



REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2007

(REVENUE RECEIPTS)
GOVERNMENT OF HIMACHAL PRADESH

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PREFACE

This Report for the year ended 31 March 2007 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 2006-07 as well as those noticed in earlier years but could not be included in previous years' reports.

OVERVIEW

This report contains 32 paragraphs including one review relating to non/short levy of taxes, duties, royalty, fees, interest and penalty etc., involving Rs. 82.38 crore. Some of the major findings are mentioned below:

1. General

- The total receipts of Government for the year 2006-07 were Rs. 7,835.22 crore. The revenue receipts of Rs.2,993.23 crore consisted of Rs. 1,656.38 crore from tax and Rs. 1,336.85 crore from non tax revenue. The State received Rs. 629.16 crore as its share of divisible union taxes and Rs. 4,212.83 crore as grants in aid from Government of India. Receipts under taxes on sales, trade etc. (Rs. 914.45 crore), state excise (Rs.341.86 crore), taxes on vehicles (Rs.106.35 crore), taxes on goods and passengers (Rs. 50.22 crore), stamps and registration fee (Rs. 92.47 crore) and taxes and duties on electricity (Rs. 30.43 crore) accounted for major portion of tax receipts. Under non tax revenue, the main receipts were from power (Rs. 910.08 crore), interest receipts (Rs.87.18 crore), forestry and wild life (Rs. 45.55 crore) and non ferrous, mining and metallurgical industries (Rs. 48.39 crore).

(Paragraph 1.1)

- The arrears of revenue under 13 principal heads of revenue as on 31 March 2007 amounted to Rs. 430.10 crore, of which Rs. 99.29 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 2006-07, revealed under assessments/ short levy/ loss of revenue, revenue foregone amounting to Rs. 108.19 crore, in 959 cases. During the course of the year 2006-07, the concerned departments accepted under assessments etc., of Rs. 66.67 crore in 1,329 cases which had been pointed out in audit in earlier years.

(Paragraph 1.10)

2. Sales Tax

- In AETC Una, 23 unregistered dealers sold *khair* wood valued at Rs. 6.56 crore to a firm, but sales tax of Rs. 1.48 crore was not levied. The dealers were not registered though the turnover of each dealer exceeded Rs. 4 lakh.

(Paragraph 2.3)

- Incorrect determination of taxable turnover and application of incorrect rates of taxes resulted in non/short levy of tax of Rs. 69.34 lakh including interest in four AETCs.

(Paragraph 2.4 & 2.5)

3. State Excise and Taxes on Vehicles

- Nine licensees of five districts failed to pay the monthly instalments of license fee, interest and penalty during the year 2005-06 resulting in non/short recovery of Government dues of Rs. 86.15 lakh.

(Paragraph 3.2)

- Token tax of Rs. 1.83 crore was neither paid by 2,992 vehicle owners nor was it demanded by 29 registering and licensing authorities.

(Paragraph 3.3)

- In six regional transport authorities, non/short payment of special road tax and non levy of penalty resulted in non recovery of Government dues of Rs. 0.96 crore.

(Paragraph 3.4)

- In RLA Paonta Sahib, an amount of Rs. 41.92 lakh collected on account of registration fee, token tax, license fee, etc. was deposited late. Similarly, out of permit fee of Rs. 9.71 lakh collected in Shimla office, Rs. 9.60 lakh was deposited late and Rs. 0.11 lakh was not deposited at all. The delay in deposit of Government money ranged between 2 and 289 days.

(Paragraph 3.7)

4. Forest Receipts

- In five forest divisions, non charging of cost of fence posts from the user agencies for compensatory afforestation and catchment area treatment plan in total area of 9,281.9546 hectares of forest land resulted in non realisation of revenue of Rs. 7.63 crore including sales tax.

(Paragraph 4.3)

- Non levy of net present value in seven forest divisions, resulted in non recovery of revenue of Rs. 1.29 crore.

(Paragraph 4.4)

- Compensation amounting to Rs. 21.56 crore for environmental value for diversion of forest land in favour of National Thermal Power Corporation had not been realised in two forest divisions.

(Paragraph 4.10)

- In six forest divisions, cost of 7,378 trees of *chil* species was not charged at revised rates resulting in short realisation of Government revenue of Rs. 1.98 crore.

(Paragraph 4.12)

5. Other Tax/Non Tax Receipts

A review on “**Mineral Receipts in Himachal Pradesh**” revealed the following:

- Delay in acquisition/transfer of surface rights, in favour of a lessee, resulted in postponement of commissioning of the project and consequently depriving the State exchequer of anticipated revenue of Rs. 51.47 crore.

(Paragraph 5.2.10)

- Delay in demarcation of *khud* on interstate boundary and illegal extraction of minerals resulted in loss of revenue about Rs. 8.40 crore during April 2003 to March 2006.

(Paragraph 5.2.16)

- Non implementation of feasibility reports of working in river beds/*khuds* of Hamirpur district resulted in shortfall in revenue to the extent of Rs. 6.43 crore during April 2004 to March 2006.

(Paragraph 5.2.20)

- In 22 sub registrars, incorrect determination of market value of property and incorrect preparation of *parta* resulted in short realisation of stamp duty and registration fee of Rs. 2.75 crore in 365 cases.

(Paragraph 5.5)

CHAPTER-1 : GENERAL

1.1 Trend of revenue receipts

The tax and non tax revenue raised by Government of Himachal Pradesh during the year 2006-07, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and corresponding figures for the preceding four years are given below:

(Rupees in crore)						
Sr. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
I.	Revenue raised by the State Government					
	• Tax revenue	889.57	984.33	1,251.88	1,497.02	1,656.38
	• Non-tax revenue	175.49	291.76	610.77	689.67	1,336.85
	Total	1,065.06	1,276.09	1,862.65	2,186.69	2,993.23
II.	Receipts from Government of India					
	• State's share of divisible Union taxes	345.60	449.54	537.32	493.26	629.16 [@]
	• Grants in aid	2,248.09	2,255.29	2,234.54	3,878.67	4,212.83
	Total	2,593.69	2,704.83	2,771.86	4,371.93	4,841.99
III.	Total receipts of the State	3,658.75	3,980.92	4,634.51	6,558.62	7,835.22
IV.	Percentage of I to III	29	32	40	33	38

[@] For details, please see "Statement No.11-detailed accounts of revenue by minor heads" in the Finance Accounts of Government of Himachal Pradesh for the year 2006-07. 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 2006-07 alongwith the figures for the preceding four years are given below:

(Rupees in crore)							
Sr. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Taxes on sales, trade etc.	383.34	436.75	542.37	726.98	914.45	(+) 26
2.	State excise	273.42	280.12	299.90	328.97	341.86	(+) 4
3.	Stamps and registration fees	37.40	52.37	75.34	82.43	92.47	(+) 12
4.	Taxes and duties on electricity	0.25	16.67	88.00	89.29	30.43	(-) 66
5.	Taxes on vehicles	81.98	78.37	107.82	101.51	106.35	(+) 5
6.	Taxes on goods and passengers	31.45	33.96	38.32	42.61	* 50.22	(+) 18
7.	Other taxes and duties on commodities and services	77.13	86.98 ^x	97.54 [@]	124.10 [*]	118.65 [#]	(-) 4
8.	Land revenue	4.60	0.84	2.30	1.09	1.91	(+) 75
Total		889.57	986.06^x	1,251.59[@]	1,496.98[*]	1,656.34[#]	(+) 11

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 increase in receipts of petrol, diesel, aviation turbine fuel, cement, tyres and tubes, medicines, electric items etc., increase in price of goods and impact of frequent checking by field staff/ flying squad.

Stamps and registration fees: The increase was mainly due to increase in the market value of land, more sale of land for industries, registration of more documents and sale of stamps.

Taxes and duties on electricity: The decrease was due to deposit of electricity duty pertaining to the year 2006-07 in next year.

Other taxes and duties on commodities and services: The decrease was mainly due to withdrawal of professional tax with effect from November 2005.

Land revenue: The increase was mainly due to more receipts on account of sale proceeds of waste land and recovery of overpayment.

^x 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

^{*} excludes Rs.(-) 0.04 crore on account of share of net proceeds assigned to State

[#] excludes Rs.(-) 0.04 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 2006-07 alongwith figures for the preceding four years are given below:

(Rupees in crore)

Sr. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	9.97	11.35	42.77	49.29	87.18	(+) 77
2.	Other non tax receipts	66.21	101.51	89.59	151.41	122.84	(-) 19
3.	Forestry and wild life	31.52	76.93	102.17	149.63	45.55	(-) 70
4.	Non ferrous, mining and metallurgical industries	35.46	36.84	38.42	42.90	48.39	(+) 13
5.	Miscellaneous general services (including lottery receipts)	2.81	1.81	1.86	2.13	73.86	(+) 3368
6.	Power	(-)0.08	35.01	284.71	251.47	910.08	(+) 262
7.	Major and medium irrigation	0.06	0.06	0.09	0.44	0.21	(-) 52
8.	Medical and public health	3.10	3.36	3.70	5.31	5.38	(+) 1
9.	Co-operation	1.68	1.44	1.64	1.68	7.28	(+) 333
10.	Public works	6.82	7.54	9.08	12.07	16.50	(+) 37
11.	Police	7.87	8.08	7.74	8.98	8.45	(-) 6
12.	Other administrative services	10.07	7.83	29.00	14.36	11.13	(-) 22
Total		175.49	291.76	610.77	689.67	1,336.85	(+) 94

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 decrease was due to deposit of some amount on account of compensatory afforestation in CAMPA fund and less receipts from Himachal Pradesh State Forest Corporation.

Non ferrous, mining and metallurgical industries: The increase was mainly due to more exploitation/production of minor and major minerals.

Miscellaneous general services: The increase was mainly due to adjustment of debt waiver on the recommendation of the Twelfth Finance Commission.

Power: The increase was mainly due to receipt of royalty from different projects, sale of electricity (received free of cost) through M/s Power Trading Corporation India Ltd. at higher rates and decrease in rate of sale of electricity in 2005-06 as compared to this year.

Co-operation: The increase was due to reimbursement of grant in aid by National Co-operative Development Corporation, New Delhi and conversion of receipts of capital investment as revenue receipts.

Public works: The increase was due to receipt of more money under deposit works on account of construction of buildings from other departments of State Government etc.

The reasons for variations, though called for from other departments, were awaited (September 2007).

1.2 Variations between budget estimates and actuals

Variation between the budget estimates and actuals of revenue receipts for the year 2006-07 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.	780.00	914.45	(+) 134.45	(+) 17
2.	State excise	330.00	341.86	(+) 11.86	(+) 4
3.	Taxes on goods and passengers	40.00	50.22	(+) 10.22	(+) 26
4.	Taxes on vehicles	110.00	106.35	(-) 3.65	(-) 3
5.	Other taxes and duties on commodities and services	105.05	118.65	(+) 13.60	(+) 13
6.	Stamps and registration fees	86.95	92.47	(+) 5.52	(+) 6
7.	Taxes and duties on electricity	52.00	30.43	(-) 21.57	(-) 41
8.	Land revenue	1.68	1.91	(+) 0.23	(+) 14
9.	Industries	5.06	24.68	(+) 19.62	(+) 388
10.	Forestry and wild life	98.02	45.55	(-) 52.47	(-) 54
11.	Interest receipts	12.19	87.18	(+) 74.99	(+) 615
12.	Education, sports, art and culture	37.46	42.33	(+) 4.87	(+) 13
13.	Crop husbandry (including horticulture)	4.68	4.00	(-) 0.68	(-) 15
14.	Non ferrous, mining and metallurgical industries	36.99	48.39	(+) 11.40	(+) 31
15.	Housing	2.26	2.01	(-) 0.25	(-) 11
16.	Fisheries	0.91	0.74	(-) 0.17	(-) 19
17.	Water supply and sanitation	18.58	13.39	(-) 5.19	(-) 28
18.	Police	8.84	8.45	(-) 0.39	(-) 4
19.	Medical and public health	4.78	5.38	(+) 0.60	(+) 13
20.	Stationery and printing	3.44	3.76	(+) 0.32	(+) 9
21.	Public works	9.54	16.50	(+) 6.96	(+) 73
22.	Animal husbandry	0.39	0.41	(+) 0.02	(+) 5
23.	Power	400.00	910.08	(+) 510.08	(+) 128

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

Taxes on goods and passengers: The increase was mainly due to receipts on account of more transportation of iron and plastic goods, increase in the number of vehicles, detection of tax evasion cases and recovery of outstanding amounts.

Other taxes and duties on commodities and services: The increase in receipts was due to heavy tourist flow in the state, more cash crops, more transportation of forest produce and vegetables etc. as compared to last year.

Taxes and duties on electricity: The decrease was due to late deposit of electricity duty dues during the year 2006-07 by the Himachal Pradesh State Electricity Board.

Land revenue: The increase was due to more receipt on account of sale of kishan pass book.

Education, sports, art and culture: The increase in receipts under 'Education' sector was mainly due to more receipt of application fee from private educational institutions/ university/ training colleges etc. and more money under Sarv Shiksha Abhiyan.

Crop husbandry: The decrease under 'Agriculture' sector was mainly due to less production of wheat and potato seeds in agriculture farms whereas under 'Horticulture' sector decrease was due to less production of fruits/ fruit products/plants in government nurseries/orchards and consequently decrease in sales thereof.

Fisheries: The decrease was due to shortfall in production of fish in Gobindsagar and Pong dam reservoir, less receipt of compensation and consequently less sale of fish and fish seed.

Water supply and sanitation: The decrease was mainly due to providing of more provisions in budget estimates during the year by Finance Department.

1.3 Analysis of collection

Breakup of 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 2006-07 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	2004-05	299.15	--	1.12	0.37	299.90	100
	2005-06	326.85	--	2.26	0.14	328.97	99
	2006-07	341.33	--	1.62	1.09	341.86	100
Taxes on sales, trade etc.	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
	2006-07	898.73	9.28	6.74	0.30	914.45	98
Taxes on goods and passengers	2004-05	35.44	1.58	1.30	#	38.32	92
	2005-06	40.47	1.07	1.09	0.02	42.61	95
	2006-07	47.76	1.04	1.42	-- ^β	50.22	95
Other taxes and duties on commodities and services	2004-05	97.02	0.89	0.08	0.16	97.54 [†]	99
	2005-06	120.53	3.56	0.05	--	124.10 ^ε	97
	2006-07	118.06	0.69	0.03	0.09	118.65 ^α	99

[#] Rs. 13,850 only

^β Rs.35,463 only

[†] 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

^α excludes Rs. (-)0.04 crore on account of share of net proceeds assigned to State

It would be seen from the above that amount collected at pre assessment stage ranged between 95 *per cent* to 100 *per cent* during 2006-07.

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 2004-05, 2005-06 and 2006-07 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2005-06 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 2005-06
1.	Taxes on sales, trade etc.	2004-05	542.37	7.57	1.39	0.91
		2005-06	726.98	9.38	1.29	
		2006-07	914.45	10.33	1.13	
2.	State excise	2004-05	299.90	4.19	1.39	3.40
		2005-06	328.97	4.24	1.29	
		2006-07	341.86	3.86	1.13	
3.	Taxes on vehicle, goods and passengers	2004-05	146.14	1.27	0.87	2.67
		2005-06	144.12	1.28	0.89	
		2006-07	156.57	1.90	1.21	
4.	Stamps and registration fee	2004-05	75.34	2.02	2.68	2.87
		2005-06	82.43	1.22	1.48	
		2006-07	92.47	2.24	2.42	

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 2002-03 to 2006-07 is mentioned as under:

(Rupees in lakh)			
Year	No. of assessees	Sales tax revenue	Revenue/assessee
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
2006-07	44,638	91,445	2.05

It would be seen that the revenue per assessee increased by 11 *per cent* during 2006-07.

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs. 430.10 crore of which Rs.107.63 crore was 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 2007	Amount outstanding for more than 5 years as on 31 March 2007	Remarks
1.	Taxes on sales, trade/vat etc.	99.29	27.14	Arrears pertained to the years 1968-69 and onwards. Out of arrears of Rs. 99.29 crore, demands for Rs. 51.76 crore had been certified as arrears of land revenue. Recoveries amounting to Rs. 1.39 crore were stayed by the High Court/other judicial authorities. Recovery of Rs. 0.56 crore was held up due to rectification/ review of applications. Demands for Rs. 3.90 crore were likely to be written off. Specific action taken in respect of remaining arrears of Rs. 41.68 crore, called for in April 2007, had not been intimated (September 2007).
2.	Forestry and wild life	72.61	27.37	Out of arrears of Rs. 72.61 crore, the outstanding amounts relate to contractor agency: Rs. 3.87 crore; Himachal Pradesh State Forest Corporation: Rs. 68.67 crore and the balance Rs.0.07 crore relate to other Government departments. Period to which arrears pertained and specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).
3.	Taxes and duties on electricity	80.93	--	The arrears were recoverable from Himachal Pradesh State Electricity Board.
4.	Taxes on vehicles	90.54	29.13	The arrears pertained to the year 1977 and onwards. Specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).
5.	Taxes on goods and passengers	13.65	9.32	Arrears pertained to the year 1961-62 and onwards. Out of arrears of Rs. 13.65 crore, demands for Rs. 2.81 crore had been certified as recovery of land revenue. Recoveries amounting to Rs. 0.04 crore were stayed by the High Court/other judicial authorities. Specific action taken in respect of remaining arrears of Rs. 10.80 crore, called for in April 2007, had not been intimated (September 2007).
6.	Police	17.66	6.33	Arrears pertained to the years 1990-91 and onwards. Out of total arrears of Rs. 17.66 crore, the outstanding amounts relate to Bhakra and Beas Management Board: Rs. 11.03 crore; Nathpa Jhakri Power Corporation: Rs. 1.47 crore; railway authorities: Rs. 1.52 crore; civil aviation authority: Rs. 1.01 crore; Yamuna Hydrel Project Khodri Majri and Cement Corporation of India, Rajban: Rs. 0.64 crore and National Hydro Electric Power Corporation: Rs. 0.85 crore. The remaining Rs.1.14 crore relates to other departments/ institutions. For recovery of arrears pertaining to the Bhakra Beas Management Board and Yamuna Hydrel Project, Khodri Majri, cases had been filed under Land Revenue Act. Further report had not been received (September 2007).

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

Audit Report (Revenue Receipts) for the year ended 31 March 2007

(Rupees in crore)

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than 5 years as on 31 March 2007	Remarks
7.	Water supply, sanitation and minor irrigation	35.17	0.98	Arrears pertained to the years 1963-64 and onwards. Out of arrear of Rs.35.17 crore, Rs.34.17 crore relates to Municipal Corporation, Shimla, municipalities and notified area committees. The remaining arrears relating to minor irrigation and housing (Rs.1 crore) were recoverable through deputy commissioners of the districts and superintending engineers respectively. Specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).
8.	State excise	7.41	4.13	Arrears pertained to the year 1972-73 and onwards. Out of arrears of Rs. 7.41 crore, demands for Rs. 3.95 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.3.40 crore, called for in April 2007, had not been intimated (September 2007)..
9.	Other taxes and duties on commodities and services	3.46	0.09	Arrears pertained to the years 1989-90 and onwards. Out of arrears of Rs.3.46 crore, demands for Rs. 1.68 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.18 crore had been stayed by the High Court and other judicial authorities. Specific action taken in respect of remaining arrears of Rs. 1.60 crore, called for in April 2007, had not been intimated (September 2007).
10.	Industries (including village and small scale industries).	5.02	1.02	Arrears pertained to the years 1979-80 and onwards. Specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).
11.	Non ferrous, mining and metallurgical industries	3.20	2.12	Arrears pertained to the years 1970-71 and onwards. Specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).
12.	Land revenue	0.91	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).
13.	Public works	0.25	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).
Total		430.10	107.63	

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 2006-07	Total assessments due	Cases disposed of during 2006-07	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.	1,01,179	32,832	1,34,011	61,251	72,760	46
Luxury tax	1,501	1,203	2,704	986	1,718	36
Tax on works contracts	3,311	1,020	4,331	3,333	998	77
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 2006	Cases detected during 2006-07	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 2007
					Number of cases	Amount of demand (in lakh of rupees)	
1.	Taxes on sales, trade etc.	71	6,744	6,815	6,736	410.39	79
2.	State excise	6	404	410	409	4.32	01
3.	Passengers and goods tax	910	5,058	5,968	5,166	94.96	802
4.	Other taxes and duties on commodities and services	10	2,009	2,019	2,010	114.40	09
Total		997	14,215	15,212	14,321	624.07	891

1.9 Refunds

The number of refund cases pending at the beginning of the year 2006-07, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2006-07 as reported by the department 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	21	0.23	--	--
2.	Claims received during the year	19	0.45	11	1.10
3.	Refunds made during the year	19	0.35*	10	1.09
4.	Balance outstanding at the end of year	21	0.33	01	0.01

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 2006-07 revealed under assessments/short levy/loss of revenue amounting to Rs. 108.19 crore in 959 cases. During the course of the year 2006-07, the concerned departments accepted under assessments etc., of Rs. 66.77 crore involved in 1,329 cases, which had been pointed out in audit in earlier years.

This report contains 32 paragraphs including one review relating to non/short levy of tax, royalty, fees, interest and penalty etc. involving Rs. 82.38 crore. Departments/ Government accepted audit observations involving Rs. 61.28 crore of which Rs. 30.71 crore had been recovered upto July 2007. No replies have been received in 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 transactions and verify 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.

* Includes Rs.0.05 lakh deleted by AETC, Shimla

1.11.2 The number of IRs and audit observations relating to revenue receipts issued during the last three years upto 31 December 2006, which were pending settlement by the departments as on 30 June 2005, 30 June 2006 and 30 June 2007 are given below:

Particulars	At the end of June		
	2005	2006	2007
Number of IRs pending settlement	2,836	3,052	3,209
Number of outstanding audit observations	6,821	7,135	7,586
Amount of revenue involved (in crore of rupees)	318.50	278.05	334.72

1.11.3 Department wise breakup of the IRs and audit observations outstanding as on 30 June 2007 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	822	1,563	10.52	1977-78 to 2005-06	63
2.	Forest Farming and Conservation	554	1,586	181.08	1970-71 to 2005-06	12
3.	Excise and Taxation	805	2,058	79.27	1973-74 to 2005-06	14
4.	Transport	543	1,565	26.13	1972-73 to 2005-06	25
5.	Other departments (Irrigation and Public Health, Public Works, Agriculture, Horticulture, Co-operation, Food and Civil Supplies and Mining)	485	814	37.72	1976-77 to 2005-06	34
Total		3,209	7,586	334.72		148

The issue of outstanding IRs was brought to the notice of the Chief Secretary to Government in July 2007. 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 settlement of outstanding audit observations contained in the IRs on revenue receipts of 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 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 2006-07, eight out of 10 Government departments relating to revenue receipts, convened meeting of the audit committees. The matter relating to annual meeting in respect of remaining departments i.e. Excise and Taxation and Public Works was under correspondence. In the meetings, 26 paras were settled.

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.

Thirty six draft paragraphs including one review (clubbed into 32 paragraphs) included in the report for the year ended 31 March 2007 were sent to the Principal Secretaries/Secretaries of the respective departments by name between February and May 2007. The Principal Secretaries/Secretaries of the departments did not send replies to 34 draft paragraphs despite issue of reminders (July 2007). 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, lays 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 139 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 2002, 2003, 2004 and 2005, action taken explanatory notes had not been received in respect of 31 paragraphs from three[@] departments.

1.15 Recovery of revenue of accepted cases

During the years between 2001-02 and 2006-07, the departments/Government accepted audit observations involving Rs. 174.99 crore of which an amount of Rs. 84.89 crore was recovered as detailed below:

Year of Audit Report	Total money value	Accepted money value	(Rupees in crore)
			Recovery made
2001-02	19.55	7.12	5.89
2002-03	80.37	48.96	44.54
2003-04	107.31	38.20	1.59
2004-05	54.39	7.11	1.88
2005-06	58.32	12.32	0.28
2006-07	82.38	61.28	30.71
Total	402.32	174.99	84.89

[@] 2003-04: Forest Farming and Soil Conservation

2004-05: Forest Farming and Soil Conservation, Revenue and Public Works Department

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 2006-07, revealed short assessment of tax, non levy of penalty etc., amounting to Rs.6.80 crore in 194 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/ purchases	23	1.08
2.	Non /short levy of penalty/ interest	16	0.22
3.	Under assessment of tax	104	1.92
4.	Non levy of tax due to non registration of dealers	02	1.50
5.	Other irregularities	49	2.08
Total		194	6.80

During 2006-07, the department accepted under assessments of Rs. 2.94 crore involved in 56 cases which had been pointed out in audit in earlier years.

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

2.2 Under assessment due to wrong allowance of concession

As per notification dated 23 July 1999, issued under Himachal Pradesh General Sales Tax (HPGST) Act, 1968, a new tiny industrial unit located in industrial development block Solan was entitled for concessional rate of tax of 25 *per cent* of the specified rate of tax, for a period of five years from the date of commencement of commercial production. This concession was admissible only if, the annual turnover of the unit did not exceed Rs. 45 lakh. Further, if a dealer failed to pay the tax due by the prescribed date, he became liable to pay interest at the prescribed rates.

During audit of records of Assistant Excise and Taxation Commissioner (AETC) Solan, it was noticed in October 2006 that a new tiny industrial unit of Solan development block, engaged in manufacture of laboratory disposables* was allowed to avail concessional rate of tax since October 2001. Annual turnover of the unit exceeded Rs. 45 lakh in 2002-03 and 2003-04, as such, it was not entitled to any concessional rate of tax. The assessing authority (AA) while finalising the assessments for the years 2002-03 and 2003-04, in March 2006, incorrectly allowed concessional rate of tax. This resulted in under assessment of sales tax of Rs. 11.04 lakh including interest of Rs.3.71 lakh.

The matter was reported to the department and Government in November 2006; reply had not been received (September 2007).

2.3 Non levy of tax due to non registration of dealers

Under HPGST Act, “dealer” means any person who carries on his business of buying, selling or supplying or distributing goods directly or indirectly for cash or for deferred payment or for commission, remuneration or other valuable consideration. Further a dealer is liable to be registered and pay tax from the date on which his gross turnover during any year exceeds the taxable quantum of Rs. 4 lakh prescribed with effect from 23 April 1999.

During audit of records of AETC, Una, it was noticed in January 2007 that 23 suppliers sold khairwood valued at Rs. 6.56 crore to a firm* between 2000-01 and 2001-02. The annual turnover of each dealer exceeded Rs. 4 lakh but none of them had applied for registration. The department also failed to detect the cases of non registration and the dealers had also not paid any tax during this period. This resulted in non levy of tax of Rs. 1.48 crore including interest of Rs. 0.69 crore.

The matter was reported to the department and Government in February 2007; reply had not been received (September 2007).

* Pipettes tips and Petri dish

* M/s Mahesh Udyog Oel, district Una

2.4 Incorrect determination of turnover

Under HPGST Act, "turnover" includes the aggregate of the amount of sales and purchases actually made by any dealer during the given period. As per departmental instructions issued in April 1978, AAs while examining accounts of dealers are required to see that sales are in agreement with the purchases and should take cognizance of any difference between the figures shown by the dealers in their returns and those reflected in the accounts.

During audit of records of AETC Solan, it was noticed in October 2006 that in a case, remanded in March 2005, taxable turnover of a dealer as reflected in the manufacturing, trading and profit and loss accounts for the years 1996-97 to 2001-02 worked out to Rs.3.82 crore. However, AA while framing fresh assessments for these years in August 2005 incorrectly determined the taxable turnover as Rs. 1.86 crore. This resulted in incorrect determination of turnover of Rs. 1.96 crore having a tax effect of Rs. 19.60 lakh. Besides, interest of Rs.19.33 lakh was also leviable.

The matter was reported to the department and Government in November 2006; reply had not been received (September 2007).

2.5 Short levy of tax due to incorrect application of rate

Taxes on goods are leviable in accordance with schedules prescribed in HPGST Act.

During audit of records of three[^] AETCs, it was noticed between February 2006 and January 2007, that AAs while finalising assessments between January 2002 and December 2005, of seven dealers for the years 1998-99 to 2004-05, applied lesser rate of tax instead of prescribed rates of tax on goods valued at Rs. 5.47 crore. Application of incorrect rate of tax resulted in short levy of tax of Rs. 30.41 lakh including interest. A few instances are given below:

[^] Kangra: one case: Rs.1.94 lakh; Sirmour: four cases: Rs.7.13 lakh and Una: two cases: Rs. 21.34 lakh

(Rupees in lakh)					
Sr. No.	AETCs Year Date of assessment	Dealers Goods	Nature of irregularity	Value of goods	Tax effect
					Tax levied short Interest leviable
1.	Sirmour • 1998-99 January 2002 1999-2000 December 2002 2000-01 June 2004 • 1998-99 and 1999-2000 March 2005	2 Limestone	Dealers made inter state sale to unregistered dealers. Local rate of tax on limestone was 30 per cent (non-LD* grade). AA while finalising the assessments of the dealers levied tax at the rate of 10 per cent instead of 30 per cent.	8.00	1.60 1.60
Remarks: AETC Sirmour intimated in November 2006 that a demand of Rs.3.85 lakh had been raised against the dealers, of which Rs. 0.32 lakh had been recovered till October 2006.					
2.	2001-02 December 2005	1 Katha ^{&}	Dealer purchased khair wood valued Rs. 45.55 lakh locally. The khair wood was used in manufacture of katha and was transferred out of state against 'F' forms. Purchase tax was to be levied at the rate of 12 per cent instead of eight per cent.	45.55	1.82 1.52
3.	Una 2000-01 January 2005 2001-02 September 2005	1 Steel scrap	Dealer made inter state sale of steel scrap. This being declared goods, was taxable at four per cent. AA while finalising assessments of the dealer levied tax at the rate of one per cent instead of four per cent on inter state sale of steel scrap against 'C' forms.	302.55	9.07 9.11
4.	2002-03, 2003-04 and 2004-05 December 2005	1 PVC pipes and its fittings	The dealer was engaged in the manufacturing of PVC pipe and fittings. The rate of tax on PVC pipes was 12 per cent. AA while finalising the assessments of the dealer levied tax at the rate of eight per cent instead of 12 per cent by treating the PVC pipes as plastic pipes.	53.76	2.15 1.01

The matter was reported to the department and Government between March 2006 and February 2007; reply had not been received (September 2007).

2.6 Non levy of interest

Under HPGST Act, if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one per cent per month, from the date immediately following the last date on which the dealer should have paid the tax, for a period of one month and at the rate of one and a half per cent per month thereafter, so long as the default continues.

During audit of records of two^{\$} AETCs, it was noticed between August and October 2006 that AAs while finalising assessments between August 2003 and

*Limestone which have one and a half per cent or more silica content
& manufactured from converted khairwood

^{\$}Kangra and Solan

August 2005 for the years falling between 1998-99 and 2001-02 of three dealers created tax demands amounting to Rs. 10.62 lakh. Of these, two dealers of Kangra district had not paid tax of Rs. 2.84 lakh on their return income while another dealer of Solan district paid it short by Rs. 7.78 lakh. However, the AAs did not levy interest of Rs. 9.73 lakh on non/short deposit of tax. Besides, interest of Rs. 2.98 lakh had also become leviable upto July/ September 2006. AAs had not taken any action to recover the amount of tax. This resulted in non realisation of Government revenue of Rs. 23.33 lakh including interest.

The matter was reported to the department and Government between September 2006 and November 2006; reply had not been received (September 2007).

2.7 Short levy of tax

As per notification dated July 1999 issued under the Central Sales Tax (CST) Act, 1956, production of 'C' forms was compulsory for claiming concessional rate of tax in the case of inter state sale of steel wires. Further, an amendment dated May 2002 stipulated that furnishing of 'C' forms was compulsory in all cases of inter state sale for claiming concessional rate of tax.

2.7.1 During audit of records of AETC, Kangra it was noticed in August 2006 that a dealer made inter state sale of steel wires valued at Rs. 87 lakh during 2000-01. AA while framing the assessment in May 2002 incorrectly levied tax on sales without 'C' forms at concessional rate of one *per cent* instead of eight *per cent*. This resulted in short levy of tax of Rs. 11.82 lakh including interest.

2.7.2 In another case, the dealer made inter state sale of activated carbon* valued at Rs. 1.12 crore during 2003-04. The dealer furnished 'C' forms for Rs. 97.10 lakh only. AA while finalising the assessment in November 2005 levied concessional rate of tax of one *per cent* on entire inter state sale. The tax was leviable at the rate of 10 *per cent* on the sale of Rs. 15.10 lakh not covered by 'C' forms. This resulted in short levy of tax of Rs. 1.90 lakh including interest.

The matter was reported to the department and Government in September 2006; reply had not been received (September 2007).

2.8 Evasion of sales tax

As per amended[^] notification of February 1992, issued under the HPGST Act, tax was leviable at concessional rate of one *per cent* on sale of semi finished katha against declaration form RM-1. But tax on khair was leviable at 12 *per cent* upto 19 April 2002 and eight *per cent* thereafter. If a dealer maintained false or

* Carbon powder used as purifier for the manufacture of pharmaceuticals goods and for purification of ghee and mustard oil etc.

[^]dated 23 July 1999

incorrect accounts with a view to suppress his sales or purchases turnover, he was liable to pay penalty at the prescribed rate.

During audit of records of AETC, Bilaspur, it was noticed in March 2006 that a dealer sold khair wood valued at Rs. 68.34* lakh during 2000-01 and 2002-03. However, AA treated it as semi finished katha and levied in January 2005 tax of Rs.0.81 lakh at concessional rate of one *per cent* though no document in this regard was found on record. This resulted in evasion of sales tax of Rs. 12.87 lakh including interest and penalty.

After this was pointed out, the Additional ETC (HQ) Shimla intimated in October 2006 that AA had reassessed the dealer in August 2006 and created an additional demand of Rs. 14.94 lakh. No recovery could be made as the dealer had filed an appeal. Further report had not been received (September 2007).

The matter was reported to Government in April 2006; reply had not been received (September 2007).

* 2000-01: Rs. 39.91 lakh; 2002-03: Rs. 28.43 lakh

CHAPTER- III: STATE EXCISE AND TAXES ON VEHICLES

3.1 Results of audit

Test check of records of state excise, motor vehicles, goods and passengers tax, conducted during the year 2006-07, revealed non/short realisation of licence fee, interest and penalty, tax and other irregularities amounting to Rs. 18.31 crore in 298 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sr. No.	Particulars	Number of cases	Amount
I. State Excise			
1.	Non/short realisation of license fee, interest and penalty	15	1.86
2.	Other irregularities	10	0.22
II. Taxes on Vehicles, Goods and Passengers			
3.	Non/ short realisation of		
	• Token tax	48	0.54
	• Passengers and goods tax	02	0.02
4.	Evasion of		
	• Token tax	27	1.33
	• Passengers and goods tax	07	0.13
5.	Other irregularities		
	• Vehicles tax	163	11.20
	• Passengers and goods tax	26	3.01
Total		298	18.31

During 2006-07, the department accepted under assessments of Rs.12.82 crore involved in 671 cases which had been pointed out in audit in earlier years.

A few illustrative cases highlighting important observations involving financial effect of Rs. 3.80 crore are given in the following paragraphs.

I. STATE EXCISE

3.2 Non/short recovery of interest on late payment of licence fee

Himachal Pradesh excise auction announcements for the year 2005-06, provide for payment of licence fee in 10 equal instalments by the licensee holding licence for vending country made liquor or Indian made foreign liquor (IMFL). The licensee is required to pay instalments by last day of each month. Failure to do so, renders him liable to pay interest at the prescribed rates. Punjab Excise Act, 1914, as applicable to Himachal Pradesh, envisages that all excise revenue may be recovered from the person primarily liable to pay the same or from his surety by distress and sale of his movable property as arrears of land revenue.

3.2.1 During audit of records of three* Assistant Excise and Taxation Commissioners (AETCs), it was noticed between October and December 2006 from interest receipt registers that six licensees did not pay monthly instalments of license fee, interest thereon and penalty levied by the AETCs amounting to Rs.84.51 lakh in time during 2005-06. The department had not taken any action to recover the amount from the licensees or from his surety. This resulted in non realisation of Government revenue to that extent.

3.2.2 In three* AETCs, it was further noticed between October 2006 and February 2007 that three licensees had delayed payment of instalments of licence fee for the year 2005-06, ranging between 3 to 247 days, for which interest of Rs.27.59 lakh was payable by them. The department, however, levied/recovered Rs.25.95 lakh which resulted in short recovery of interest of Rs.1.64 lakh.

The matter was reported to the department and Government between September 2006 and March 2007; reply had not been received (September 2007).

II. TAXES ON VEHICLES, GOODS AND PASSENGERS

3.3 Non realisation of token tax

Under the Himachal Pradesh Motor Vehicle Taxation Act, 1972, (HPMVT Act) and Rules made thereunder, token tax is payable in advance and is collected quarterly or annually in the prescribed manner. Those vehicles that have been declared off the road and have deposited registration certificate (RC) in the concerned registering and licensing authority (RLA), shall be exempted from payment of tax for that period. A register called "Token Tax Register" is required to be maintained by each RLA under HPMVT Act.

* Bilaspur: Rs. 20.07 lakh; Kangra: Rs. 16.65 lakh and Mandi: Rs. 47.79 lakh

* Bilaspur: Rs. 1.07 lakh; Solan: Rs. 0.30 lakh and Una: Rs. 0.27 lakh

During test check of records of 29* RLAs, it was noticed between March 2006 and March 2007 that for 2,992& vehicles, token tax amounting to Rs.1.83 crore for the years 2004-05 to 2005-06, was neither deposited by the vehicle owners nor had the taxation authorities taken any action to recover the same. There was nothing on record to show that any of these vehicles was declared off the road and their RCs were deposited with concerned RLAs. Of these, token tax register of five^ RLAs were incomplete. In absence of the entries, monitoring of collection done by the RLA could not be ascertained. This resulted in non realisation of token tax of Rs.1.83 crore during the years 2004-05 to 2005-06.

After this was pointed out, RLA Dharamsala intimated in March 2007 that necessary demand notices for the recovery of token tax of Rs.4.47 lakh had been issued to 19 defaulters. Further report and reply from remaining RLAs had not been received (September 2007).

The matter was reported to the department and Government between April 2006 and April 2007; reply had not been received (September 2007).

3.4 Non/short payment of special road tax

Under HPMVT Act, there shall be levied, charged and paid to the State Government monthly special road tax (SRT) on all transport vehicles used or kept for use in the State. SRT is payable in advance on 15th of every month. As per Transport Department notification dated 26 July 2006 deemed to have come into force on 31 July 2002, if the owner of vehicle fails to pay the tax due within the prescribed period the taxation authority after giving opportunity of being heard, shall direct the owner to pay the penalty at the prescribed rates. Where any tax due or penalty, as the case may be, in respect of any motor vehicle, has not been paid, department is empowered to seize and detain such vehicle.

3.4.1 Private operators

During audit of records of five* regional transport authorities (RTAs), it was noticed that in 65 cases, SRT of Rs. 50.49 lakh for the year 2005-06 was either not paid by the owners of vehicles or was paid short. The RTAs did not issue any notice to the defaulters. There was nothing on record to indicate that any of these vehicles was detained or seized by the department. Inaction on the part of

*Arki, Amb, Baijnath, Banjar, Bilaspur, Chamba, Chopal, Dalhousie, Dehra, Dharamsala, Ghumarwin, Jaisinghpur, Kangra, Kullu, Manali, Nahan, Nalagarh, Palampur, Paonta Sahib, Parwanoo, Rajgarh, Reckong Peo, Rohroo, Sarkaghat, Theog, Shimla (Urban), Solan, Sundernagar and Una

& Buses/mini buses/stage carriages: 564 cases: Rs. 1.18 crore; construction equipment vehicles: 12 cases: Rs. 0.03 crore; goods carriers/ other vehicles: 2,249 cases: Rs. 0.56 crore and maxi cabs/ motor cabs: 167 cases: Rs.0.06 crore

^ Amb, Dehra, Palampur, Paonta Sahib and Una

* Bilaspur: 9 cases: Rs. 2.89 lakh; Hamirpur: 23 cases: Rs.10.82 lakh; Kullu: 27 cases: Rs.5.13 lakh; Mandi: 4 cases: Rs. 2.40 lakh and Solan: 2 cases: Rs. 29.25 lakh

department resulted in non realisation of SRT of Rs. 50.49 lakh. Besides, penalty for non payment of tax was also leviable.

After this was pointed out between June 2006 and December 2006, the RTA Mandi intimated in February 2007 that notices were issued to the concerned operators. Further report and reply from remaining RTAs had not been received (September 2007).

3.4.2 Non levy of penalty on HRTC vehicles

During audit of records of four* RTAs, it was noticed that SRT amounting to Rs. 8.66 crore for the period 2005-06 was not paid by Himachal Road Transport Corporation (HRTC), within the prescribed period. Delay in payment of SRT ranged between 3 and 168 days for which penalty of Rs.45.67 lakh though leviable was not levied. This resulted in non realisation of Government revenue to that extent.

After this was pointed out, RTA Mandi stated in February 2007 that penalty of Rs. 8.08. lakh had been levied. Further report on action taken and reply from remaining RTAs had not been received (September 2007).

The matter was reported to the department and Government between July 2006 and February 2007; reply had not been received (September 2007).

3.5 Short levy of token tax due to incorrect application of rates

According to Government of Himachal Pradesh, Transport Department notifications of December 2001 and December 2003, token tax at the rate of Rs. 250 per seat per annum was to be charged on maxi cabs and private service buses owned by private institutions. With effect from 1 January 2004, the annual rates of tax in case of construction equipment vehicles and crane mounted vehicles were leviable at the rate of Rs.6,000 (light), Rs.9,000 (medium) and Rs. 12,000 (heavy) per annum.

During audit of records of five* RLAs and RTA Bilaspur, it was noticed between March 2006 and December 2006 that token tax payable for 85 vehicles* amounted to Rs. 9.15 lakh. The owners of the vehicles, however, deposited tax at a lower rate and paid Rs. 4.92 lakh only. The department failed to detect the mistake resulting in short levy of token tax of Rs. 4.23 lakh.

The matter was reported to the department and Government between April 2006 and January 2007; reply had not been received (September 2007).

*Bilaspur: Rs. 6.04 lakh; Dharamsala:Rs. 26.78 lakh; Kullu:Rs. 4.84 lakh and Mandi: Rs. 8.01 lakh

*Banjar, Dalhousie, Kullu, Sundernagar and Una

* Buses: 15: Rs.0.87 lakh; Construction equipment vehicles: 24: Rs.3.07 lakh and Maxi cabs: 46: Rs.0.29 lakh

3.6 Irregular exemption of token tax

As per notification dated December 2003 issued under HPMVT Act, token tax at the rate of Rs. 250 per seat per annum subject to maximum of Rs.30,000 was to be charged on buses belonging to private educational institutions.

During test check of records of eight* RLAs, it was noticed between September 2006 and March 2007, that 36 vehicles owned by private educational institutions, were irregularly exempted from payment of token tax during the period January 2004 to March 2006. This resulted in non realisation of token tax of Rs.4.99 lakh.

After this was pointed out, the concerned taxation authorities stated between September 2006 and March 2007 that notices would be issued to the concerned institutions asking them to deposit the tax.

The matter was reported to the department and Government between October 2006 and April 2007; reply had not been received (September 2007).

3.7 Undue retention of Government money

The Himachal Pradesh Financial Rules, 1971, stipulate that departmental receipts collected during the day should be credited into the treasury on the same day or latest by the morning of the next working day. Every officer receiving money on behalf of Government should maintain a cash book in the prescribed form.

3.7.1 During audit of RLA Paonta Sahib it was noticed in March 2007 that an amount of Rs. 41.92 lakh collected on account of registration fee, token tax, penalty, passing fee, driving license fee during the period falling between October 2005 and June 2006, was not deposited in the treasury within the prescribed period. The delay in deposit of Government money was upto 2 to 289 days.

After this was pointed out, RLA Paonta Sahib, while admitting the audit observations, stated (March 2007) that departmental enquiry against the delinquent official was under process and results thereof would be supplied.

3.7.2 Permit fee of Rs. 9.71 lakh was collected by Additional District Magistrate (Law and Order) (ADM- L &O) Shimla between October 2003 and March 2006, out of which Rs. 9.60 lakh was deposited late by 2 to 28 days while remaining amount of Rs. 0.11 lakh was not deposited at all.

After this was pointed out, ADM (L&O) Shimla also admitted the lapse and stated that directions had been given to the concerned official to deposit the revenue in Government account either on the same day or on the morning of next working day. As regards non deposit of Rs. 0.11 lakh it was stated in March 2007 that the amount will be made good from the concerned official. Further report was awaited (September 2007).

*Arki, Dehra, Kangra, Kullu, Manali, Nalagarh, Paonta Sahib and Una

Failure of concerned RLA/ADM (L&O) to ensure that Government receipts collected were promptly deposited into the treasury resulted in undue retention of Government money to the tune of Rs. 51.63 lakh. Keeping the discrepancy in view, the possibilities of misutilisation/misappropriation of Government money can not be ruled out.

The matter was reported to the department and Government between March 2007 and April 2007; reply had not been received (September 2007).

3.8 Non realisation of passengers tax and goods tax

Under Himachal Pradesh Passengers and Goods Taxation (HPPGT Act), 1955 and rules made thereunder, owners of vehicles are required to pay tax, etc. at the prescribed rates either monthly or quarterly. However, if the owner of a vehicle fails to pay the tax due, the taxation authority may, direct owner of the vehicle to deposit the tax due alongwith penalty, a sum not exceeding five times of the amount of tax so assessed subject to minimum of Rs. 500.

During test check of demand and collection register maintained in 10* AETCs and Excise and Taxation Officer (ETO) Kinnaur, it was noticed between May 2006 and January 2007 that passengers tax and goods tax amounting to Rs. 66.96 lakh for 1,606 vehicles, for the period 2004-05 to 2005-06 was not paid by the owners of vehicles. The assessing authorities did not issue any demand notices to owners of the vehicles. Inaction on the part of department resulted in non realisation of tax to that extent. Besides minimum penalty of Rs. 8.03 lakh was also levable.

After this was pointed out, the department intimated between September 2006 and April 2007 that an amount of Rs. 3.88 lakh* (passengers tax: Rs. 2.75 lakh; goods tax: Rs. 1.13 lakh) had been recovered from three AETCs and efforts were being made to recover the balance amount. In case of Chamba district, notices had been issued to the owners. Further report on realisation and reply from remaining AETCs had not been received (September 2007).

The matter was reported to the department and Government between June 2006 and February 2007; reply had not been received (September 2007).

3.9 Vehicles not registered with the Excise and Taxation Department

Under HPPGT Act 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

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

* Hamirpur: Rs. 1.71 lakh; Kangra at Dharamsala: Rs. 1.80 lakh and Kinnaur: Rs. 0.37 lakh

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 leviable.

Cross verification of records of nine RLAs and four RTAs with seven* AETCs and ETO Kinnaur revealed between May 2006 and February 2007 that 565 vehicles registered with concerned RLAs & RTAs were not registered with Excise and Taxation Department under HPPGT Act. As a result, goods tax of Rs. 13.35 lakh for the period between 2004-05 and 2005 -06, was not realised from the owners of the vehicles. There was no co-ordination between RTAs/RLAs and AETCs to ensure registration of vehicles. A minimum penalty of Rs.2.82 lakh was also leviable.

After this was pointed out, Additional ETC, Shimla stated in November 2006 that an amount of Rs. 0.77 lakh was recovered from 22 vehicles of Hamirpur and Mandi. The other concerned AETCs had been directed to get the remaining vehicles registered. Further report and reply in respect of remaining districts had not been received (September 2007).

The cases were reported to the department and Government between June 2006 and February 2007; reply had not been received (September 2007).

* Bilaspur, Chamba, Hamirpur, Kullu, Mandi, Nahan and Una

CHAPTER-IV: FOREST RECEIPTS

4.1 Results of audit

Test check of records of forest receipts, conducted during the year 2006-07, revealed non/short recovery and other irregularities amounting to Rs.27.37 crore, in 238 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sr. No.	Particulars	Number of cases	Amount
1.	Non/short recovery of royalty	27	1.59
2.	Non levy of extension fee	33	1.01
3.	Non levy of interest	33	0.63
4.	Other irregularities	145	24.14
Total		238	27.37

During 2006-07, the department accepted under assessments of Rs. 48.94 crore involved in 563 cases which had been pointed out in audit in earlier years.

A few illustrative cases highlighting important observations involving financial effect of Rs. 34.75 crore are given in the following paragraphs.

4.2 Short realisation due to less extraction of timber

The Himachal Pradesh State Forest Corporation (corporation), entrusted with the responsibility of exploitation of all forest lots, is required to pay royalty on salvage* trees at rates fixed by the State Government on the recommendations of the Pricing Committee. It also exploits such lots which are marked to meet *bona fide* requirements of the right holders at highly subsidised rates. The out-turn* percentage of the trees marked (including sawn timber, hakkaries*, pulpwood etc.) was fixed in February 1986 by the Forest Department at 65 per cent of the standing volume for *deodar*, *kail* and *chil* trees.

During audit of records of Divisional Forest Officer (DFO), Chamba, it was noticed in July-August 2006 that a salvage lot of 804 trees of *deodar species* containing 1,789.92 cu.m standing volume of timber was handed over to the corporation for exploitation during the year 2004-05, to meet the *bona fide* requirements of the right holders of Chamba town. Of these, seven trees having standing volume of 44.48 cu.m were not workable as these were situated in steep slopes. The remaining 797 trees having 1,745.44 cu.m of standing volume were felled and converted into timber, from which minimum quantity of 1,134.536 cu.m of converted timber was required to be obtained. However, the corporation extracted only 907.237 cu.m of timber. The DFO neither investigated the reasons for less extraction nor the corporation was asked to explain the reasons therefor. Thus, less extraction of 227.299 cu.m of timber resulted in short realisation of royalty of Rs. 16.46 lakh including sales tax of Rs. 3.80 lakh.

The matter was reported to the department and Government in August 2006, reply had not been received (September 2007).

4.3 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 (CA) is to be realised from the user agency as per departmental instructions and deposited as revenue under the relevant head. Similarly, the cost of fence posts required for fencing for carrying out afforestation in the catchment area under catchment area treatment (CAT) plan of the concerned project, is also to be recovered from the user agency.

During audit of records of five^oDFOs, it was noticed between July 2006 and November 2006 that cost* of 5,80,359* fence posts, required for compensatory

*Dead, dry and fallen trees

* Out put

* Pieces of logs, golas etc. cut into two from center

^o Bharmour, Chamba, Kinnaur, Rohru, and Seraj at Banjar

*Cost of fence posts worked out at the rate of Rs.100 per fence post on the basis of bills raised by the department

* CA: 47,459; CAT Plan: 5,32,900

afforestation and for the area under CAT plan in total area of 9,281.9546⁸ hectare had not been charged from the user agencies during the period falling between May 2004 and November 2005. This resulted in non realisation of revenue of Rs.7.63 crore including sales tax of Rs.1.71 crore to Government.

The matter was reported to the department and Government between August 2006 and December 2006; reply had not been received (September 2007).

4.4 Non realisation of net present value

Government of Himachal Pradesh (Department of Forest) vide notification dated 9 January 2004 levied a charge of net present value (NPV) (earlier called environmental value) for forest land diverted for non forestry use under Forest (Conservation) Act, 1980. As per Government of India (GOI), Ministry of Environment and Forest (MOEF) letter dated September 2003, NPV shall be charged in all those cases which have been granted in principle approval and shall be realised before case of final approval is forwarded to GOI.

4.4.1 During audit of records of five⁹ DFOs, it was noticed between August 2006 and March 2007, that approval for diversion of 11.5202 hectare of forest land for non forestry use was accorded in principle in seven cases by GOI between May 2005 and March 2007, in favour of user agencies. DFOs concerned however, did not levy NPV of Rs. 70.49 lakh for 11.5202 hectare of forest land against the user¹⁰ agencies.

4.4.2 Under GOI orders dated June 2004, NPV was payable where forest area was broken up for making an opening for underground works and where deforestation work was involved.

During audit, it was noticed that in two forest divisions of Bharmour and Chamba, sanction for diversion of 96.145 hectare of forest land was accorded. Of this, 10.145⁹ hectare of land was required for underground works. In this area, 1,870 trees were required to be felled and tunnel[^] to be constructed. This attracted levy of NPV of Rs.58.84 lakh. The same was not levied resulting in non levy of Government revenue to that extent.

The matter was reported to the department and Government between August 2006 and April 2007; reply had not been received (September 2007).

⁸ CA: area: 636.9546 hectare and CAT plan:area: 8,645 hectare

⁹ Dharamsala, Kotgarh, Nurpur, Renukaji and Suket at Sundernagar

¹⁰ Public Works Department and Department of Technical Education

⁹ Bharmour: 3.145 hectare and Chamba : 7 hectare

[^] adits (access to the main channel) to the head race (a water conductor system in hydel project)

4.5 Non levy 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 expiry of lease period, corporation had no right on such trees which were left standing in the forest or felled trees and any scattered/stacked timber not removed from the leased forest unless its period of lease was extended by Conservator of Forests/ Principal Chief Conservator of Forests (CF/PCCF). For all extensions granted, extension fee was payable at rates prescribed by Government.

During audit of records of 14* DFOs, it was noticed between May 2006 and March 2007 that 172 lots were handed over to corporation for exploitation during lease period from 30 June 2004 to 30 June 2006. Though exploitation work could not be completed within the lease period, extension fee of Rs.68.95 lakh was not realised as detailed below:

- In seven divisions, corporation was allowed to continue exploitation work in 76 lots beyond the lease period that expired on 30 June 2006. Extension fee of Rs. 26.99 lakh payable by the corporation, was neither demanded by the department nor paid by the lessee.
- In other seven divisions, extension in lease periods of 96 lots sought by corporation between March 2006 and December 2006, was not granted by the department till date. Corporation continued exploitation work without payment of extension fee of Rs. 41.96 lakh.

Thus, non levy of fee and non grant of extension in working periods resulted in non realisation of revenue of Rs. 68.95 lakh.

After this was pointed out, three* DFOs intimated between May 2006 and January 2007 that bills for Rs. 12.35 lakh as pointed out by audit had been raised against the corporation. Further report on recovery and reply from other divisions had not been received (September 2007).

The cases were reported to the department and Government between June 2006 and April 2007; reply had not been received (September 2007).

* Ani at Luhri, Bharmour, Chamba, Chopal, Churah, Dehra, Dharamsala, Kinnaur, Nahan, Paonta Sahib, Rajgarh, Rampur, Rohru and Theog

* Kinnaur: Rs. 4.53 lakh; Rampur: Rs. 4.26 lakh and Theog: Rs. 3.56 lakh

4.6 Short recovery due to application of incorrect volume factor

Royalty is payable on standing volume of trees determined on volume factor fixed by the department in the approved working plan.

During audit of records of DFO Bharmour, it was noticed in August 2006 that volume of 44.26 cu.m was claimed short from corporation/user agency as detailed below:

- Volume factor for V^{th} class trees of *deodar* and *kail* species was taken as 0.06 cu.m instead of 0.22 cu.m fixed in approved working plan of forest division. The standing volume of 163* trees of *deodar* and *kail* species worked out to 35.86 cu.m instead of 9.78 cu.m fixed by the division while handing over the same to corporation.
- Similarly, volume factor of V^{th} class tree of *fir* species was taken as 0.06 cu.m instead of 0.24 cu.m prescribed in the working plan. The standing volume of 101 *fir* trees worked out to 24.24 cu.m instead of 6.06 cu.m fixed by the division while handing over the same to National Hydro Electric Power Corporation.

This resulted in short recovery of Rs. 2.24 lakh on account of cost of trees, royalty and sales tax.

The matter was reported to the department and Government in September 2006; reply had not been received (September 2007).

4.7 Non/short charging of cost of saplings

PCCF in his letter of September 1991 directed all DFOs to charge market value of all trees including saplings from the project authorities/user agencies. For working out cost, each sapling was to be treated as a V^{th} class tree.

During audit of records of three DFOs, it was noticed between January 2005 and January 2007, that cost of 1,17,674 saplings amounting to Rs. 45.86 lakh was either not charged or charged short by the divisions as per details given below:

^a Classification of a tree with reference to dia at breast height

* Deodar: 11: volume 2.42 cu.m; Kail: 152: volume 33.44 cu.m

(Amount in lakh)						
Name of division	Total saplings	Rate per sapling in rupee		Amount levied short		Total amount realised short
		Leviable Levied	Levied short	Cost of sapling	Sales tax ^s	
Nalagarh	814 Khair	520 10	510	4.15	1.24	5.39
	100 Shisham	646 10	636	0.63	0.19	0.82
	85 Kikar	195 10	185	0.16	0.05	0.21
Renukaji	810 Kokat	195 Nil	195	1.58	0.20	1.78
Suket at Sundernagar	1,15,865 ^{&}	80 55	25	28.97	8.69	37.66
Total	1,17,674			35.49	10.37	45.86

This resulted in non realisation of revenue of Rs. 45.86 lakh to Government.

After this was pointed out, PCCF Shimla intimated in May 2007 that Rs. 2.02 lakh in the case of Nalagarh forest division had been recovered in March 2007. Further report of recovery and reply from remaining two divisions had not been received (September 2007).

The matter was reported to the department and Government between February 2005 and February 2007; reply had not been received (September 2007).

4.8 Loss of interest due to non keeping of funds in fixed deposit

As per instructions (22 March 2004) of Union Ministry of Environment and Forests (MOEF), 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 Central Government.

Subsequently MOEF advised (22 June 2004) that State/UT Governments may encash the FDs partly if required for the purpose of CA and other such works and open a current account. The balance amount may be maintained as FDs by the DFO/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. As per MOEF's letter dated 18 November 2005, CAMPA had

^s VAT 12.5%

[&] specie wise details not given, rate of lowest quality taken for working out the loss

already been constituted and notified by the Central Government on 23 April 2004 and till such time CAMPA intimates head of account for adoption, the funds would be maintained in the form of FD in the name of nodal officer or concerned DFO of the State Government and the funds realised towards the NPV shall not be utilised by the State Government.

During test check of records of 28^v DFOs, between May 2006 and March 2007 it was noticed that an amount of Rs. 54.24^{jr} crore was received from various user agencies for CA, NPV, CAT plan etc., during the years 2004-05 to 2006-07. Audit scrutiny revealed that the entire amount of Rs. 54.24 crore had been deposited in the treasury under the revenue head "406-800-Other Receipts" between March 2005 and July 2006 as the State Finance Department had opined that keeping such funds in FDs for unlimited period will be violative of financial rules. By crediting the amount of Rs. 54.24 crore in Government treasury instead of keeping them in FDs, Government suffered a loss of interest of Rs. 4.53 crore (calculated at the rate of five *per cent* per annum from the date of deposit into treasury) between March 2005 and March 2007. 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. This also inflated the revenue of the department/ Government to that extent.

The cases were reported to the department and Government between June 2006 and April 2007; reply had not been received (September 2007).

4.9 Loss of revenue due to non weighment of deodar stumps

The State Government entered into an agreement with two firms in May 1996 and October 1996 for supply of deodar stumps for manufacturing deodar oil. The royalty on stumps to be supplied to the firms was fixed at the rate of Rs. 130 per quintal for the year 1996-97. Thereafter, it was to be determined yearwise as per prevailing market rates of deodar wood oil subject to the condition that it should not be less than Rs. 130 per quintal or 20 *per cent* above of the previous year's market price, whichever is higher. It was decided in December 1997 by Government that weight of stumps be taken on actual weighment basis. The rate of royalty was based on deodar oil recovery at three *per cent* per quintal fixed by the department.

During audit of records of two^v DFOs, it was noticed between November 2006 and January 2007 that 11,169[♦] stumps of deodar were supplied to two firms by the department. However, weighment of deodar wood extracted from the stumps

^v Ani, Bilaspur, Churah, Dalhousie, Dehra, Dharamsala, Hamirpur, Jogindernagar, Kullu, Kotgarh, Kunihar, Kinnaur, Nachan, Nalagarh, Nahan, Nurpur, Pangi, Parbati, Palampur, Rajgarh, Rohru, Renukaji, Rampur, Seraj, Suket, Shimla, Theog and Una

^{jr} 2004-05: Rs. 0.27 crore; 2005-06: Rs. 52.74 crore and 2006-07: Rs. 1.23 crore

^v Karsog: Rs. 20.33 lakh and Nachan at Gohar: Rs. 7.29 lakh

[♦] Karsog: 8,648 and Nachan: 2,521

marked was not actually made in the field units. As a result, the department could not exercise control on actual out-turn of deodar oil, which ranged between four to six *per cent* against the prescribed limit of three *per cent*. This resulted in short realisation of royalty of Rs. 27.62 lakh (including sales tax/ value added tax) as per details given below:

Year	Total quantity of deodar oil extracted	Weight of deodar wood required for extraction at 3 <i>per cent</i>	Actual weight of deodar wood shown by the department	Short accountal of deodar wood	Short recovery of royalty at Rs. 144.30 per quintal (Rs.)	30 <i>per cent</i> Sales tax/ 12.5 <i>per cent</i> VAT leviable (Rs.)	Total amount (Rs.)
2004-05	40,814.10 kg	13,605 qtl.	8,558.10 qtl.	5,046.90 qtl.	7,28,268	2,18,480	9,46,748
2005-06	65,278 kg	21,759 qtl.	10,578 qtl.	11,181 qtl.	16,13,418	2,01,677	18,15,095
Total	1,06,092.10 kg	35,364 qtl.	19,136.10 qtl.	16,227.90 qtl.	23,41,686	4,20,157	27,61,843 say Rs. 27.62 lakh

The matter was reported to the department and Government between December 2006 and February 2007; reply had not been received (September 2007).

4.10 Non recovery of compensation for environmental value

As per notification of 24 June 2002, the State Government levied a charge as compensation for the loss of "environmental value" of forest land diverted to non forestry use, under Forest (Conservation) Act, 1980. This compensation is to be levied as one time payment at the rate of Rs.8 lakh per hectare for the areas having forest cover above 10 *per cent* and at the rate of Rs.5 lakh per hectare for the remaining forest areas, before handing over the possession of the diverted forest land to the user agency. These rates would also apply to the projects where approval for diversion of forest land under the Act *ibid* had been accorded but the possession of forest land was yet to be handed over to the user agency.

During audit of records of two* DFOs, it was noticed in November 2004 and November 2005 that Ministry of Environment and Forest accorded approval in November 2000 for diversion of 954.69 hectare of forest land involving Rs.64.13 crore in favour of National Thermal Power Corporation (NTPC) Ltd. for construction of Kol Hydro Electric Project (KHEP). Out of this, possession of 415.0317 hectares of forest land of Kunihar and Shimla divisions was not handed over to user agency. Compensation for environmental value for this part of land amounting to Rs. 21.56 crore was neither paid by the agency nor was it demanded by the assessing authorities. This resulted in non realisation of Government revenue to that extent.

* Kunihar: 243.0317 hectare and Shimla: 172 hectare

After this was pointed out, PCCF accepted the audit observation in May 2007 and stated that NTPC was required to pay the compensation for loss of environmental value. Report on recovery had not been received.

The matter was reported to Government between December 2004 and December 2005; reply had not been received (September 2007).

4.11 Irregular grant of rebate in royalty

The pricing committee prescribed certain conditions for grant of concessional rate of royalty for trees declared unfit after being marked for exploitation. If the volume of rotten (unfit) trees was more than five *per cent* of the total marked volume, a joint inspection was required to be conducted within a period of two months after felling by sub divisional manager (SDM) and ACF. These officers 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 meter length (with a minimum mid girth of 1.5 m), one sound pole of four meter length and width (a girth of one m at any end) and one sound pole of three meter 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, it should also be certified in the joint inspection that a tree cannot yield one sound pole /log of specified size.

During audit of records of six* DFOs, it was noticed between May 2006 and March 2007, that 21 lots having standing volume of 34,186.704 cu.m and containing trees of *deodar, kail, chil, fir* and broad leaved species were handed over to the corporation for exploitation between 2003-04 and 2005-06. Of these, in three[€] divisions, although 3,061.794 cu.m volume of trees declared unfit for 15 lots was more than five *per cent* of the total marked volume of 25,957.766 cu.m, yet no joint inspection was conducted. No reasons were on record for non conducting of joint inspections. Rebate in royalty amounting to Rs.32.18 lakh was also allowed by the department.

In remaining three[¶] divisions, though joint inspections of 788 trees of six lots having standing volume of 1,721.734 cu.m were conducted, but in the inspection reports, it was not certified that the trees did not yield any sound log/pole of specified size. Therefore, rebate in royalty amounting to Rs. 35.28 lakh allowed by the divisional officers was irregular.

This resulted in irregular grant of rebate in royalty amounting to Rs.67.46 lakh (including sales tax/value added tax) to the corporation.

The cases were reported to the department and Government between June 2006 and April 2007; reply had not been received (September 2007).

* Chamba, Kullu, Parvati, Paonta Sahib, Shimla and Theog

€ Kullu, Paonta Sahib and Parvati (Total marked volume: 25,957.766 cu.m)

¶ Chamba, Shimla and Theog (Total marked volume: 8,228.938 cu.m)

4.12 Short recovery of revenue

The standing trees coming in the alignment of a project are marked and handed over to corporation for exploitation. The cost of trees is, however, recovered from the user agencies in whose favour the GOI had accorded its approval for transfer of forest land. Government had fixed the market rates of green standing trees of various species for the year 1992-93 on 15 May 1993. Afterwards, the State Government revised (December 2006) the market rates of green standing tree species retrospectively from 15 May 1993.

During audit of records of six* DFOs, it was noticed between December 2006 and March 2007 that cost of 7,378 trees of *Chil* species having standing volume of 2,652.657 cu.m falling in the alignment of different projects/ transmission lines etc. were charged at lesser rates. The department, however, did not raise additional demand of cost of trees at revised rates. This resulted in short realisation of Government revenue of Rs. 1.98 crore.

After this was pointed out, DFO Kuniyar stated in March 2007 that bill for balance amount of Rs. 1.42 crore (including cost of 186 saplings and 58 broad leaved trees) had been raised against the user agency. Further report and reply from remaining divisions had not been received (September 2007).

The matter was reported to the department and Government between January 2007 and April 2007; reply had not been received (September 2007).

* Bilaspur: 378 trees: 97.59 cu.m; Dharamsala: 467 trees: 450.062 cu.m; Kuniyar: 6,060 trees: 1,630.536 cu.m; Nahan: 192 trees: 214.983 cu.m; Nalagarh: 234 trees: 212.406 cu.m and Nurpur : 47 trees : 47.080 cu.m

CHAPTER-V: OTHER TAX/NON TAX RECEIPTS

5.1 Results of audit

Test check of records relating to industries, land revenue, co-operation and general administration departments conducted during the year 2006-07, revealed non realisation of royalty/dead rent, incorrect determination of market value of property/exemption on housing loan, non/short levy of stamp duty and registration fee, redemption of Government share capital etc. and other irregularities amounting to Rs. 55.71 crore in 229 cases, which broadly fall under the following categories:

Sr. No.	Particulars	(Rupees in crore)	
		Number of cases	Amount
1.	Non realisation of royalty/ dead rent etc.	23	19.81
2.	Incorrect determination of market value of property/exemption on housing loan	139	4.82
3.	Non/short levy of stamp duty and registration fee	18	0.25
4.	Non/short redemption of Government share capital	05	1.03
5.	Non recovery of damages from unauthorised occupants	01	0.11
6.	Other irregularities	42	22.52
7.	Review on "Mineral Receipts in Himachal Pradesh"	01	7.17
Total		229	55.71

During 2006-07, the departments accepted under assessments of Rs. 2.07 crore involved in 39 cases which had been pointed out in audit in earlier years.

After issue of draft paragraph relating to non deposit of electricity duty due in October 2006, the department intimated (May 2007) that Rs. 30.27 crore had been deposited in April 2007.

A few illustrative cases highlighting important observations involving financial effect of Rs. 3.61 crore and a review on **Mineral Receipts in Himachal Pradesh** involving money value of Rs.7.17 crore are given in the following paragraphs.

A INDUSTRIES DEPARTMENT (Geological Wing)

5.2 Review: "Mineral Receipts in Himachal Pradesh"

5.2.1 Highlights

- Delay in acquisition/transfer of surface rights, in favour of a lessee, resulted in postponement of commissioning of the project and consequently depriving the State exchequer of anticipated revenue of Rs. 51.47 crore during April 2001 to March 2006.

(Paragraph 5.2.10)

- Non obtaining of financial assurances for mine closure plans resulted in undue financial aid amounting to Rs. 1.13 crore to the lessees.

(Paragraph 5.2.14)

- Delay in demarcation of *khud* on interstate boundary and illegal extraction of minerals resulted in loss of revenue of about Rs. 8.40 crore during April 2003 to March 2006.

(Paragraph 5.2.16)

- Non revision of royalty rates of minor minerals resulted in deprivation of Government revenue of Rs. 3.98 crore.

(Paragraph 5.2.17)

- Non implementation of the feasibility reports of working in river beds/*khud* of Hamirpur district resulted in shortfall in revenue to the extent of Rs. 6.43 crore during April 2004 to March 2006.

(Paragraph 5.2.20)

- Non auctioning of 86 mineable sites resulted in non exploitation of sites and consequently loss of revenue of Rs. 78 lakh during April 2001 to August 2003.

(Paragraph 5.2.21)

5.2.2 Introduction

Receipts from mines and minerals consist of mainly royalty, dead rent, surface rent, fees and fines. The principal major minerals found in Himachal Pradesh are limestone, dolomite stone, rock salt, silica, sand, shale etc. Minor minerals like quartzite, roofing slates, stones, sand and *bajri* etc. are also available in the State.

Extraction of major minerals is governed by the Mines and Minerals (Development and Regulation) Act (MMDR Act) 1957 and Mineral Concession Rules, (MCR) 1960. Under the said Act, State Government is empowered to make rules to regulate the grant of mining lease in respect of minor minerals. Accordingly, Himachal Pradesh Minor Minerals (Concession) Revised Rules, (HPMMCRR) 1971 were framed. Government of India (GOI) promulgated National Mineral Policy (NMP), 1993 which inter alia laid stress on survey and exploration, productivity norms etc. for extraction of minerals. Mining operations in respect of minor minerals were undertaken by grant of contracts, short term permits, auctions and leases. Under Himachal Pradesh Land Revenue Act, 1953 mineral rights throughout the state are vested with State Government. However, in Damtal and Khaniara areas of Kangra district, mineral rights were acquired by State Government under the Himachal Pradesh Mineral (Vesting of Rights) Act, 1983.

5.2.3 Organisational set up

Principal Secretary (Industries) to Government of Himachal Pradesh is the administrative head while Director of Industries, is the head of the department assisted by the state geologist and 11 mining officers (MOs) who are responsible for collection of mineral receipts.

5.2.4 Scope of audit

Test check of records of all 11 MOs for the period 2001-02 to 2005-06 was conducted between May 2006 and March 2007. Besides, records of the Director of Industries relating to mineral receipts were also checked.

5.2.5 Audit objectives

The audit was conducted with a view to critically examine:

- explorations, proving and exploitation of mineral deposits, protection and development of mining sites;
- assessment of the implementation of various provisions of the Acts/Rules on mines and minerals ; and
- ascertain effectiveness of internal control mechanism of mineral receipts.

5.2.6 Trend of revenue

As per Himachal Pradesh Budget Manual, the actuals of previous years and the revised estimates ordinarily afford the best guide in framing the budget estimates; and a continuance of any growth or decline in income may, in the absence of definite reasons to the contrary, properly be assumed in all cases in which the proportionate estimates can be usefully employed. But special attention should be paid to new sources of revenue of which account has not been taken in previous years. Besides, under the manual *ibid*, it is the duty of the Finance Department to prepare the budget and for its preparation, it has the power to require heads of departments (HODs) and other authorities to furnish materials on which to base its estimates. The HODs in turn depend for the material on district and other officers who collect the revenue.

A comparison between budget estimates and actual receipts of royalty and other dues of the department during the years 2001-02 to 2005-06 revealed as under:

(Rupees in crore)				
Year	Budget estimates	Actual receipts	Variations excess/shortfall	%age variation
2001-02	26.02	32.97	6.95	27
2002-03	30.00	35.46	5.46	18
2003-04	30.04	36.84	6.80	23
2004-05	30.04	38.42	8.38	28
2005-06	36.04	42.90	6.86	19

It would be seen from the above that there was huge variation between budget estimates and actuals and it ranged between 18 to 28 *per cent*. In all these years budget estimates were kept less than actual collection of previous years. There was nothing on record to indicate that budget estimates were based on any realistic data or information. The department did not collect information from the field units involved in collection of revenue and as such the provisions of manual were not followed in the case of preparation of budget estimates.

After this was pointed out, the department intimated in July 2007 that actual receipt increased due to excess consumption of minerals, increase in the developmental activities and hydro electric projects and receipts which could not be foreseen at the time of preparation of estimates. It was further stated that in future necessary data would be obtained from field units and budget estimates will be framed accordingly.

5.2.7 Arrears position

Yearwise position of arrears for the period 2001-02 to 2005-06 as on 31 March 2006 was as under:

(Rupees in lakh)							
Sr. No.	Year	Opening balance as on 1st April	Addition	Total	Recovery during the year	Outstanding at the end of year	% increase (+) / decrease (-) in the arrear over the previous year
1.	2001-02	262.07	8.40	270.47	9.75	260.72	(-) 0.51
2.	2002-03	260.72	10.94	271.66	13.77	257.89	(-) 1.08
3.	2003-04	257.89	2.43	260.32	25.87	234.45	(-) 9.08
4.	2004-05	234.45	2.87	237.32	13.39	223.93	(-) 4.48
5.	2005-06	223.93	50.18	274.11	5.20	268.91	(+) 20.08

Of Rs.2.69 crore pending as on 31 March 2006, Rs.2 crore was pending collection as royalty from M/s Cement Corporation of India, Rajban since 1992 to 1999. The firm was declared sick in 1996 and was referred to the BIFR[#]. The board in May 2006 approved a rehabilitation scheme/package in favour of the firm in which the firm was to pay arrears of royalty in three equal instalments commencing from the financial year 2007-08.

Agewise analysis of the remaining amount of Rs.68.91 lakh was as under:

	More than 10 years		More than 5 years but less than 10 years		Less than 5 years		Total	
	Case	Amount	Case	Amount	Case	Amount	Case	Amount
Dues pending recovery as arrear of land revenue	26	5.68	--	--	24	47.48	50	53.16
Pending in Courts	--	--	--	--	--	--	--	--
Pending for write off	01	0.05	--	--	--	--	01	0.05
Pending at departmental level	89	2.54	3	3.90	21	9.26	113	15.70
Total	116	8.27	3	3.90	45	56.74	164	68.91

After this was pointed out in June 2006, the department stated that out of 89 cases pending at departmental level for more than 10 years as on 31 March 2006, recoveries involving Rs.0.47 lakh were made in 43 cases and remaining 46 cases involving Rs.2.07 lakh were still pending for collection.

An examination of records of directorate office revealed that in addition to the above, an amount of Rs. 28 lakh on account of geo technical studies conducted between April 2001 and March 2006 by the department in 36 cases of PWD was pending collection. Of these, in 16 cases involving Rs. 23 lakh, demand was raised

[#] Board of Industrial and Financial Reconstruction

after a delay ranging from one to six months. This outstanding amount of Rs.28 lakh had not been included in the arrears.

After this was pointed out, the department intimated in July 2007 that the amount had now been included in the arrears statement for the year 2006-07 and that an amount of Rs. 0.08 lakh in two cases had been recovered.

5.2.8 Non finalisation of long terms state mineral policy

As per NMP, the Director of Industries, Himachal Pradesh was to frame a long term mineral policy by conducting detailed survey and exploration of available minerals in the State. However, it has not been framed so far. No targets in this regard were also fixed.

Details of different activity conducted during 2001-02 to 2005-06 with regard to exploration of minerals as intimated by the department was as under:

Item	2001-02	2002-03	2003-04	2004-05	2005-06
Survey completed/ done	0.96 sq.km. (Investigation of limestone)	0.805 sq.km. (Investigation of limestone)	0.98 sq. km. (0.48 sq. km. for limestone and 0.5 sq. km. for sand deposit)	2.05 sq. km. (for proving minor mineral deposit in the river beds)	1.31 sq. km. (for proving minor mineral deposits in the river beds)
Mapping done	--do--	--do--	--do--	--do--	--do--
Drilling work done	1,358.2 mtrs.	1,096.95 mtrs.	781.9 mtrs.	734.55 mtrs.	341.85 mtrs.
New mineral discovered and mineral wise detail of proving	Started detailed proving of two new limestone deposits	Detailed proving of limestone deposits continued	Detailed proving of limestone deposits continued	Detailed proving of limestone deposits continued	Detailed proving of limestone deposits continued

Increased drilling work undertaken is a performance indicator of discovery of new minerals in new locations. However, the table above shows a declining trend from 2002-03 onwards and was almost one fourth during 2005-06 as compared to the year 2001-02.

The department attributed declining trend in regulatory aspects of mining activities in the field of mineral investigations and timely completion of geotechnical investigation to shortage of technical and supporting staff.

After this was pointed out, the department intimated in July 2007 that arrangements had now been made to depute three drilling rigs with M/s India Cement Ltd. at Gumma (Chopal) in Shimla district and it was expected that drilling progress would increase considerably.

EXPLOITATION OF MINERALS**MAJOR MINERALS****5.2.9 Under exploitation of proved major mineral reserves**

Limestone is an abundantly available natural resource and a vital raw material for mineral industries. However, such mineral deposits need to be located, surveyed and economically exploited.

Department of Industries (Geological Wing) had identified the limestone reserves as under:

Districts	In million tonnes			
	Proved	Probable	Possible	Total
Bilaspur	370	150	500	1,020
Chamba	400	850	100	1,350
Kangra	10	20	10	40
Kullu	--	--	120	120
Mandi	500	20	600	1,120
Sirmour	150	200	1,200	1,550
Shimla	--	50	1,600	1,650
Solan	550	100	1,000	1,650
Lahaul and Spiti	--	--	1,000	1,000
Kinnaur	--	--	100	100
Total	1,980	1,390	6,230	9,600

The exploitation of limestone reserves was got done by the State Government through three^B cement plants covering 441 million tonnes (MT) reserves, leaving thereby proved reserves of 1,539 MT i.e. 78 per cent untapped.

Further three memorandum of understanding (MOUs) were signed by State Government with three bidders between 1995 and 2002 for establishing cement plants each having a capacity of one MT. Of these, in one case the possession of land was not handed over to the lessee while in other two cases the lessee did not start the work within the prescribed time and their contracts were terminated. As a result, exploitation of limestone could not be undertaken. These are discussed in the succeeding paragraphs.

^B CCI Rajban, GACL Darlaghat and ACC Barmana

5.2.10 Delay in transfer of surface rights

A mining lease deed for major mineral over an area of 2.382 sq. kms (232.60 hectares) in Solan district was entered in August 1991 with M/s National Mineral Development Corporation (NMDC) for a period of 20 years with the approval of the Ministry of Coal and Mines (MCM). The lease stipulated commencement of mining operations within two years from the date of execution of lease deed. However, the lessee could not commence mining operation within the stipulated period, due to non transfer of surface rights on private land required for the project. A show cause notice was served on the lessee on 6 September 2002 for non commissioning of project. The lessee refuted the charges stating that despite sincere efforts and huge investments, he was not given surface rights on private land. The State Government referred the matter for adjudication/termination of mining lease in January 2003 to the MCM. In the meantime, the Ministry of Steel (MOS) in their letter dated June 2003 addressed to Chief Secretary to Government of Himachal Pradesh expressed surprise over show cause notice served to the lessee by the State Government. It stated that as surface rights were not granted to NMDC, commissioning of the project was not possible. Further, while working out the revenue loss[▼] to the State exchequer, MOS stressed need for expeditious acquisition of land and grant of permission to NMDC for starting the project activity. Thus, due to delay of nine years, in commissioning of the project, the State exchequer was unnecessarily deprived of its anticipated revenue of Rs. 91.47 crore from April 1997 onwards on account of royalty alone, out of which Rs.51.47[¶] crore pertained to the period from April 2001 to March 2006.

The department admitted in May 2006 that the delay in commissioning of the project was due to delay in communicating State Government approval to NMDC for acquisition of surface rights on private land.

5.2.11 Non forfeiture of security deposit

The State Government entered into MOUs with two private companies* in July 1995 and February 2002 for setting up of large capacity cement projects selectively in private sector, with private investments. Each intending company was required to furnish a security of Rs.10 lakh in the shape of irrevocable bank guarantee within 15 days of signing the MOU for carrying out its objectives. The security deposit was required to be lapsed to Government if the company failed to carry out the objectives of the MOUs.

Test check of records revealed that none of the projects were commissioned and MOUs were terminated in October 2005 and July 2006. But security deposits could not be lapsed to Government as the bank guarantee given by the companies

[▼] Loss of revenue worked out by the Ministry was Rs. 12.44 crore per annum or Rs. 62.20 crore for five years

[¶] On proposed installed capacity of two million tonnes per annum

* M/s Larsen and Toubro Ltd. and M/s Grasim Industries Ltd

had already lapsed in July 2002 and May 2003. This resulted in loss of Rs. 20 lakh. The department had made no efforts to revalidate the guarantees after their validity had expired. In addition, the State exchequer was deprived of minimum revenue of Rs. 20 crore on account of royalty on limestone required for production of proposed five MT of cement during the period April 2001 to March 2006.

After this was pointed out, the department admitted in July 2007 that in both cases bank guarantees lapsed.

5.2.12 Non realisation of royalty on rock salt

As per amendment dated April 2003 made by GOI Ministry of Mines in the MCR, royalty on rock salt was to be computed on the basis of average value as published by the Indian Bureau of Mines (IBM) in the "Monthly Statistics of Mineral Production". The State Government was to add 20 *per cent* to this bench mark value for the purpose of computation of royalty payable at the rate of 10 *per cent* of the value so arrived at.

A mining lease for ownership and management of Government salt works over an area of 665-18-10 *bighas* in Mandi district, entered into between Salt Commissioner, GOI and M/s Hindustan Salts Ltd, was renewed for 20 years with effect from 1 May 1983 to 30 April 2003. Thereafter, the lease agreement was not renewed though the lessee had applied for renewal in May 1997. The lease agreement was still pending. The company, continued extraction of mineral beyond April 2003. As per monthly return filed by the company with MO Mandi, 6,691 metric tonnes of rock salt was extracted by the company from June 2003 to March 2006 on which royalty of Rs. 9.77 lakh was realisable. The department neither demanded this amount nor was it paid by the company.

After this was pointed out, the department stated in July 2007 that the said company had been directed (May 2007) to deposit the royalty amount. Final outcome was awaited.

5.2.13 Non renewal of leases

Under MCR, an application for renewal of mining lease shall be made to the State Government atleast 12 months before the date(s) on which the lease was due to expire. No time limit has been fixed for renewal of leases.

Test check of records revealed that in Sirmour district, 23 leases having 20 years term and one lease of 10 years term were due for renewal between November 1984 and November 2005. All these firms applied within prescribed time but leases were not renewed despite delay ranging from 6 to 252 months as detailed below:

Sr. No.	Reasons for non renewal	No. of cases	Area (Hect.)	Period
1.	Non clearance of outstanding dues	1	255.07	Over 14 years (since 1992)
2.	Non renewal due to non receipt of joint inspection report	7	7,679.00	3 months to 2 years
3.	Non receipt of IBM report	3	34.31	6 months to 13 years
4.	Non receipt of consent from gram panchayat/shamlat* land owners	2	17.84	11 to 21 years
5.	Non submission of documents	2	182.97	2 to 8 years
6.	Non obtaining of clearance from the Forest Department/Ministry of Environment and Forest under FCA,1980	1	3.21	Over 8 years
7.	Non receipt of report from mining officer	2	43.00	10 months to 1 year
8.	Non surrendering of forest land from leased area	2	54.06	2 to 8 years
9.	Non conducting of inspection of the mining area	2	735.25	1 to 5 years
10.	Show cause notice for cancellation	1	43.12	Over 8 years
11.	Dispute between the parties	1	8.03	Over 3 years

All these companies except 12 companies continued mining operations beyond lease periods. Some continued their mining operations beyond 10 years which was half of the renewable lease period. Thus provision for renewal of lease deed proved superficial.

5.2.14 Non approval/submission of mine closure plans and financial assurances

As per amendment (April 2003) to MCR, each mining lessee was required to submit a progressive[^] mine closure plan within 180 days from the date of amendment i.e. April 2003. In case of final^{^^} closure of a mine, the lessee was required to submit a final closure plan one year in advance of closure of mine. Financial[^] assurance in the form of letter of credit from any scheduled bank, surety bond or in any other form as may be acceptable to competent authority were to be furnished by every lease holder. The amount of assurance was based on expected amount required for replenishment of abandoned mines. Financial assurances were to be furnished by the lessees to the Regional Controller of Mines or officer authorised by State Government in this behalf.

During test check of records it was noticed in June 2006 that mine closure plans were either not furnished or were not accompanied with financial assurance in respect of 62 lessees. This resulted in not obtaining of financial assurances of Rs.1.13 crore as detailed below:

* Common land

[^] A progressive plan for the purpose of providing protective, reclamation and rehabilitation measures in a mine or part thereof

^{^^} A plan for the purpose of decommissioning, reclamation and rehabilitation in a mine or part thereof after cessation of mining operations

[^] Financial assurance was based on the category of mines. Minimum financial assurance was Rs. 2 lakh and Rs. 1 lakh for A and B category mines

(Rupees in lakh)				
Sr. No.	Reasons	No. of cases	Amount of financial assurance	Period involved
1.	Mine closure plans not submitted/approved and financial assurance not obtained	47	47	Over 3 years
2.	Mining plans were approved for next five years after cut off date without insisting for mine closure plans	10	10	-do-
3.	Mine closure plans approved but financial assurance not obtained/short obtained	5	56	-do-
Total		62	113	

Besides contravention of rules, inaction on the part of Mining Department resulted in undue financial aid to the lessees. The department had not at any stage impressed upon the lessees to submit financial assurances.

After this was pointed out, the department stated in July 2007 that out of 62 cases, mine closure plans in 26 cases were under preparation while in 33 cases it was submitted to/approved by the IBM. Final action taken in remaining cases has not been intimated. However, reply was silent about furnishing of financial assurance.

5.2.15 Non/short recovery of dead rent, royalty and surface rent

Under the Act and rules framed thereunder, every mining lessee was required to pay dead rent or royalty, whichever was higher. Besides, surface rent was also payable at the prescribed rates.

Test check of records of nine[@] MOs revealed between July 2006 and March 2007 that in 84 cases, Rs. 35.28 lakh on account of dead rent, royalty and surface rent though recoverable was not recovered.

After this was pointed out, the department intimated in July 2007 that an amount of Rs. 18.91 lakh had been recovered and efforts were being made to recover the balance amount of Rs. 16.37 lakh.

MINOR MINERALS

5.2.16 Delay in demarcation of khud on inter state boundary

During test check of records of MO Kangra, it was noticed that illegal mining activities were taking place in Chakki khud (an interstate boundary between Himachal Pradesh and Punjab state). Twelve stone crushers of Punjab state were involved in the activities. The State Government was informed in August 2003 by the stone crushers of Himachal side that Government had been loosing Rs.2.80

[@] Bilaspur, Chamba, Hamirpur, Kangra, Kinnaur, Kullu, Shimla, Solan and Una

crore per annum on account of royalty payable from illegal mining activities done by 12 stone crushers, alone. The Director of Industries, requested Revenue Department in June 2005 to demarcate the *khud*. But no demarcation was done upto November 2006. Meanwhile, a raid was conducted in March 2006 by Sub Divisional Magistrate, Nurpur, which revealed that 40 stone crushers of Punjab side were engaged in illegal mining from Chakki *khud*. The magnitude of loss caused by 40 stone crushers involved in illegal mining would be quite higher.

After this was pointed out, the department stated that demarcation of Chakki *khud* was completed in March 2007 according to which almost whole of Chakki *khud* area fell in the jurisdiction of Himachal Pradesh. Thus delay in demarcation resulted in deprivation of minimum revenue of about Rs. 8.40[&] crore to Government from April 2003 to March 2006.

5.2.17 Non revision of royalty rates of minor minerals

The MMDR Act empowered the State Government to make rules in respect of minor minerals viz., fixing of rates of royalty, fee, dead rent, fines etc.

The rates of royalty in respect of minor minerals have not been revised with effect from 25 June 1999. Since then the Central Government has revised the rates of royalty of major minerals twice on 12 September 2000 and on 14 October 2004. But State Government did not revise the rates of minor minerals. Non revision of royalty rates deprived State exchequer of revenue of Rs. 3.98[©] crore.

After this was pointed out, the department stated in July 2007 that proposal for revision of rates, sent to State Government in March 2006 was under consideration of Government.

5.2.18 Non auctioning of mining sites/involvement of Panchayati Raj Institutions

As per amendments dated June 2003 to HPMMCRR, no mining lease, short term permits and tender or auction or contract shall be granted to any person without prior recommendation of the gram sabha or panchayat concerned. The modalities of granting recommendation by the gram panchayats were not prescribed by Government.

It was noticed that 24 mining sites in Kangra district fell under the jurisdiction of nine panchayats. All the panchayats were requested between March 2004 and March 2006 to send recommendations for grant of leases of mines falling under their jurisdiction but it was not received from any panchayat. The department also

[&] Amount was mentioned in records of department

[©] 2002-03: 1.35 crore; 2003-04: 1.38 crore; 2004-05: 0.72 crore; 2005-06: 0.53 crore calculated on the basis of proportionate increase in royalty rates for major minerals

did not pursue the matter with concerned panchayats to obtain the same, as such, none of the mining sites could be leased out. Failure of the department to prescribe modalities for granting recommendation including time schedules within which it was to be procured from panchayat, deprived State exchequer of minimum royalty of Rs. 4.62 lakh, during the period from October 2003 to March 2006.

After this was pointed out, the department stated in July 2007 that action was being taken for obtaining NOC from 16 concerned panchayats while in the remaining eight cases mining operation had been started. However, date of operation was not communicated. Report on further action taken was however, awaited.

5.2.19 Non amendment to the provisions of penalty

As per River/Stream Bed Mining Policy Guidelines (RSBMP guidelines) approved by State Government in February 2004, compounding of an illegal mining or transportation case could be done by charging a minimum fine of Rs. 5,000. Necessary amendment in this regard was to be made in the HPMMCR. However, this amendment was not carried out in the rules.

Test check of records of seven* district offices revealed that 356 cases detected during March 2004 to March 2006, were decided by the civil courts by imposing fine of lesser amounts than minimum fine of Rs. 5,000. It was due to the fact that corresponding amendment in the rules was not made by Government since February 2004. This resulted in loss of Government revenue of Rs.15.38 lakh.

5.2.20 Non implementation of feasibility reports

As per RSBMP guidelines, a feasibility report for working in a particular river/stream bed was to be prepared by the geological wing with respect to availability of minerals, geology, physiography, soil/bank erosion etc. Accordingly, a feasibility report was prepared by geological wing in March 2004 of the river beds/parts of river bed of Hamirpur district. As per this feasibility report, 18 river beds/khuds having annual replenishment of boulders, bajri and sand that could safely be allowed to be lifted, worked out to 55,99,130 MT. The report was an authentic detailed study purported to assist and guide in future, mining policy/planning of that district from the year 2004-05 onwards.

Test check of records of MO Hamirpur revealed that the department did not bring the feasibility report of river beds in district Hamirpur to the notice of the auctioning^s committee at the time of auction of river beds/khuds. Consequently, auctioning committee stuck to the old conservative approach of selective mining and auctioned the beds for Rs.1.52 crore against Rs.7.95 crore realisable as per feasibility reports during the period April 2004 to March 2006. Non

* Bilaspur: 160; Hamirpur: 28; Kangra: 15; Sirmour: 33; Shimla: 50; Solan: 9 and Una:61

^s Headed by concerned sub divisional magistrate

implementation of the feasibility reports of working in the river beds/*khuds* led to shortfall in revenue to the extent of Rs. 6.43^Δ crore.

After this was pointed out, MO Hamirpur while admitting the audit observations, stated that matter would be brought to the notice of auctioning/joint inspection committee at the time of annual review.

5.2.21 Non auctioning of river/khud

Forest Department through notifications dated August 1998 and December 1998 clarified that the land categorised as “*gair mumkin*” “*charagah bila drakhtan*”[@] and “*na kabil cherand*”[†] were not forest land for the purpose of application of FCA. However, the above notifications were rescinded by Forest Department on 9 August 2003. As such, all mineable sites were open for auction during August 1998 to August 2003.

Test check of records of five field units revealed that the department did not avail of this opportunity during August 1998 to August 2003. As a result, 86^α mineable sites falling under above categories of land, involving royalty of Rs. 77.76^{**} lakh (based upon previous last auctioned amounts) were not put to auction and remained unexploited. This resulted in depriving the State Government of revenue of Rs. 77.76 lakh.

The department intimated in July 2007 that all MOs had now been directed to identify such areas and get clearance under FCA by submitting the cases to DFOs.

5.2.22 Non forfeiture of security deposits of minor minerals

The terms and conditions of contract agreement provide that in case of default, in the payment of contract money on the due date, the contract may be terminated by Government by giving one month notice, with forfeiture of security deposits.

^Δ Royalty realisable as per quantity in feasibility report = 7.95 crore
Less royalty realised = 1.52 crore
(2004-05: Rs. 3.17 crore and 2005-06: Rs. 3.26 crore)

* Land for which no land revenue is assessed/realised

@ Land without trees where cattle are grazed

† Land where cattle are not grazed

^α Bilaspur: 10; Chamba: 14; Mandi: 24; Solan : 20 and Shimla: 18

^{**} For the review period April 2001 to August 2003

Test check of records of two field units revealed that 17^λ bidders failed to pay the prescribed fixed instalments of contract money. The department did not take any action to terminate the contract and forfeit security deposit of Rs. 3.53 lakh.

After this was pointed out, the department stated in July 2007 that in six cases of Hamirpur district the security amount had been forfeited and deposited in the revenue head whereas in one case security amount was refunded. Further development in the remaining three cases was awaited. In the case of MO Kangra, the department stated that the action was being taken in the matter.

5.2.23 Internal control mechanism

5.2.23.1 Non scrutiny of returns

To exercise effective internal control over the activities being carried out and to ensure correct application of provisions of act/rules, the department had prescribed periodical returns such as quarterly report of old arrears, monthly revenue receipts statement, monthly statement of raids conducted for checking of illegal mining etc.

It was noticed that although quarterly arrear reports were being received at the directorate but no scrutiny was made and no guidance/ direction was given to field units even if these showed negligible or nil recoveries.

5.2.23.2 Non issuance of departmentally printed 'M' form

Issuance of departmentally printed serial numbered 'M' forms had not been provided in the rules to avoid use of fake 'M' forms.

This resulted in non exercising of departmental control over mineral exploitations done by mineral user agencies

5.2.24 Internal audit

Internal audit system is not in vogue. None of the field units had been audited by the internal auditor. Though a section officer (F&A) has been provided but he performs routine duties at directorate level. Manual prescribing duties as internal auditor had not so far been finalised.

Fifty two bank drafts aggregating Rs.20 lakh received during April 2004 to March 2006 by MO Shimla on account of royalty were deposited late with delay ranging from four days to five months.

^λ Hamirpur: 10 and Kangra: 7

After this was pointed out, the department intimated in July 2007 that MO Shimla had only single clerk who was holding work of mining activity and also the custodian of cash/receipts and due to overloading of work, the drafts/cheques could not be processed timely. It was further stated that the office was now making efforts to deposit the drafts/cheques timely in the treasury.

5.2.25 Conclusion

It would be seen from the above that internal controls in the department were weak. No long term planning in consonance with NMP was finalised. Because of this, exploration of available mineral resources in the State could not be assessed. The Industries Department lacked co-ordination with other departments that resulted in delayed grant of leases and late demarcation of river beds. Thus mineral resources had remained untapped depriving State of revenue. Rates of minor minerals and provisions of the Act/ Rules were also not revised as required.

5.2.26 Recommendations

In view of the observations in the review, State Government may consider implementation of following recommendations:

- Long term State mineral policy with periodical fixation of exploitation targets of available mineral resources, need to be finalised in consonance with the provision of NMP.
- Proper co-ordination with other departments like Revenue, Forest and Public Works needed for checking illegal extraction/transportation of mineral.
- A strong mechanism needs to be developed to strengthen the existing system of proper levy and collection of royalty preventing leakage/ loss of revenue. The correctness of returns submitted by lessees to the department need to be ensured for which co-ordination between the department and controller of mines and IBM may be considered.
- Provisions of MOUs need to be made more stringent for time bound commissioning of mineral based projects.

5.2.27 Acknowledgment

We are thankful to the department and various field offices for co-operation extended by them at various stages. Audit findings were discussed with Additional Chief Secretary (Industries) on 6 August 2007 in the exit conference. Government while accepting most of audit observations assured timely recovery of all sums due to Government, initiation of timely action for obtaining NOC from panchayats etc. as well as clearance of cases falling under FCA, revision of rates of minor minerals in time, strengthening of internal controls and monitoring aspects of the department. The replies received from the department and Government have been taken into consideration while drafting the review.

B. Stamp Duty and Registration Fee

5.3 Incorrect exemption on housing loans

As per notifications dated March 2002 and August 2004, issued under Indian Stamp Act 1899, mortgage deeds executed by the employees of Himachal Pradesh State Government, their public sector undertakings and autonomous bodies, for securing house building loan from banks, construction or purchase of a dwelling house for their own use, were exempted from payment of stamp duty and registration fee. This exemption was, however, not admissible to the employees availing loans from LIC, Housing Finance Ltd.

Test check of records of 12* sub registrars (SRs) revealed between May and November 2006 that the registering authorities allowed exemption from payment of stamp duty and registration fee in case of 45 employees of State Government, public sector undertakings and autonomous bodies, who secured house building loans of Rs. 1.62 crore from LIC, Housing Finance Ltd. during 2005*. The exemption granted was incorrect and resulted in non realisation of stamp duty and registrations fee of Rs. 5.70 lakh.

After this was pointed out, SRs Sarkaghat and Sundernagar accepted audit observations involving Rs.2.60 lakh and stated between September 2006 and June 2007 that Rs. 1.45 lakh had been recovered and efforts were being made to recover the balance amount. Further report and reply from remaining SRs had not been received (September 2007).

The matter was reported to the department and Government between June and November 2006; reply had not been received (September 2007).

5.4 Non levy of stamp duty and registration fee

Mortgage deeds executed for taking loan for dwelling purposes from banks, by employees of Central Government and its public sector undertakings, autonomous bodies and banks were not exempted from stamp duty and registration fee. In such cases, stamp duty at the rate of one and half *per cent* and registration fee at the rate of two *per cent* were leviable.

* Banjar : 2 cases; Bhoranj: 1 case; Ghumarwin: 2 cases; Jaisinghpur: 1 case; Karsog: 1 case; Kullu: 2 cases; Mandi: 10 cases; Paonta Sahib: 1 case; Sarkaghat: 7 cases; Shimla (Rural): 4 cases; Sundernagar: 12 cases and Suni: 2 cases.

* 1.1.2005 to 31.12.2005

Test check of records of 14 SRs[#] revealed between May 2006 and November 2006 that the registering authorities allowed exemption from payment of stamp duty and registration fee of Rs. 5.67 lakh in the case of 41 employees of Central Government/ Central Government autonomous bodies/ banks, who secured house building loan of Rs.1.62 crore during 2005. Besides, SR Kumarsain, did not charge stamp duty in one case and registration fee in another case without recording any reasons. This resulted in short recovery of Rs. 0.12 lakh. Non levy of stamp duty and registration fee resulted in non realisation of Government revenue of Rs.5.79 lakh.

After this was pointed out, SR Bilaspur stated in January 2007 that efforts were being made to recover the amounts. Reply from remaining SRs had not been received (September 2007).

The matter was reported to the department and Government between June 2006 and December 2006; reply had not been received (September 2007).

5.5 Incorrect determination of market value of property

Patwaris are responsible for preparation of *partas*⁶. As per Inspector General Registration's (IGR) clarification (June 1998), valuation of land is to be done on the basis of kind of land mentioned in the revenue records. Further, the average price is based on consideration amount or market value, whichever is higher on mutation done during the preceding 12 months in respect of sale deeds. The registering officer is also required to verify the consideration shown in the sale deeds with *partas* prepared by the concerned *patwaris*. 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.

5.5.1 During audit of records of SR Pachhad, it was noticed in October 2006 that a sale deed^{*} of 43.18 bigha of land in village Batol, was registered on 16 March 2005 for Rs.36,000. The market value as per *parta* of said land on the date of registration was Rs. 4.10 crore. Accordingly stamp duty of Rs. 49.22 lakh and registration fee of Rs.0.25 lakh was leviable. The registering authority, while registering the deed levied Rs. 0.04 lakh as stamp duty and Rs. 0.01 lakh as

[#] Bilaspur, Chamba, Ghumarwin, Hamirpur, Jawali, Jubbal, Kullu, Kumarsain, Mandi, Nirmand, Palampur, Sarkaghat, Shahpur and Shimla (Rural)

⁶ It is a valuation report of the land prepared by the *patwari*. The market value is calculated on the consideration amount or market value whichever is higher shown in the deed of the land sold for the preceding year

^{*}No. 83/05

registration fee. This resulted in short levy of stamp duty and registration fee of Rs.49.42 lakh.

After this was pointed out, IGR accepted the audit contention in May 2007 and while directing the concerned Deputy Commissioner to investigate the matter stated that because of this incorrect determination of market value, Government was put to loss of Rs. 49.42 lakh.

5.5.2 During audit of records of 20[&] SRs, it was noticed between April 2006 and November 2006 that consideration of properties set forth in 273 documents registered during 2005 was much below the average price shown in *partas* prepared by the concerned *patwaris* of the localities. Against market value of Rs.40.20 crore, the value set forth in the deeds was Rs.19.47 crore. The registering authorities, while registering the documents failed to correlate the consideration with that of *partas*. This resulted in short realisation of stamp duty of Rs.203.53 lakh and registration fee of Rs.9.81 lakh.

After this was pointed out, SR Baroh intimated in April 2007 that out of Rs.0.95 lakh, an amount of Rs.0.41 lakh had been recovered and that the remaining amount was being recovered. Further report and reply from remaining SRs had not been received (September 2007).

Loss due to incorrect preparation of *parta*

5.5.3 During audit of records it was noticed that *partas* prepared by the *patwaris* in five[▼] SRs, were incorrect. The *patwaris* had taken lesser value of land while working out average price for preparation of each *parta*. Consequently, 91 deeds executed in 2005 were registered at sale value of Rs. 5.18 crore instead of Rs. 6.59 crore. This resulted in short realisation of stamp duty and registration fee of Rs. 12.28 lakh as detailed below:

[&] Baroh, Bilaspur, Chamba, Dehra, Ghumarwin, Hamirpur, Indora, Jubbal, Kullu, Manali, Mandi, Nahan, Nalagarh, Pachhad, Paonta Sahib, Palampur, Shimla (Rural), Shimla (Urban), Solan and Sundernagar

[▼] Dharamsala, Indora, Jawali, Pachhad and Shimla (Urban)

(Rupees in lakh)

Name of SR office	Number of cases	Market value as per actual price applicable	Consideration value as per conveyance deed executed	Loss of revenue		Total
				Stamp duty	Registration fee	
Shimla (Urban)	38	455.42	407.67	2.47	0.44	2.91
Jawali	24	22.88	14.51	0.71	0.17	0.88
Indora	15	46.64	40.62	0.66	0.12	0.78
Dharamsala	13	128.98	54.60	6.27	0.69	6.96
Pachhad	1	5.54	0.22	0.64	0.11	0.75
Total	91	659.46	517.62	10.75	1.53	12.28

After this was pointed out, the concerned SRs stated that the relevant documents would be examined. Further reply had not been received (September 2007).

The matter was reported to the department and Government between May 2006 and January 2007; reply had not been received (September 2007).

C General Administration Department

5.6 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 in the case of outstation transfer is two months or upto the date of allotment at new place of posting, whichever is earlier

During audit of records of Directorate of Estates, Himachal Pradesh, Shimla, it was noticed in October 2006 that two allottees transferred out of Shimla were allowed to retain Government residences upto September 2005 and June 2006 respectively. Thereafter, the allottees did not vacate Government accommodation and had retained the residences unauthorisedly. Damages amounting to Rs. 4.90 lakh for the period falling between October 2005 and October 2006 were not recovered from them. The department neither took any action to evict the occupants after the expiry of permissible period of retention of Government residences nor raised any demand of recovery on account of damages.

After this was pointed out, the department intimated in January 2007 that the concerned officers had been informed to pay the damages as per rules. Further report of recovery had not been received (September 2007).

The matter was reported to Government in November 2006; reply had not been received (September 2007).

D Co-operation Department

5.7 Non/ short redemption of Government share capital

The State Government decided in January 1996 that in case of co-operative societies, share of Government contribution shall be redeemable at the rate of five *per cent* of its capital share once an optimum level of Rs.5 lakh is reached. The optimum level of Government share capital was enhanced to Rs.7 lakh with effect from January 2003.

During audit of Assistant Registrar, Co-operative Societies, Kullu, it was noticed in August 2006 that optimum level of Government's contribution of share capital in respect of four co-operative societies aggregated Rs.30.12 crore during the period falling between 1999-2000 and 2005-06. Consequently, share capital of Rs.1.51 crore became redeemable between 1999-2000 and 2005-06. The department did not insist upon the co-operative societies for redemption of Government share capital at the prescribed rate but recovered Rs.65 lakh only resulting in non/short redemption of Government share capital of Rs.86 lakh. Out of this, Rs. 70 lakh pertained to last five years 2001-02 to 2005-06.

After this was pointed out, the department intimated in June 2007 that a sum of Rs.16.27* lakh had been recovered and efforts were being made to recover the

* Rs.3.09 lakh pertained to the years 1999-2000 to 2000-01

balance amount. Further report of recovery had not been received (September 2007).

The matter was reported to Government in September 2006; reply had not been received (September 2007).



(Suman Saxena)
Accountant General (Audit)
Himachal Pradesh

Shimla
The

11 8 DEC 2007

Countersigned



New Delhi
The

27 DEC 2007

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

