse of more than two years, 123 salvage trees which were fit for exploitation during marking became hollow/rotten due to continuous exposure to the vagaries of weather. Lack of action on the part of the department and delayed exploitation resulted in loss of revenue of Rs.5.82 lakh.

\* Ani: Rs.29.80 lakh, Rampur: Rs.54.50 lakh, Sundernagar: Rs.1.88 lakh and Una: Rs.5.41 lakh

^ Fir/spruce: 706 trees: 2,949.53 cu.m., Broad leaved: 140 trees: 396.20 cu.m.



***5.2.17 Short fixation of royalty rates in resin blazes***

The royalty rate for resin blazes is fixed by the pricing committee keeping in view the percentage increase/decrease in the sale rate of N grade rosin.

**5.2.17.1** The pricing committee fixed the royalty rate of resin blazes for 2001-02 at Rs.27 per blaze. While fixing rates for the year 2000-01, the sale rate of N grade rosin was Rs.29.64 per kg whereas the same was Rs.32.46 per kg for the year 2001-02. There was thus an increase of 9.51 *per cent* in the sale rate of N grade rosin. The royalty rate of Rs.25 per blaze fixed for the year 2000-01 was to be increased by 9.51 *per cent* for the year 2001-02 which worked out to Rs.27.38 instead of Rs.27. Incorrect fixation of royalty rate resulted in short recovery of royalty of Rs.7.34 lakh on 19.31 lakh blazes handed over during the year 2001-02 for tapping by the corporation.

After this was pointed out, department stated in July 2005 that the matter had been taken up with corporation to release the payment of differential amount of Rs. 7.34 lakh.

**5.2.17.2** Similarly, in the year 2003-04 the average sale rate of N grade rosin decreased by Rs.1.94 as compared to the year 2002-03 when the sale rate was Rs.29.88. Thus, there was a decrease of 6.49 *per cent* in the sale rate of N grade rosin and accordingly the royalty rate per blaze for the tapping season 2003-04 worked out to Rs.23.38. The pricing committee, however, fixed the rate at Rs.23 per blaze which resulted in loss of revenue of Rs.8.17 lakh on 21.50 lakh blazes at the rate of Rs.0.38 per blaze.

After this was pointed out, the department placed the matter before the pricing committee which in turn revised the rates in October 2005 from Rs. 23 to Rs.23.38 per blaze for the year 2003-04.

***5.2.18 Non payment of extension fee***

As per decision of the pricing committee, terms and conditions as applicable to the contractors prior to the formation of corporation were applicable to it for exploitation of forests. Accordingly on the expiry of lease period, the corporation had no right on such trees which were left standing in the forest or felled trees and any scattered/stacked timber unremoved from the leased forest unless its period of lease was extended by CF/PCCF. For all extensions granted, extension fee at the rate of 1.5 *per cent* per month on the balance payable amount of royalty was leviable. In addition, where royalty had been paid, extension fee at the rate of 0.2 *per cent* per month was leviable on the total sale price. For second and subsequent extensions, the above rates were two *per cent* and 0.3 *per cent* per month respectively. However, no time limit had been fixed for grant of extension.



It was noticed in audit that corporation sought extension in working period of 276 lots from time to time during the years 2001-02 to 2004-05. However no extension was granted and the corporation continued the work of exploitation. There was nothing on record to indicate the stage at which these cases were pending finalisation. This resulted in non recovery of extension fee of Rs.1.04 crore.

#### **5.2.19 Exemption from payment of damage bills**

As per decision of the pricing committee dated 4.12.1986, damage bills\* on account of resin were required to be prepared after joint inspection of the area by the staff of the corporation and Forest Department. In case the corporation staff did not join in the joint inspection, the list was to be prepared by the department and sent by the DFO to the DM for acceptance. The DM would return the accepted lists within one month of sending the same by DFO. If no acceptance was communicated in one month, these would be deemed to have been accepted.

**5.2.19.1** A perusal of the agenda note supplied by the corporation to the pricing committee in July 2003 revealed that the DFOs sent the damage bills without joint inspection after a gap that ranged between two months and three years. The corporation did not accept these damage bills. Thereafter, the pricing committee decided that the corporation would make a payment of Rs.5 lakh in lumpsum to the Forest Department on account of unaccepted damage bills of resin blazes for the years 1996, 1997 and 1998 against the total liability of Rs.27.78 lakh. Thus lack of timely action resulted in a loss of Rs.22.78 lakh. Besides, interest of Rs.0.66 lakh on account of late payment of Rs.5 lakh was not claimed by the department.

After this was pointed out, department did not give any reasons of non conducting joint inspection and stated in October 2005 that loss on account of interest would be claimed from the corporation.

**5.2.19.2** A damage bill@ for Rs.2.78 lakh was incorrectly charged for Rs.4.40 lakh by DFO Kullu in November 2003. It was not accepted by the corporation. However, the department revised the bill for Rs.2.78 lakh and issued it in July 2004 which had neither been accepted nor paid by the corporation. The department also did not press for payment thereafter.

\* Damages caused to resin blazes either through illicit tapping or tapping the blazes not in accordance with dimensions/specifications are raised by the department against the corporation

@ Lot no. 1/2003-04

**5.2.19.3** A damage bill for illicit felling of 29 fir trees having volume of 95.41 cu.m. was issued in July 2002 by DFO Parbati at lesser rates for Rs.1.79 lakh. The department revised the bill to Rs.17.01 lakh in February 2003. The corporation informed DFO Parbati in August 2003 that an amount of Rs.1.63 lakh had been recovered from the labour supply mates<sup>s</sup>. However, it did not deposit the same in the Government account on the plea that extension fee was also recoverable from the labour supply mate. Thereafter, corporation intimated the department to recover the amount at its own level. The DFO asked the corporation to make the payment as the damage was caused by them. Thereafter instead of pressing the corporation for the payment of damage bill, the department appointed a committee in July 2004 to find out factual position and submit the report within a month. Neither any report was submitted by the committee nor did corporation make any payment. This resulted in non realisation of Government revenue of Rs.17.01 lakh.

**5.2.20 Interest on late payment of royalty**

In accordance with the decision of the pricing committee from time to time, the corporation is required to pay interest at the rate of 11.5 *per cent* per month upto 2003-04 and at the rate of nine *per cent* per annum from 2004-05 on delayed payment of royalty.

It was noticed in audit that the corporation delayed the payment of royalty of resin blazes during 1999, 2001 and 2004 by 177 days to 1,546 days for which interest of Rs.13.61 lakh was leviable. The department neither raised any demand nor did the corporation make any payment.

Similarly, 18 DFOs\* had also not claimed interest amounting to Rs.1.61 crore on late payment of royalty of timber lots for the years 2001-02 to 2004-05.

Non charging of interest on belated payment of royalty resulted in non realisation of revenue of Rs.1.75 crore in the above two cases.

After this was pointed out, PCCF stated in October 2005 that the matter will be taken up with the corporation for making the payment at the earliest.

**5.2.21 Non levy of interest on seized timber**

The pricing committee in its meeting held on 22.7.2003 decided that the corporation would release the amount received on account of sale of seized timber in auction to the respective DFO within 90 days under all circumstances. In case the sale proceeds are not deposited within 90 days, corporation was liable to pay interest at the rate of 12 *per cent* per annum.

---

<sup>s</sup> Labour supply mate means a contractor engaged by the corporation for felling, conversion and carriage of forest produce

\*Ani, Banjar, Bharmour, Chamba, Churah, Chopal, Dalhousie, Kotgarh, Mandi, Pangi, Parbati, Rampur, Rekonig Peo, Rohroo, Shimla, Sundernagar, Theog and Una



It was noticed that corporation sold seized timber in auctions held between 12.1.2000 and 19.3.2004 but sale proceeds of Rs.36.23 lakh realised through auctions was remitted late by 61 to 207 days between 11.5.2000 and 7.12.2004. Interest on late remittance of sale amount of seized timber worked out to Rs.2.74 lakh which was neither claimed by five DFOs\* nor was paid by the corporation.

After this was pointed out, PCCF directed DFO Chamba in December 2005 to recover the outstanding amount on account of interest.

#### **5.2.22 Non levy of penalty**

As per clause 18(g) of the standard agreement deed, the corporation was required to pay sales tax alongwith royalty instalments on due dates failing which penalty at the rate of 18 per cent per month of sales tax due was payable.

The corporation did not pay sales tax with the royalty instalments. The delay ranged between 17 and 150 days for which the corporation was liable to pay penalty of Rs.65.21 lakh, which was not levied by the department resulting in loss of revenue of Rs.65.21 lakh.

#### **5.2.23 Short handing over of resin blazes**

**5.2.23.1** As per PCCF letter dated 30.5.2000, prior approval of CF concerned was required for deletion of resin blazes in a particular year. This approval was required to be obtained before the commencement of tapping season and handing over of blazes to the corporation.

It was noticed that in 11<sup>s</sup> forest divisions, 83,238 resin blazes which should have been handed over to the corporation during 2004 and 2005 tapping season, were deleted from enumeration list without seeking prior approval of the competent authority. The deletion of blazes was, therefore, irregular which resulted in loss of revenue of Rs.19.72 lakh.

**5.2.23.2** As per instructions dated 22 January 1997 issued by the PCCF, the diameter of *chil* trees for resin tapping would be 30 cm from 1997 tapping season onwards. However, the PCCF in his instructions dated 3 September 2001, fixed the minimum diameter for resin tapping as 35 cm applicable from the 2002 resin tapping season in respect of trees to be tapped for the first time. For the old lots which were already under tapping or trees which had been tapped earlier but which were left out for enumeration and could be tapped now, the tappable diameter would continue to be 30 cm dia at breast height and above.

\* Chamba, Chopal, Parbati, Rampur and Theog

<sup>s</sup> Chopal, Dehra, Hamirpur, Kunihar, Mandi, Nalagarh, Palampur, Parbati, Renukajee, Solan and Theog



During audit of the records of DFO Una and Nalagarh, it was noticed between February 2006 to March 2006 that 13,696 *chil* trees having diameter of 30 cm and above had not been enumerated at all and were not handed over to the corporation for resin tapping between 2000 and 2004 tapping season. This resulted in depriving Government of revenue of Rs.16.69 lakh on account of royalty.

Further, in Bilaspur division 2,37,899 *chil* trees having a diameter of 30 cm and above were available for tapping as on 1.4.1994. After taking into account the trees marked to the rightholders\* in timber distribution and salvage trees handed over to corporation for felling, 9,32,636 *chil* trees were available for tapping between tapping season of 2000 and 2004. Against this, 4,25,461 *chil* trees were handed over to the corporation for tapping. This resulted in short handing over of 5,07,175 *chil* trees during the years 2000 to 2004. As a result, Government was deprived of revenue of Rs.1.25 crore on account of royalty.

**5.2.23.3** The PCCF instructed in July 1993 and July 2004 that resin tapping works were required to be checked at least twice a month by RO and once in a month by ACF and as and when on tour by DFO.

No checking/inspection notes were available on records shown to audit. As a result of non checking, 41,660 *chil* trees in Nahan division had been rendered unfit for tapping during 2000-01 to 2004-05 due to heavy/defective tapping by the corporation. Consequently, these trees could not be tapped in subsequent years. This not only resulted in loss of revenue of Rs.10.20 lakh but trees also became defective for subsequent tapping.

**5.2.24 Non recovery of registration fee from resin tappers**

According to Himachal Pradesh Resin and Resin Products (Regulation of Trade) Act as amended in 2002 and Rules made thereunder, every tapper of resin including corporation, is to be registered with the division concerned on payment of registration fee of 10 paise per blaze.

Test check of the records of 31<sup>s</sup> DFOs revealed between June 2005 and March 2006 that 64.52 lakh resin blazes were tapped by the corporation during the tapping season of 2003, 2004 and 2005. However, the department did not recover registration fee of Rs. 6.45 lakh from the corporation. This resulted in non realisation of revenue of Rs. 6.45 lakh.

---

\* A person who is entitled to get tree from a specified forest for construction/ repair of his house

<sup>s</sup> Ani, Banjar, Bilaspur, Chamba, Chopal, Churah, Dalhousie, Dehra, Dharamsala, Hamirpur, Jogindernagar, Karsog, Kotgarh, Kunihar, Mandi, Nachan, Nahan, Nalagarh, Nurpur, Palampur, Poanta Sahib, Rajgarh, Rampur, Rekong Peo, Renukajee, Rohroo, Shimla, Solan, Sundernagar, Theog and Una



### **5.2.25 Bamboo Working**

Bamboo crop is grown in eight forest divisions of the State. Bamboos are felled/exploited in three to four years felling cycle prescribed in the relevant working plan. Any deviation from the working plan is required to be got approved from Government. Non exploitation of bamboo crop prevents fresh growth of coppice shoots/ clumps which eventually form the future bamboo crop.

Bamboo exploitation is being carried out by the corporation. For the lots handed over to the corporation for exploitation, royalty at the rate of 20 *per cent* of the gross sale of bamboo for the year 2000-01 onwards (revised to 30 *per cent* of gross sale from 2004-05 onwards) was payable.

Test check of records of eight forest divisions between February and March 2006 revealed the following irregularities.

#### ***Non exploitation of bamboo by the corporation***

Exploitation is based on the enumeration carried out in the field. The working plan officer prescribes the felling cycle for bamboo in plan of a particular division. Based on these prescriptions, the bamboos are felled/exploited in three to four years felling cycle.

**5.2.25.1** In three\* divisions, 2,381.06 hectare of bamboo forests, handed over to the corporation between 2002-03 and 2004-05, were not exploited due to non availability of bamboo clump in the area. Since felling was prescribed in the working plan, non existence of bamboos was required to be investigated. The department, however, did not carry out any investigation for non existence of bamboos. This shows that either the prescriptions of the working plan were defective or bamboos had been illicitly removed from the forest which escaped the notice of the department.

This resulted in non realisation of royalty amounting to Rs. 13.69 lakh (including sales tax).

**5.2.25.2** Test check of records of Nurlpur forest division revealed that 177.24 hectares of bamboo forests had been prescribed for felling between 1996-97 and 2006-07 as per felling cycle prescribed in the approved working plan of the division. But no such felling had ever been carried out, as these were not handed over to the corporation for felling. This resulted not only in loss of revenue of Rs.2.39 lakh (including sales tax of Rs.0.55 lakh) for the years 2002-03 but also hampered further growth of bamboo. The reasons for non handing over of the bamboo areas were not on record.

---

\* Bilaspur, Kunihar and Nalagarh



**5.2.25.3** The DFO, Una submitted a proposal in September 1997 to CF, Dharamsala for inclusion of 118.96 hectares of bamboo area falling in scrub working circle under four years felling cycle. The proposal was turned down by CF(working plan) in July 1999 on the plea that no felling could be authorised under the plan that was yet to be approved and as such prior approval of PCCF was required. The DFO again requested the CF in July 1999 to get the approval of PCCF. However, no approval was received and the bamboo crop could not be felled during 2004-05. This resulted in loss of revenue of Rs.8.80 lakh (including sales tax).

**5.2.26 Foregoing of revenue due to less yield of bamboo**

According to the working plan of Solan division, yield of bamboo was estimated at 350 bundles per hectare for Lugon area including areas of Dharampur ranges, 300 bundles per hectare for Parwanoo area and 750 bundles per hectare for plantation area. The minimum yield thus prescribed was 300 bundles per hectare.

During audit of the records of DFO Solan it was noticed that five lots involving an area of 1,463 hectares of bamboo forests were handed over to the corporation for exploitation during 2000-01 to 2004-05. Based on the minimum yield of 300 bundles per hectare, the estimated yield worked out to 4,38,900 bundles as per prescription of the working plan against which the corporation had extracted only 1,99,349 bundles. This resulted in less yield of 2,39,551 bundles and consequently revenue foregone of Rs.39.20 lakh (including sales tax).

**5.2.27 Loss due to delay in transportation of timber**

The corporation extracts timber from the lots handed over to it by the department. The timber so extracted is classified as "A" or "B" class timber. No "C" class timber is extracted in the forests. The timber so extracted is required to be carried to the sale depots of the corporation within two months of extraction. Delay in transportation of timber from forest to sale depots directly affects the quality of timber. The Corporation had, however, delayed the transportation of timber by three months to two years from the date of extraction to the date of transportation to sale depots and during this period 'B' class timber got converted into 'C' class timber.

During the years 2001-2003 depots at Mantaruwala, Nurpur and Baddi, sold 1,149.226 cu.m. of deodar, 6,624.650 cu.m. of kail, 10,472.752 cu.m. of fir and 17,391.62 cu.m. of chil as 'C' class timber resulting in short realisation of royalty as compared to 'B' class timber. Resultantly, the weighted average sale rates were also affected and consequently the royalty rates as percentage of weighted average sale rates fixed for the years 2002-03 and 2003-04 were on the lower side. This resulted in loss of revenue of Rs. 6.38 crore.



#### **5.2.28 Conclusion**

The review revealed that the department did not ascertain correctness of data furnished by corporation for fixing rates of royalty. It lacked monitoring over correct accounting of arrears which required reconciliation with the corporation. A strong mechanism is required to be developed to ensure timely collection of revenue receipts and disposal of forest produce etc.

#### **5.2.29 Acknowledgement**

We are thankful to the department and various field offices for co-operation extended by them at various stages. Audit findings were discussed with Pr.Secretary (Forest) on 11 July 2006 in the exit conference. Government while accepting most of audit observations assured timely recovery of all sums due to Government, strengthening of internal controls of the department, reconciling the figures with corporation to represent a true and accurate position of arrears. The replies received from the department and Government have been taken into consideration while drafting the review.

### **5.3 Recovery of arrears recoverable as arrears of land revenue**

#### **Introduction**

**5.3.1** The Forest Department is responsible for recovery of dues pertaining to its own department. If Government dues cannot be recovered by any means available with the department, such arrears are certified as arrears of land revenue (ALR) and referred to the collector of the district concerned or the officer who has been delegated such powers for initiating recovery proceedings by adopting one or more of the processes provided under the Himachal Pradesh Land Revenue Act, 1953 (Act No. 6 of 1954). Government of Himachal Pradesh (Revenue Department) delegated the powers of collector under the Act *ibid* to the divisional forest officers of Kangra and Shimla districts in March 1997 to exercise powers of collectors within the jurisdiction of their respective forest divisions. According to the provisions of Revenue Recovery Act, 1890, when a sum, recoverable as ALR, is payable to a collector by a defaulter who is having property in a district other than that in which the arrear is accrued, the collector may send a certificate in the prescribed form to the collector of the district where property of the defaulter is situated, to recover the amount as if it was an ALR which had accrued in his own district.

#### **Position of pendency of arrears within the department**

**5.3.2** According to the information supplied by Department of Forest, 144 cases involving an amount of Rs. 2.18 crore were pending for recovery as ALR as on 31 March 2005.

A comparison of circle wise information, as supplied by the CFs to PCCF with the figures of PCCF revealed discrepancy in the position of pendency as under:

Sr. No	Name of circle	Position of arrears as intimated by the PCCF		Position of arrears as supplied by the respective CFs		Variation (+) or (-)	
		Amount	Cases	Amount	Cases	Amount	Cases
1.	Chamba	87.55	33	128.73	22	(-) 41.18	(+) 11
2.	Nahan	5.40	7	5.73	8	(-) 0.33	(-) 1
3.	Shimla	47.32	66	37.84	68	(+) 9.48	(-) 2

The discrepancy in figures was never pointed out by the PCCF to the CFs although quarterly reports of outstanding arrears were being received in his office.



After this was pointed out, department stated in October 2005 that the variations were being reconciled with the respective CFs. Further reply was still awaited (September 2006).

#### **Cases pending with Collectors within the State**

**5.3.3** Nine cases involving an amount of Rs. 16.91 lakh were being pursued through collectors within the State. Out of these, in four cases of DFO Rohroo involving an amount of Rs. 1.46 lakh for the period 1964-65 to 1980-81, non recovery certificate (NRC) was issued to Collector Kullu by Collector Shimla in March 1985. To ascertain the progress of recovery, latest reminder was issued by the DFO in November 2000. Thereafter, no action was taken by the DFO. However, records of Collector Kullu in June 2005 did not show any case outstanding in his records. Thus, the fate of these cases was not known. The remaining five cases involving Rs. 15.45 lakh which pertained to DFO Chopal, were stated to be pending with Collector Shimla since September 1988 and were not pursued. However, Collector Shimla showed only one case of Rs 0.05 lakh pending with him. The fate of remaining four cases was not known and no efforts had been made by the department to reconcile these and assess the factual position.

#### **Cases pending with Collectors of other States**

**5.3.4** Seventeen cases involving an amount of Rs 65.15 lakh were pending for recovery as ALR with the collectors of other States as detailed below:

(Rupees in lakh)				
Sr. No.	Name of DFO	Period	Remarks	Amount
1.	Bharmour, Churah, Dalhousie	1960-61 to 1982-83	Twelve cases were sent by Collector Chamba between 1964 and 1994 to the collectors of Punjab and Haryana. The actual date of sending the cases to collectors of other states was not known. There was nothing on record to show that any action was taken for recovery of amount.	27.61
2.	Rampur	NA	Three cases were received back by DFO from Collector Ambala, Jalandhar and Yamunanagar between July 2000 to July 2001 as addressees of the defaulters were incorrect. No action was taken to trace the defaulters.	36.63
3.	Dharamsala	NA	Case was referred to Collector Chandigarh in June 1986 but recovery could not be effected due to incorrect address. The case was again sent in September 2000. No amount had been recovered (September 2006).	0.55
4.	Rohroo	NA	Case was referred to Collector Ambala in June 1996. No amount had been recovered (September 2006).	0.36
<b>Total</b>				<b>65.15</b>



**Cases pending with the department**

**5.3.5** Thirty two cases involving an amount of Rs 69.82 lakh were pending for recovery with the departmental officers. No action was taken to issue NRC even after powers were delegated to DFOs of Kangra and Shimla as detailed below:

(Rupees in lakh)			
Name of DFO	Period	No. of cases	Amount
Rohroo	1964-65 to 1980-81	3	2.87
Chopal	1959-60 to 1988-89	15	14.87
Nurpur	1978-79 to 1982-83	4	20.58
Rampur	NA	4	30.51
Kotgarh	1979 to NA	5	0.81
Dharamsala	NA	1	0.18

It would be seen from above that lack of action on the part of department resulted in non recovery of outstanding dues.

**5.4 Non levy of permit fee**

As per notification dated 20 August 2001 issued under the Indian Forest Act, 1927, as applicable to Himachal Pradesh and published in Rajpatra, Himachal Pradesh (Extra-ordinary), on 3 September 2001, dealers of khair heartwood/ chips and khair billets (with bark), having medicinal value were liable to pay export permit<sup>&</sup> fee of Rs. 250 per quintal and Rs. 175 per quintal respectively. However, through a notification dated 19 October 2004, Government of Himachal Pradesh restricted the levy of export permit fee to inter state transportation of khair wood. Accordingly, export permit fee was leviable on intra state transportation of khair wood upto 18 October 2004.

During audit of records of nine<sup>\*</sup> forest divisions, it was noticed between February 2005 and March 2006 that DFOs issued 147 passes for intra state export of 37,730.0912<sup>#</sup> quintals of khair wood between April 2003 and 18 October 2004, without levy of export permit fee. This resulted in non levy of Government revenue of Rs.78.36 lakh.

Further information collected from six<sup>@</sup> divisional managers of the corporation revealed that the corporation issued 160 permits for export of 39,310.41 quintals of khair wood within the State during October 2001 to 18 October 2004. However, no export permit fee was charged by the corporation. The department also did not ask the corporation to pay the export permit fee in respect of the permits issued by the corporation. This resulted in non realisation of Government revenue of Rs.89.74 lakh.

<sup>&</sup>Export permit : It is a pass from an officer duly authorised to issue the same to regulate import or export or moving of timber or other forest produce

<sup>\*</sup>Bilaspur, Dehra, Dharamsala, Hamirpur, Kunihar, Nahan, Nurpur, Rajgarh and Una

<sup>#</sup>Khair heart wood/chips: 16,437.8212 quintals, khair billets (with bark) 21,292.27 quintals

<sup>@</sup> Hamirpur, Dharamsala, Fatehpur, Nahan, Solan and Una



After this was pointed out, PCCF in case of Rajgarh division, intimated in May 2005 that this was a result of lapse in the notification dated 20 August 2001 which was subsequently rectified in the notification dated 19 October 2004. It was further stated that matter had been taken with Government for making the notification effective from August 2001. The reply of department was not tenable as the department was required to recover the permit fee upto 18 October 2004 i.e. prior to the date of issue of amendment.

The cases were reported to Government between March 2005 and April 2006; reply had not been received (September 2006).

#### **5.5 Non charging of cost of fence posts**

The Forest Department executes afforestation work in double the area, transferred to user agency under Forest (Conservation) Act, 1980, for non forestry purpose. The cost of fence posts required for compensatory afforestation is to be realised from the user agency as per departmental instructions and deposited as revenue under the relevant head. PCCF, Himachal Pradesh, Shimla fixed (August 1995) the norm of 70 fence posts to be used for fencing of one hectare of plantation area.

During audit of records of four<sup>s</sup> DFOs, it was noticed between March 2005 and March 2006 that cost<sup>@</sup> of 9,549 fence posts, required for compensatory afforestation in 136.41 hectare had not been charged from the user agencies during the period between April 2003 and March 2005. This resulted in non realisation of revenue of Rs. 12.41 lakh (including sales tax) to Government.

After this was pointed out, DFO Renukajee stated in September 2005 that user agency was being asked to deposit the cost of fence posts whereas DFO Karsog intimated in April 2006 that bill had been raised. Report of recovery was awaited. Reply from other divisions was, however, awaited.

The cases were reported to the department/Government between April 2005 and April 2006; their reply had not been received (September 2006).

#### **5.6 Unauthorised grant of trees in timber distribution**

As per departmental instructions of December 1986, timber distribution (TD) is to be done strictly in accordance with the provisions of forest and land revenue settlements and executive instructions issued by the department from time to time. The grant of trees in TD is made to the rightholders by the DFO on the basis of recommendations of the sarpanch of the concerned panchayat and the forest field staff with regard to the genuineness of the demand. Any deviation from such instructions by the field staff is irregular/ unauthorised.

<sup>s</sup> Karsog, Rampur, Renukajee and Rohru

<sup>@</sup> Cost of fence posts worked out at the rate of Rs. 100 per fence post on the basis of bills raised by the department

During audit of records of DFO, Theog, it was noticed in June 2005 that permits to fell 11 deodar trees having 26.158 cu.m. standing volume were issued to the rightholders during December 2003. Scrutiny of records disclosed that the trees were marked and granted in TD without obtaining sanction of the DFO. Thus, failure to exercise prescribed checks resulted in a loss of Rs.8.70 lakh.

After this was pointed out, DFO Theog intimated in January 2006 that unsanctioned TD applications could not be noticed due to heavy load of work and trees were marked/permits issued in a routine manner.

The cases were reported to the department/Government in July 2005; their reply had not been received (September 2006).

#### **5.7 Loss of revenue due to time barred cases**

As per provisions of Criminal Procedure Code, no court shall take cognizance of forest offence cases after the expiry of one year. As such, forest offence cases are required to be either compounded or challaned in a court of law within one year. A quarterly progress report indicating the position of forest offences is required to be sent by the division to the CF.

During audit of records of DFO Dalhousie, it was noticed in July 2005 that 25 damage reports for illicit felling of trees involving Rs. 3.50 lakh were issued between 1999-2000 and 2003-04, against offenders. The department however, failed to compound these cases or take them to a court of law within the prescribed period of one year. Thus, no action can be taken against the offenders as the cases have become time barred. This resulted in loss of revenue of Rs. 3.50 lakh to Government.

The cases were reported to the department/Government in August 2005; their reply had not been received (September 2006).

#### **5.8 Under assessment of damages and compensation**

In accordance with section 68 of Indian Forest Act, 1927, DFO Kullu fixed the rates of compensation for compounding of various forest offences in the division. The rate of compensation for illicit extraction /collection of stone was Rs. 50 per cu.m. whereas the value of forest produce to be charged was Rs. 250 per cu.m. or market value, whichever is more. For second and subsequent offence, double rate was to be charged.



During audit of records of DFO, Kullu, it was noticed in October 2005, that 12 forest offence cases such as illegal extraction of stones, damage of saplings due to muck dumping etc. had been committed by a hydro electric project, between November 2003 and August 2004. Scrutiny revealed that the offences committed by the project were second and subsequent offences for which double the rates of compensation were applicable. The project was, therefore, liable to pay Rs. 4.83 lakh (including sales tax) on account of compensation and value of forest produce. Against this, the division recovered only Rs. 2.41 lakh on this account. This resulted in short realisation of revenue of Rs. 2.42 lakh.

The matter was reported to the department/Government in November 2005; their reply had not been received (September 2006).

#### **5.9 Loss of interest due to non keeping of funds in fixed deposit.**

As per instructions (22 March 2004) of Government of India, Ministry of Environment and Forests, funds of compensatory afforestation (CA), net present value (NPV), catchment area treatment (CAT) plan etc. were to be kept in the form of fixed deposits (FDs) in a nationalised bank in the name of concerned DFO or nodal officer (Forest Conservation) of the State till compensatory afforestation management and planning agency (CAMPA) becomes operational and till further necessary directions received from the Central Government.

The Central Government advised (22.6.2004) that State/UT Governments may break the FDs as per their requirement for the purpose of CA & other such works and open a current account in the name of concerned DFO. The balance amount may be maintained as FDs in the name of concerned DFO or the nodal officer. The nodal officer shall submit the quarterly progress report to the concerned Regional Office for the utilisation of funds and the balance amount in the form of FDs. Constitution of CAMPA was notified (23 April 2004) by the Ministry of Environment and Forests for the management of money received towards CA, NPV and any other money recoverable.

During test check of records of 17\* DFOs, it was noticed between January 2005 and March 2006 that an amount of Rs.42.58<sup>∇</sup> crore was received from various user agencies for CA, CAT plan, NPV etc., during the years 2003-04 to 2005-06. Audit scrutiny revealed that of these, Rs.25.55 crore kept in FDs were encashed between February and October 2005 and deposited in the treasury under the revenue head "0406-800 Other Receipts" whereas Rs.17.03 crore were deposited directly in the treasury under the revenue head between March 2004 and November 2005 as the State Finance Department had opined that keeping such funds in FDs for unlimited period will be violative of state financial rules. By crediting the amount of Rs.42.58 crore in Government treasury instead of keeping them in FDs, the

---

\*Bharmour, Chamba, Churah, Dalhousie, Dharamsala, Jogindernagar, Kinnaur, Kullu, Lahaul at Keylong, Mandi, Nachan, Parbati, Renukaji, Rohru, Seraj, Shimla and Theog

<sup>∇</sup>2003-04: Rs.7.26 crore, 2004-05: Rs.23.31 crore, 2005-06: Rs.12.01 crore



Government suffered a loss of interest of Rs.2.46 crore (calculated at the rate of five *per cent* per annum from the date of deposit into treasuries) between March 2004 and March 2006.

After this was pointed out (between February 2005 and April 2006) in audit, the Government enclosed (September 2006) reply of the PCCF which interalia stated that the instructions of Government of India of 22 March 2004 were considered as a stop gap arrangement for a short period only and not an open ended procedure to be continued beyond the financial year. As the CAMPA did not become functional even by the close of the financial year, in such situation, the amount realised by DFOs and kept in the FDs would have remained unaccounted and unaudited in their records and thus on the basis of instructions (14 October 2004) of the State Finance Department, the amounts were deposited in the treasuries and no other instructions can have an over powering effect.

The reply is not tenable because of the specific instructions of GOI, Ministry of Environment and Forests dated 22 March 2004 and further clarification issued on 22 June 2004 stipulating the regulation and monitoring of utilisation of the funds. The action of the State Government to deposit the amounts in Government treasury was contrary to the requirements laid down by the Ministry on the subject as the funds realised under CAMPA were for CA, CAT plan etc. and were not to be treated as revenue of the State Government.

Further, information collected in May 2006 from PCCF, revealed that the Forest Department realised Rs.53.12 crore during 2004-05 and Rs.75.75 crore during 2005-06 from various DFOs in eight circles on account of CAT plan, NPV etc. These amounts were deposited into the treasury as revenue of State. This had not only resulted in loss of interest but also inflated the revenue of the department/ Government to that extent.

The matter was reported to the Government in July 2006 but the Government simply forwarded the reply of PCCF without offering any comments (September 2006).



## CHAPTER-VI: OTHER TAX – NON TAX RECEIPTS

### 6.1 Results of audit

Test check of records relating to stamp duty and registration fee, irrigation cum public health receipts, public works receipts etc., conducted during the year 2005-06, revealed non/short levy of stamp duty and registration fee, non recovery of water charges/damages and other irregularities amounting to Rs.35.58 crore in 402 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sr. No.	Particulars	Number of cases	Amount
1.	Non/short levy of stamp duty and registration fee	148	1.14
2.	Non recovery of water charges	25	19.26
3.	Non recovery of damages from unauthorised occupants	14	0.17
4.	Other irregularities	215	15.01
	<b>Total</b>	<b>402</b>	<b>35.58</b>

During 2005-06, the department accepted under assessments of Rs.4.16 crore involved in 668 cases which had been pointed out in audit in earlier years.

A few illustrative cases highlighting important observations involving financial effect of Rs.0.79 crore are given in the following paragraphs.

## **A Stamp Duty and Registration fee**

### **6.2 Misclassification of documents**

Under the Indian Stamp (Himachal Pradesh Amendment) Act, 1969 (as amended upto 1976) read with the Himachal Pradesh Land Records Manual, "release" is an instrument whereby a person renounces a claim upon another person or against any specified property. When one co-owner of a property, by a deed, relinquishes his right to possession and his title in favour of another co-owner, such deed is a release deed. The person in whose favour there can be a release, must possess a pre-existing right or interest in the property. It was also clarified that a widow cannot release her share in favour of her sons. She can only gift her share of the property which is charged same stamp duty/registration fee as conveyance deed.

During audit of the records of two sub registrars (SRs)\* it was noticed between September and December 2005 that in three\* cases, release deeds were executed between January and May 2004. In one case, a small portion of land, was transferred in July 2003 by the owner of the land in favour of his brother by executing a sale deed. Later on, the owner of the land transferred further portion of land to the concerned vendee through a deed of release in May 2004 which was incorrect as the vendee had no pre-existing right in the property and deed was to be classified as conveyance deed. In another case, a widow released her share in favour of her son through a release deed which was incorrect. In a third case, a father through release deed gave some portion of land in favour of his two sons who did not have any pre-existing right in the property. The deeds were to be classified as conveyance deed. Thus, misclassification of documents resulted in short levy of stamp duty and registration fee of Rs.12.91 lakh.

After this was pointed out, SRs stated between September and December 2005 that matter would be reviewed. Further report had not been received (September 2006).

The matter was reported to Government between October 2005 and January 2006; their reply had not been received (September 2006).

### **6.3 Incorrect determination of market value of property**

*Patwaris* are responsible for preparation of *partas*®. As per Inspector General Registration's clarification (June 1998), the average price is to be calculated on the

---

\*Nadaun: one case:Rs.9.98 lakh (including registration fee of Rs.0.25 lakh)  
and Paonta Sahib :two cases: Rs.2.93 lakh (including registration fee of Rs.0.26 lakh)

® It is a valuation report of the land prepared by the *patwari*. The market value is calculated on the consideration amount shown in the deed of the land sold for the preceeding year



basis of kind of land mentioned in the revenue records. Further, the average price is based on mutation done on sale deeds registered during the preceeding 12 months. The registering officer is also required to verify the consideration shown in the sale deeds with *partas* prepared by the concerned *patwari*. If the registering officer has reasons to believe that the value of the property or the consideration has not been truly set forth in the instrument, he may, after registering such instrument, refer the same to the collector for determination of the value of consideration and the proper duty payable.

**6.3.1** During audit of records of SR, Pachhad, it was noticed in August 2005 that a sale deed<sup>#</sup> of 38.17 bigha of land in village Tikkar was registered on 20 September 2004. Audit scrutiny revealed that the consideration of the property set forth in the registered document was much below the average price shown in *partas* prepared by the concerned *patwari* of the locality. The registering authority, however, while registering the deed failed to correlate the consideration of deed with that of *partas*. This resulted in short levy of stamp duty of Rs.16.81 lakh.

After this was pointed out, department stated in February 2006 that no more stamp duty was recoverable and in support thereof furnished a *parta* for the period 19 October 2004 to 18 October 2005. Departmental reply was however, not based on facts as furnished *parta* was for a nearby village *mauja* Barol instead of *mauja* Tikkar and that too for the subsequent period of 19 October 2004 to 18 October 2005 and was thus not applicable in this case. The rates shown in *parta* attached with the registered deed was for the period from 21 September 2003 to 20 September 2004 which was applicable in this case and case should have been referred to district collector for correct determination of market price.

The matter was reported to Government in September 2005; reply had not been received (September 2006).

**6.3.2** During audit of records of 30<sup>@</sup> SRs, it was noticed between May 2005 and March 2006 that consideration of properties set forth in 133 documents registered between June 2003 and December 2004 was much below the price shown in *parta* prepared by the concerned *patwaris* of the localities. Against market value of Rs.4.97 crore, the value set forth in the deeds was Rs.2.92 crore. This resulted in short realisation of stamp duty of Rs.24.81 lakh and registration fee of Rs.3.28 lakh.

<sup>#</sup> No. 330/4

<sup>@</sup> Amb, Ani, Aut, Barsar, Bhoranj, Bijhari, Chamba, Churah, Dalhousie, Dharamsala, Hamirpur, Indora, Kullu, Kumarsain, Mandi, Manali, Moorang, Nahan, Nirmand, Nurpur, Palampur, Rajgarh, Rampur, Rohroo, Sainj, Sarkaghat, Solan, Sundernagar, Suni and Una

After this was pointed out, six<sup>^</sup> SRs intimated between November 2005 and August 2006 that an amount of Rs.1.54 lakh had been recovered in 15 cases. Reply from remaining SRs was however, awaited .

The matter was reported to the department/Government between May 2005 and April 2006; their replies had not been received (September 2006).

#### **6.4 Incorrect exemption**

The Himachal Pradesh Co-operative Agricultural and Rural Development Bank Act, 1979, provides that loans other than short term may be advanced by the bank for different agricultural purposes and no registration fee is to be charged in these cases. Government also clarified in November 1997 that stamp duty and registration fee was leviable in all cases where loans had been secured for purposes other than agricultural purpose.

During audit of records of 23<sup>\$</sup> SRs it was noticed that 67 instruments were executed during 2003 and 2004 in the name of individuals for obtaining loans from the Agricultural and Rural Development Bank. The loans of Rs.2.04 crore were for non agricultural purposes viz. purchase of truck/mini trucks/mini buses/jeeps/construction of shops/opening of dhabas and construction of LPG store room etc. The SRs, however, while registering these documents levied stamp duty and registration fee of Rs.1.39 lakh instead of Rs.7.07 lakh. This resulted in short realisation of stamp duty and registration fee of Rs. 5.68 lakh.

After this was pointed out, three<sup>@</sup> SRs intimated between November 2005 and July 2006 that Rs.0.44 lakh had been recovered in nine cases. Reply from remaining SRs was awaited.

The matter was reported to the department/Government between May 2005 and March 2006; their replies had not been received (September 2006).

#### **6.5 Incorrect exemption on housing loans**

Mortgage deeds executed for taking advance for dwelling purposes from banks, by employees of other States<sup>\*</sup> and their public sector undertakings, autonomous

---

<sup>^</sup> Barsar, Bhoranj, Dalhousie, Manali, Rampur and Sainj

<sup>\$</sup> Ani, Arki, Bababaroh, Baijnath, Bangana, Banjar, Barsar, Bhoranj, Bijhari, Ghumarwin, Indora, Kamrau, Kandaghat, Karsog, Khudian, Kumarsain, Nahan, Nirmand, Pachhad, Pooh, Sangrah, Sarkaghat and Thural

<sup>@</sup> Barsar, Bhoranj and Pooh

<sup>\*</sup> Employees other than that of Himachal Pradesh Government, its public sector undertakings and autonomous bodies



bodies, banks and Central Government employees were not exempted from stamp duty and registration fee.

Test check of records of 29<sup>##</sup> SRs revealed that the registering authorities allowed exemption from payment of stamp duty and registration fee in the case of 88 employees of Central Government/Central Government autonomous bodies/other States/banks, who secured house building advances of Rs.2.97 crore during 2004. The exemption granted was incorrect and resulted in non realisation of stamp duty and registration fee of Rs.10.38 lakh.

After this was pointed out between May 2005 and March 2006, SR Sihunta intimated in July 2006 that Rs.0.24 lakh had been recovered. Other concerned SRs stated that relevant deeds will be reexamined and action will be taken according to law.

The matter was reported to the department/Government between May 2005 and April 2006; their replies had not been received (September 2006).

## **B IRRIGATION-CUM-PUBLIC HEALTH DEPARTMENT**

### **6.6 Non recovery of water charges**

As per provisions of Himachal Pradesh Water Supply Act, 1968, recovery of water charges shall be effected from individuals on the basis of flat rate or on the basis of metered connections. The rates levied shall, if not paid when due, be recovered as arrears of land revenue.

During test check of records of 20<sup>\*</sup> irrigation cum public health divisions, it was noticed between May 2005 and March 2006 that water charges amounting to Rs.12.37 crore for the period falling between 1963-64 and 2004-05, remained unrealised as on 31 March 2005. Further analysis in respect of nine divisions revealed the following age wise arrears:

	(Rupees in lakh)
More than 20 years	0.18
Between 10 & 20 years	0.51
Between 5 & 10 years	3.72
Between 3 & 5 years	325.68
Less than 3 years	842.62
<b>Total</b>	<b>1,172.71</b>

<sup>##</sup> Amb, Ani, Aut, Baijnath, Bangana, Bharwain, Bhoranj, Bijhari, Chachoit, Dadahu, Dharamsala, Indora, Jaisinghpur, Jawali, Junga, Kalpa, Khundian, Kumarsain, Kullu, Mandi, Nurpur, Palampur, Rampur, Sainj, Shahpur, Sihunta, Sujanpur, Thural and Una

<sup>\*</sup> Barsar, Baggi, Bilaspur, Dharamsala, Dehra, Ghumarwin, Hamirpur, Kullu Div. No. 1, Mandi, Nalagarh, Nerwa, Padhar, Sarkaghat, Shimla Div. No.II, Solan, Sundernagar, Suni, Thural, Una Div. No. 1 and Una Div. No. 2

Yearwise details of Rs. 64.63 lakh in respect of 11<sup>#</sup> divisions was not available.

After this was pointed out, Sarkaghat division stated that outstanding amount of water charges of Rs.1.81 lakh had been recovered. The details of recovery were, however, not furnished. Replies from remaining divisions were awaited. Effective steps had not been taken for the recovery of balance amount of Rs.12.35 crore.

The matter was reported to the department/Government between May 2005 and April 2006; their replies had not been received.

## **C PUBLIC WORKS DEPARTMENT**

### **6.7 Non recovery of damages from unauthorised occupants**

The Himachal Pradesh Allotment of Government Residences (General Pool) Rules, 1994, provide that if a residence remains in occupation of an allottee beyond permissible period of retention of residence, such an allottee shall be liable to pay damages, for use and occupation of the residence, at the rate of Rs.12 per sqft. Permissible period of retention of residence is four months in case of retirement and maximum two months in case of outstation transfer.

During test check of records of two public works divisions, it was noticed between September 2005 and October 2005 that three<sup>\$</sup> allottees retained Government residences beyond the permissible period. But damages of Rs. 5.31 lakh for the period from March 2003 to August 2005 were not recovered from these unauthorised occupants. No action was taken to evict the occupants after expiry of permissible period of retention of Government residences.

After this was pointed out, the Executive Engineer, Shimla division intimated in December 2005 that matter was being pursued with concerned allottees to vacate

---

<sup>#</sup> Baggi, Dehra, Hamirpur, Ghumarwin, Mandi, Nalagarh, Nerwa, Sarkaghat, Sundernagar, Thural and Una Division No. 1

<sup>\$</sup> Shimla B&R Dn.III: two cases: Rs. 2.57 lakh and Sangrah Dn.: one case: Rs. 2.74 lakh



the accommodation retained unauthorisedly and to deposit the damages. Reply from Sangrah division was awaited.

The matter was reported to the department/Government between October 2005 and November 2005; their replies had not been received (September 2006).



(Suman Saxena)  
Accountant General (Audit)  
Himachal Pradesh

Shimla  
The

21 NOV 2006

Countersigned



New Delhi  
The

123 NOV 2006

(Vijayendra N. Kaul)  
Comptroller and Auditor General of India

