



REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2003

(REVENUE RECEIPTS)
GOVERNMENT OF HIMACHAL PRADESH

TABLE OF CONTENTS

Particulars	Paragraph	Page
Preface		iii
Overview		v-vii
Chapter-1:General		
Trend of revenue receipts	1.1.	1
Variations between Budget estimates and actuals	1.2.	3
Analysis of collection	1.3.	4
Cost of collection	1.4.	5
Collection of sales tax per assessee	1.5.	5
Analysis of arrears of revenue	1.6.	5
Arrears in assessments	1.7.	7
Evasion of tax	1.8.	8
Refunds	1.9.	8
Results of audit	1.10.	8
Failure of senior officials to enforce accountability and protect the interests of Government	1.11.	9
Departmental Audit Committee Meetings	1.12.	10
Response of the State Government to Draft Audit Paragraphs	1.13.	11
Follow up on Audit Reports- Summarised position	1.14.	11
Chapter-2:Sales Tax		
Results of audit	2.1.	12
Incorrect determination of turnover	2.2.	12
Evasion of tax	2.3.	13
Non-levy of tax due to non-registration of dealers	2.4.	14
Short levy of tax	2.5.	15
Inadmissible exemption on sales	2.6.	15
Irregular exemption	2.7.	16
Short levy of tax due to application of incorrect rate of tax	2.8.	16
Under assessment due to incorrect finalisation of assessment	2.9.	16
Non-levy of tax on sales made against declaration forms	2.10.	17
Non-levy of interest	2.11.	17
Internal Audit System of Sales Tax Department	2.12.	18
Chapter-3:State Excise		
Results of audit	3.1.	20
Receipts from State Excise Duty –Deficiencies thereof	3.2.	20
Chapter-4:Taxes on Vehicles, Goods and Passengers		
Results of audit	4.1.	24
Working of National Permit Scheme	4.2.	25
Short realisation of token tax	4.3.	35
Non/short realisation of special road tax	4.4.	35
Short realisation of one time token tax	4.5.	36
Non levy of special registration fee	4.6.	36

Particulars	Paragraph	Page
Non realisation of token tax	4.7.	36
Vehicles not registered with the Excise and Taxation Department	4.8.	37
Chapter-5:Other Tax Receipts		
Results of audit	5.1.	38
(A) Land Revenue		
Non-deposit of revenue	5.2.	38
(B) Stamp Duty and Registration Fee		
Under valuation of immovable property	5.3.	39
Irregular exemption/ short determination of stamp duty and registration fee	5.4.	40
(C) Electricity Duty		
Non recovery of electricity duty	5.5.	42
Chapter-6:Forest Receipts		
Results of audit	6.1.	43
Loss of revenue due to non-levy of permit fee	6.2.	43
Loss of revenue due to delay in handing over of lots	6.3.	44
Loss of revenue due to non-tapping of resin blazes	6.4.	44
Non-levy of extension fee	6.5.	45
Loss of revenue due to administrative failure	6.6.	47
Exploitation of bamboo crop by the Himachal Pradesh State Forest Corporation	6.7.	47
Short recovery of price of trees marked for electric poles	6.8.	50
Loss of revenue due to deterioration of timber	6.9.	51
Non remittance of transportation charges into Government account	6.10.	51
Non-recovery of royalty	6.11.	52
Non-recovery of sales tax and penalty	6.12.	52
Non-recovery of royalty on trees marked along the road-side	6.13.	54
Incorrect application of export permit fee	6.14.	54
Loss due to less extraction of timber	6.15.	55
Loss of revenue due to cases becoming time barred	6.16.	55
Loss of revenue due to illicit felling of trees	6.17.	56
Short recovery of royalty on fit trees	6.18.	56
Non-recovery of launching fee	6.19.	57
Non-recovery of price of drift and stranded timber	6.20.	57
Non-recovery of price of resin	6.21.	58
Non-levy of interest	6.22.	58
Loss of revenue due to un-authorised marking of trees in Timber Distribution	6.23.	59
Chapter-7:Other Non-Tax Receipts		
Results of audit	7.1.	60
(A) Co-operation Department		
Non-redemption of Government share capital	7.2.	60
(B) Industries Department		
Non realisation of royalty and sales tax	7.3.	61



This Report for the year ended 31 March 2003 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 and non-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 2002-2003 as well as those noticed in earlier years but could not be included in previous years' Reports.

OVERVIEW

This report contains 47 paragraphs including one review relating to non-levy/short levy of taxes, duties, fees, interest and penalty etc., involving Rs.80.37 crore. Some of the major findings are mentioned below:-

1. General

(i) The total receipts of the Government for the year 2002-2003 were Rs.3,658.75 crore. The revenue receipts of Rs.1,065.06 crore consisted of Rs.889.57 crore from taxes and Rs. 175.49 crore from non-tax revenue. The state received Rs. 345.60 crore as its share of divisible Union taxes and Rs.2248.09 crore as grants in aid from Government of India. Receipts under state excise (Rs.273.42 crore), sales tax (Rs.383.34 crore), taxes on goods and passengers (Rs. 31.45 crore), taxes on vehicles (Rs. 81.98 crore) and stamps and registration fee (Rs. 37.40 crore) accounted for major portion of tax receipts. Under non-tax revenue, the main receipts were from non-ferrous, mining and metallurgical industries (Rs.35.46 crore) and forestry and wild life (Rs. 31.52 crore).

(Paragraph 1.1.)

(ii) The arrears of revenue under principal heads of revenue as on 31 March 2003 amounted to Rs. 301.44 crore, of which Rs 98.63 crore pertained to Taxes on Sales, Trade etc.

(Paragraph 1.6.)

(iii) 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 2002-2003, revealed under-assessments/ short levy/ loss of revenue amounting to Rs.68.66 crore, in 928 cases. During the course of the year 2002-2003, the concerned Departments accepted under-assessments etc., of Rs.43.15 crore in 392 cases, of which 3 cases involving Rs.0.15 crore had been pointed out in audit during 2002-2003 and the rest in earlier years.

(Paragraph 1.10.)

2. Sales Tax

(i) Incorrect determination of taxable turnover of a dealer by the assessing authority resulted in non-recovery of revenue of Rs. 93.93 lakh.

(Paragraph 2.2.)

(ii) Non disclosure of sale by a dealer of Una district, resulted in evasion of revenue of Rs. 18.06 lakh.

(Paragraph 2.3.1.)

(iii) Although annual turnover of seven dealers had exceeded the taxable quantum, yet the dealers were not registered and brought under tax net. The revenue recoverable amounted to Rs. 64.86 lakh.

(Paragraph 2.4.1. & 2.4.2.)

3. State Excise

(i) License fee amounting to Rs. 2.73 crore was outstanding for recovery from a licensee of a Shimla Unit. The licensee was also liable to pay interest of Rs. 1.16 crore thereon.

(Paragraph 3.2.2.)

- (ii) Against the demand of Rs. 85.27 lakh on account of license fee, Rs. 2.25 lakh only had been paid by the licensees, resulting in short realisation of Rs. 83.02 lakh.

(Paragraph 3.2.3.)

4 Taxes on Vehicles, Goods and Passengers

1. A review on "Working of National Permit Scheme" revealed the following:-

- (i) 4083 bank drafts for Rs. 97.74 lakh on account of composite fee received from other states were not credited to government accounts.

(Paragraph 4.2.9.)

- (ii) Credit of bank drafts amounting to Rs. 2.44 crore to government account had been delayed for periods ranging between 1 to 6 months.

(Paragraph 4.2.12.)

- (iii) Composite fee of Rs.28.95 lakh was short realised from 14 States.

(Paragraph 4.2.16.)

- (iv) Late issuance of notification resulted in short realisation of government revenue of Rs.28.24 lakh.

(Paragraph 4.2.17.)

- (v) Non provision for levy of interest for delayed remittance of bank drafts to government account led to loss of accrued interest of Rs.0.37 crore.

(Paragraph 4.2.20.)

- (vi) Token tax of Rs. 55.99 lakh was short realised in 4436 cases.

(Paragraph 4.3.)

- (vii) Non/short realisation of special road tax amounting to Rs. 37.86 lakh was noticed in 4 offices of the Regional Transport Authorities.

(Paragraph 4.4.)

- (viii) One time token tax of Rs. 11.68 lakh was short realised in 547 cases.

(Paragraph 4.5.)

5. Other-Tax Receipts

Electricity duty amounting to Rs. 58.94 crore for the year 2002-2003 had not been deposited by the Himachal Pradesh State Electricity Board.

(Paragraph 5.5.)

6. Forest Receipts.

- (i) In 11 forest divisions, export permit fee of Rs. 4.39 crore had not been levied on intra-State transport of 2,08,629 quintals of khair wood.

(Paragraph 6.2.)

- (ii) In 6 forest divisions, postponement of the working periods of 29 lots of 8,997 trees resulted in loss of revenue of Rs. 1.14 crore due to reduction in

royalty rates in subsequent years.

(Paragraph 6.3.)

(iii) In 15 forest divisions, 3,84,126 blazes had not been tapped between the tapping seasons of 1998 and 2002 without assigning any reasons and without obtaining prior permission of the Conservator of Forests, which deprived the government of revenue of Rs. 97.23 lakh.

(Paragraph 6.4.)

(iv) In 6 forest divisions, extension fee of Rs. 60.71 lakh was not demanded by the divisional officers from the State Forest Corporation.

(Paragraph 6.5.)

(v) In seven forest divisions, failure of the department to take timely cognizance of offences relating to illicitly felled trees resulted in loss of revenue of Rs. 54.92 lakh.

(Paragraph 6.6.)

(vi) In 8 forest divisions, an amount of Rs. 26.11 lakh on account of cost of electric poles liable to be recovered from the State Electricity Board had not been recovered.

(Paragraph 6.8.)

(vii) In a forest division non-disposal of 187.054 cubic metre timber in time led to its deterioration resulting in loss of revenue of Rs. 21.29 lakh.

(Paragraph 6.9.)

(viii) In two forest divisions, royalty amounting to Rs. 13.91 lakh had neither been demanded by the Divisional Forest Officers nor paid by the corporation.

(Paragraph 6.11.)

7. Other Non-Tax Receipts

No action was taken by the Co-operation Department to recover Government's contribution of share capital of Rs. 32.20 lakh which became redeemable between 1998-99 and 2000-01.

(Paragraph 7.2.)

CHAPTER 1: GENERAL

1.1. Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Himachal Pradesh during the year 2002-2003, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are given below:

		(In crore of rupees)				
		1998- 1999	1999- 2000	2000- 2001	2001- 2002	2002- 2003
I.	Revenue raised by the State Government					
	(a) Tax revenue	572.03	620.26	728.41	916.50	889.57
	(b) Non-tax revenue	205.42	1056.24*	176.96	198.33	175.49
	Total	777.45	1676.50	905.37	1114.83	1065.06
II.	Receipts from the Government of India					
	(a) State's share of divisible Union taxes	727.33	920.98	330.34	324.13	345.60 [@]
	(b) Grants-in-aid	807.08	1117.80	1809.86	2276.84	2248.09
	Total	1534.41	2038.78	2140.20	2600.97	2593.69
III	Total receipts of the State	2311.86	3715.28	3045.57	3715.80	3658.75
IV	Percentage of I to III	34	45	30	30	29

* Increase in non tax revenue mainly consisted of 2 transfer adjustments from a public account head namely 8448 -Deposits of Local Fund (i) Rs.152.28 crore on 29th March, 2000 to 0049 -Interest receipts, and (ii) Rs.656.04 crore on 31st March, 2000 to 0406 -Forestry and Wild Life. These amounts were deposited in earlier years by the State Electricity Board and the Forest Corporation respectively under 8448-Deposit of Local Fund, raising the amounts from the public through SLR Bonds.

[@] For details, please see "Statement No.10-Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of the Government of Himachal Pradesh for the year 2002-2003. 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" and "0044-Service Tax" 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 2002-2003 along with the figures for the preceding four years are given below:-

Head of Revenue		1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	(In crore of rupees) Percentage of increase (+) or decrease (-) in 2002-2003 over 2001-2002
1.	Taxes on Sales, Trade etc.	196.57	233.07	302.05	355.08	383.34	(+) 8
2.	State Excise	185.55	198.70	209.17	236.28	273.42	(+)16
3.	Stamps and Registration Fees	21.61	24.68	29.22	34.27	37.40	(+) 9
4.	Taxes and Duties on Electricity	28.03	0.21	27.39	8.32	0.25	(-)97
5.	Taxes on Vehicles	17.48	28.37	61.04	132.70	81.98	(-)38
6.	Taxes on Goods and Passengers	115.11	104.83	43.05	34.27	31.45	(-) 8
7.	Other Taxes and Duties on Commodities and Services	6.64	23.92	52.60	63.73	77.13	(+)21
8.	Land Revenue	1.04	6.48	3.89	51.85	4.60	(-)91
Total		572.03	620.26	728.41	916.50	889.57	(-) 3

The reason for variation, though called for, have not been furnished.

1.1.2. The details of the major non-tax revenue raised during the year 2002-2003 alongwith the figures for the preceding four years are given below:-

Head of Revenue		1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	(In crore of rupees) Percentage of increase (+) or decrease (-) in 2002-2003 over 2001-2002
1.	Interest Receipts	9.40	159.51	15.00	7.67	9.97	(+) 30
2.	Forestry and Wild Life	9.98	669.37	16.54	28.98	31.52	(+) 9
3.	Non-ferrous Mining and Metallurgical Industries	37.97	30.36	12.50	32.97	35.46	(+) 8
4.	Miscellaneous General Services (including lottery receipts)	14.85	7.25	3.54	1.80	2.81	(+) 56
5.	Power	0.55	53.28	9.00	7.13	(-)0.08	(-)101
6.	Major and Medium Irrigation	0.03	0.03	0.02	11.06	0.06	(-) 99
7.	Medical and Public Health	3.63	4.29	5.04	3.31	3.10	(-) 6
8.	Co-operation	1.37	2.16	2.09	1.26	1.68	(+) 33
9.	Public Works	2.07	2.52	2.16	3.10	6.82	(+)120
10.	Police	5.37	6.67	8.26	7.57	7.87	(+) 4
11.	Other Administrative Services	5.84	28.89	9.33	6.97	10.07	(+) 44

The reasons for variations, though called for, have not been furnished.

1.2. Variations between Budget estimates and actuals

The variation between the Budget estimates and actuals of revenue receipts for the year 2002-2003 in respect of the principal heads of tax and non-tax revenue are given below:

Sr. No.	Head of Revenue	Budget estimates	Actual receipts	(In crore of rupees)	
				Variations excess(+) or shortfall (-)	Percentage of variation
1.	Taxes on Sales, Trade etc.	397.16	383.34	(-) 13.82	(-) 3
2.	State Excise	244.00	273.42	(+) 29.42	(+) 12
3.	Taxes on Goods and Passengers	34.49	31.45	(-) 3.04	(-) 9
4.	Taxes on Vehicles	77.61	81.98	(+) 4.37	(+) 6
5.	Other Taxes and Duties on Commodities and Services	66.25	77.13	(+) 10.88	(+) 16
6.	Stamps and Registration Fees	30.16	37.40	(+) 7.24	(+) 24
7.	Taxes and Duties on Electricity	37.00	0.25	(-) 36.75	(-) 99
8.	Land Revenue	3.20	4.60	(+) 1.40	(+) 44
9.	Industries	13.04	13.58	(+) 0.54	(+) 4
10.	Villages and Small Industries	0.21	0.97	(+) 0.76	(+) 362
11.	Forestry and Wild Life	51.52	31.52	(-) 20.00	(-) 39
12.	Interest Receipts	10.86	9.97	(-) 0.89	(-) 8
13.	Education, Sports, Art and Culture	15.75	14.62	(-) 1.13	(-) 7
14.	Crop Husbandry (including Horticulture)	3.78	4.51	(+) 0.73	(+) 19
15.	Non-ferrous, Mining and Metallurgical Industries	30.00	35.46	(+) 5.46	(+) 18
16.	Housing	1.10	1.73	(+) 0.63	(+) 57
17.	Fisheries	1.01	0.85	(-) 0.16	(-) 16
18.	Water supply and Sanitation	5.13	9.76	(+) 4.63	(+) 90
19.	Police	8.90	7.87	(-) 1.03	(-) 12
20.	Medical and Public Health	2.49	3.10	(+) 0.61	(+) 24
21.	Stationery & Printing	4.86	3.32	(-) 1.54	(-) 32
22.	Social Security and Welfare	3.36	1.47	(-) 1.89	(-) 56
23.	Animal Husbandry	1.54	0.66	(-) 0.88	(-) 57
24.	Power	29.00	(-) 0.08	(-) 29.08	(-) 100

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

Under "Taxes and Duties on Electricity", the decrease was due to non deposit of balance amount of electricity duty for the year 2002-2003 by the Himachal Pradesh State Electricity Board.

Under "Crop Husbandry", the increase under Horticulture sector was mainly due to more production in government nurseries/orchards and consequently increased sale of fruits/fruit products and receipt from the centre under the market intervention scheme.

Under "Fisheries", the decrease was due to placement of some of the departmental fish seed farms under Agriculture Society from 2002-2003.

Under "Stationery and Printing", the decrease was due to less book adjustment on account of receipts relating to printing material/sale of stationery articles in respect of various departments.

Under "State Excise", the increase was mainly due to increase in annual auction money, consumption of more country liquor and increase in Excise Duty.

Under "Other Taxes and Duties on Commodities and Services", the increase was mainly due to enhanced rate of toll tax per vehicle and deposit of bid/earnest money by the contractor during the year 2002-2003 relating to toll barriers auctioned for the year 2003-2004.

Under "Village and Small Industries", the increase was mainly due to more recovery of guarantee fee on loan, more receipt of rent from Industrial sheds and government accommodation.

Under "Non-ferrous, Mining and Metallurgical Industries", the increase was mainly due to more receipts from mineral concession fee/royalties.

Under "Medical and Public Health", increase was mainly due to more receipts on account of license fee from drug manufacturers, medical examination fee, license fee and laboratory charges.

1.3. Analysis of collection

The break-up of the total collections at pre-assessment stage and after regular assessment of state excise, taxes on sales and trade, passengers and goods tax and other taxes and duties on commodities and services during the year 2002-2003 and the corresponding figures for the preceding two years, as furnished by the Excise and Taxation Department is given below:

(In crore of rupees)							
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	2000-2001	207.95	--	1.22	--	209.17	99
	2001-2002	235.34	--	1.10	0.16	236.28	99
	2002-2003	220.31	52.10	1.65	0.64	273.42	81
Taxes on Sales, Trade etc.	2000-2001	291.27	9.45	4.77	3.44	302.05	96
	2001-2002	344.11	7.53	3.57	0.13	355.08	97
	2002-2003	364.97	12.60	6.02	0.25	383.34	95
Taxes on Goods and Passengers	2000-2001	35.72	6.27	1.06	--	43.05	83
	2001-2002	30.46	2.99	0.82	--	34.27	89
	2002-2003	29.58	1.23	0.69	0.05	31.45	94
Other Taxes and Duties on Commodities and Services	2000-2001	52.06	0.44	0.11	0.01	52.60	99
	2001-2002	61.80	0.83	0.17	--	62.80*	98
	2002-2003	70.27	6.21	0.65	--	77.13 ^s	91

* Excludes Rs.0.94 crore received on account of share of net proceeds assigned to the State.

^s Includes Rs.2.03 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 81 per cent to 95 per cent during 2002-03.

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 2000-2001, 2001-2002 and 2002-2003 along with the relevant all India average percentage of expenditure on collection to gross collection for 2001-2002 were as follows-

Sr. No.	Head of Revenue	Year	(In crore of rupees)		Percentage of expenditure on collection	All India Average percentage for the year 2001-2002
			Collection	Expenditure on collection of revenue		
1.	Taxes on sales, Trade etc.	2000-2001	302.05	5.53	1.83	1.26
		2001-2002	355.08	6.13	1.72	
		2002-2003	383.34	6.21	1.62	
2.	State Excise	2000-2001	209.17	3.83	1.83	3.21
		2001-2002	236.28	4.07	1.72	
		2002-2003	273.42	4.43	1.62	
3.	Taxes on Vehicles, Goods and Passengers	2000-2001	104.09	1.51	1.45	2.99
		2001-2002	166.97	1.25	0.75	
		2002-2003	113.43	1.22	1.07	

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 1998-99 to 2002-03 is mentioned as under:

Year	No. of assesseees	Sales tax revenue [@]	(Rupees in lakh)
			Revenue /assessee
1998-1999	21983	19,657	0.89
1999-2000	24005	23,307	0.97
2000-2001	24161	30,205	1.25
2001-2002	27323	35,508	1.30
2002-2003	30903	38,334	1.24

It would be seen that the revenue per assessee came down during 2002-03.

1.6. Analysis of arrears of revenue

The arrears of revenue as on 31 March 2003 in respect of some principal heads of revenue amounted to Rs.301.44 crore of which Rs.32.64 crore

[@] Information as furnished by the department.

were outstanding for more than 5 years as detailed in the following table:-

Sr. No.	Head of Revenue	(In crore of rupees)		
		Amount outstanding as on 31 March 2003	Amount outstanding for more than 5 years as on 31 March 2003	Remarks
1.	Taxes on Sales, Trade etc.	98.63	24.38	Out of arrears of Rs.98.63 crore, demands for Rs.30.83 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.4.92 crore were stayed by High Court and other Judicial Authorities. Demands for Rs.3.58 crore were likely to be written off. Specific action taken in respect of arrears of Rs.59.30 crore though called for (May 2003) had not been intimated (September 2003).
2.	Forestry and Wild Life	91.73	Awaited	Out of total arrears of Rs.91.73 crore, major portion of outstanding amount of Rs.87.82 crore relates to Himachal Pradesh State Forest Corporation. The balance amount of Rs.3.91 crore relates to Forest contractors/other Government Departments. Specific action taken by the Department to effect the recoveries had not been intimated (September 2003).
3.	Taxes and Duties on Electricity	42.92	--	Arrear is recoverable from Himachal Pradesh State Electricity Board.
4.	Water Supply, Sanitation and Minor Irrigation	23.30	Awaited	Arrears of Rs.20.49 crore is recoverable from Municipal Corporation Shimla, Municipalities and Notified Area committees. Specific action taken to effect recoveries in respect of arrears of Rs.23.30 crore though called for (May 2003) had not been intimated (September 2003).
5.	Taxes on Goods and Passengers	19.42	0.62	Out of arrears of Rs.19.42 crore, demands for Rs.3.32 crore had been certified as recovery of land revenue. Demands for Rs.0.05 crore were likely to be written off. Specific action taken in respect of arrears of Rs.16.05 crore though called for in May 2003 had not been intimated (September 2003).
6.	Police	10.86	2.19	Out of total arrears of Rs.10.86 crore, the outstanding amounts relate to Bhakra and Beas Management Board: Rs.5.61 crore, National Hydro Electric Power Corporation: Rs.0.59 crore, Nathpa Jhakri Corporation: Rs.0.95 crore, Civil Aviation Authority: Rs.1.02 crore, Railway Authority: Rs.0.97 crore and Yamuna Hydel Project, Khodri Majri: Rs.0.89 crore. The remaining Rs.0.83 crore relate to other departments/ institutions. For the recovery of arrears pertaining to the Bhakra and Beas Management Board and Yamuna Hydel Project Khodri Majri, cases had been filed under the Land Revenue Act. Further report has not been received (September 2003).
7.	State Excise	5.80	5.41	Out of arrears of Rs.5.80 crore, demands for Rs.4.05 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.37 crore were stayed by High Court and other Judicial authorities. Demands for Rs.0.04 crore were likely to be written off. Specific action taken in respect of arrears of Rs.1.34 crore though called for in May 2003 had not been intimated (September 2003).

* All India Radio, Intelligence Bureau, United Commercial Bank Shimla and Rohru, Punjab National Bank Shimla and Mandi, Cement Corporation of India Rajban, Punjab State Electricity Board, Patiala.

(In crore of rupees)				
Sr. No.	Head of Revenue	Amount outstanding as on 31 March 2003	Amount outstanding for more than 5 years as on 31 March 2003	Remarks
8.	Other Taxes and Duties on Commodities and Services	3.22	0.04	Out of Rs.3.22 crore, demands for Rs.1.88 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.01 crore were likely to be written off. Specific action taken in respect of arrears of Rs.1.33 crore though called for (May 2003) had not been intimated (September 2003).
9.	Non-ferrous, Mining and Metallurgical Industries	2.58	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in May 2003 from the Department had not been intimated (September 2003).
10.	Industries (including village and small scale industries)	1.37	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in May 2003 from the Department had not been intimated (September 2003).
11.	Land Revenue	0.97	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in May 2003 from the Department had not been intimated (September 2003).
12.	Stationery and Printing	0.64	Awaited	Arrears of Rs.0.64 crore pertained to the period from 1997-98 to 2002-2003 and is recoverable from the Director, Public Relations.
	Total	301.44	32.64	

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 2002-2003	Total assessments due	Cases disposed of during 2002-2003	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.	92849	53562	146411	49140	97271	34
Luxury Tax	1599	1094	2693	1167	1526	43
Tax on Works Contracts	2842	537	3379	163	3216	5
Motor Spirit Tax	50	--	50	16	34	32

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 st March 2002	Cases detected during 2002-2003	Total	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 st March 2003
					Number of cases	Amount of demand (In lakh of rupees)	
1.	Taxes on Sales, Trade etc.	74	6329	6403	6192	396.89	211
2.	State Excise	4	53	57	46	4.41	11
3.	Passengers and Goods Tax	1315	4514	5829	4459	44.81	1370
4.	Other Taxes and Duties on Commodities and Services	53	2328	2381	2321	54.21	60
	Total	1446	13224	14670	13018	500.32	1652

1.9. Refunds

The number of refund cases pending at the beginning of the year 2002-2003, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2002-2003 as reported by the Departments is given below:-

	(Amount in lakh of rupees)			
	Sales Tax		State Excise	
	No. of cases	Amount	No. of cases	Amount
1. Claims outstanding at the beginning of the year	16	38.24	1	0.15
2. Claims received during the year	17	69.80	5	63.72
3. Refunds made during the year	18*	25.79	6	63.87
4. Balance outstanding at the end of year	15	82.25	Nil	Nil

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 2002-2003 revealed under-assessments/short levy/loss of revenue amounting to Rs.68.66 crore in 928 cases. During the course of the year 2002-2003 the concerned departments accepted under-assessments etc., of Rs.43.15

* Includes amount of one case of Rs.0.48 lakh quashed due to suo moto action.

crore involved in 392 cases of which 3 cases involving Rs.0.15 crore had been pointed out in audit during 2002-2003 and the rest in earlier years.

This report contains 47 paragraphs including one review relating to non-levy, short levy of tax, fees, interest and penalty etc. involving Rs.80.37 crore. Departments/ Government have accepted audit observations involving Rs.6.04 crore of which Rs.0.24 crore had been recovered upto August 2003. No replies have been received in the other cases.

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

(i) Accountant General (Audit) (AG) arranges to conduct periodical inspection of the government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these Inspection Reports 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 A.G. to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during his inspection. The heads of offices and next higher authorities are required to comply with the observations contained in the Inspection Reports and rectify the defects and omissions promptly and report their compliance to the A.G. Serious irregularities are also brought to the notice of the Head of the Department by the office of the A.G. 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 the audit observations in the pending IRs.

(ii) The number of inspection reports and audit observations relating to revenue receipts issued during the last three years up to 31st December 2002, which were pending settlement by the departments as on 30th June 2001, 30th June 2002 and 30th June 2003 is given below:

	At the end of June		
	2001	2002	2003
Number of inspection reports pending settlement	2944	3180	2995
Number of outstanding audit observations	8112	8778	7714
Amount of revenue involved (in crore of rupees)	402.51	436.44	356.83

(iii) Department-wise break-up of the inspection reports and audit

observations outstanding as on 30th June 2003 is given below:

Sr. No.	Department	Number of outstanding		Amount of receipts involved (In crore of rupees)	Year to which observations relate	Number of inspection reports to which even first replies have not been received
		Inspection reports	Audit observations			
1.	Revenue	694	1473	13.27	1977-78 to 2001-2002	45
2.	Forest Farming and Conservation	548	1794	266.27	1970-71 to 2001-2002	14
3.	Excise and Taxation	695	1877	48.66	1973-74 to 2001-2002	3
4.	Transport	478	1355	7.45	1972-73 to 2001-2002	16
5.	Other Departments (Public Works, Irrigation and Public Health, Agriculture, Soil Conservation, Horticulture, Co-operation, Food and Civil Supplies and Industries)	580	1215	21.18	1976-77 to 2001-2002	20
Total		2995	7714	356.83		98

It is recommended that Government should look into the matter and ensure that procedure exists for (a) action against the officials who failed to send replies to Inspection Reports/ paragraphs as per the prescribed time schedule, (b) action to recover loss in a time bound manner and (c) revamping the system to ensure proper response to the audit observations in the department. The issue of outstanding inspection reports was brought to the notice of the Chief Secretary to Government in September 2003.

1.12. Departmental Audit Committees Meetings

In order to expedite the settlement of outstanding audit observations contained in the Inspection Reports on Revenue Receipts of the Government of Himachal Pradesh, Departmental Audit Committees were to be constituted by the 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 Accountant General (Audit), Himachal Pradesh.

For expeditious clearance of the outstanding audit observations, it is necessary that the Audit Committee meets annually and ensure that final action is taken on all outstanding audit observations. For the year 2002-03, only two (Excise and Taxation and Public Works Department) out of ten Government Departments relating to revenue receipts, convened meetings of the Audit Committee, and constitution of committees were not notified by five administrative departments. The matter relating to annual meeting in respect of Forest, Transport and

Revenue Departments was under correspondence. Thus the majority of departments had not taken any steps in this regard inspite of clear directions from the Finance Department, which indicated their lack of interest in bringing down the pendency of old objections.

1.13. Response of the State Government to Draft Audit Paragraphs

The Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Audit Office 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 are invariably indicated at the end of each such paragraph included in the Audit Report.

65 draft paragraphs included in the Report for the year ended 31st March 2003 were sent to the Principal Secretaries/Secretaries of the respective departments by name between January and August 2003. The Principal Secretaries/Secretaries of the departments did not send replies to the draft paragraphs despite issue of reminders (July 2003). These paragraphs have been included in this Report without the response of the Principal Secretaries/Secretaries of the Departments.

1.14. Follow up on Audit Reports- Summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Vidhan Sabha, the department shall start 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 119 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 31st March, 1999, 2000 and 2001, action taken explanatory notes had not been received in respect of 39 paragraphs from four @ departments.

@ 1998-99: General Administration, Multipurpose Projects and Power
1999-2000: Forest Farming and Soil conservation, Multipurpose Projects and Power
2000-2001: Forest Farming and Soil Conservation, Revenue

CHAPTER 2: SALES TAX

2.1. Results of audit

Test check of records relating to sales tax assessments and other records, conducted in audit during 2002-03, revealed short assessment of tax amounting to Rs. 9.81 crore in 202 cases, which broadly fall under the following categories:-

(Rupees in crore)			
		Number of cases	Amount
1.	Evasion of tax as a result of suppression of purchases/sales	56	0.68
2.	Non-levy/ short levy of penalty	18	0.87
3.	Non-levy of tax due to non-registration of dealers	7	0.78
4.	Under assessment of tax	114	7.44
5.	Other irregularities	7	0.04
	Total	202	9.81

During 2002-03, the Department accepted under-assessments etc., of Rs.7.51 crore involved in 86 cases which had been pointed out in audit in earlier years. In three cases, involving irregular exemption and incorrect application of tax, an amount of Rs.14.10 lakh was recovered on being pointed out in audit.

A few illustrative cases highlighting important observations involving financial effect of Rs.2.38 crore are given in the following paragraphs.

2.2. Incorrect determination of turnover

Under the Himachal Pradesh General Sales Tax (HPGST) Act, 1968, "turnover" includes the aggregate of the amounts of sales and purchases actually made by any dealer during the given period. According to departmental instructions issued in April 1978, the Assessing Authorities, while examining accounts of the dealers are required to see that sales are in agreement with the purchases and to take cognizance of any difference between the figures shown by the dealer in his returns and those reflected in the accounts.

During the course of audit of the Assistant Excise & Taxation Commissioner, Nahan, it was noticed that taxable turnovers of a dealer as per the balance sheet/trading account for the period 1992-93 and 1993-94 was Rs.6.60 crore. However, while finalising the assessments for these years between June 2001 and March 2002, the Assessing Authority incorrectly determined the taxable turnover as Rs.3.00 crore. Thus, failure of the Assessing Authority to compute the turnover correctly resulted in incorrect determination of turnover of Rs.3.60 crore having a tax effect of Rs.35.47 lakh. Besides, interest of Rs.58.46 lakh was also leviable.

On this being pointed out in audit, the Department stated in June 2003 that the case had been fixed for re-assessment and outcome thereof would be intimated. Further progress has not been received (August 2003).

The matter was reported to the Government in January 2003; their reply has not been received (August 2003).

2.3. Evasion of tax

Under the HPGST Act 1968, if a dealer has maintained false or incorrect accounts with a view to suppressing his sales or purchases, he is liable to pay by way of penalty (in addition to the tax to which he is assessed), an amount not less than 25 *per cent* but not more than one and a half times the amount of his tax liability. If a dealer fails to pay tax by the prescribed date, he becomes liable to pay interest on the tax due at the prescribed rates.

2.3.1. Cross verification of records of a dealer assessed by the Assistant Excise and Taxation Commissioner (AETC), Una, with the records of another dealer assessed by AETC, Nahan revealed that the dealer of Nahan had made purchase of Khair wood valued at Rs.78.87 lakh from the dealer of Una during the year 1995-96, 1997-98 and 1999-2000. But, the dealer of Una had not disclosed the sale in his returns. Consequently, while finalising the assessments between October 2001 and March 2002 for these years, taxable turnover of Rs.78.87 lakh escaped assessment. This resulted in evasion of tax of Rs.18.06 lakh including interest and penalty.

On this being pointed out, the Department stated in July 2003 that information was being collected from Nahan for finalisation of the case. Further development had not been received (August 2003).

The matter was reported to the Government in March 2003; their reply has not been received (August 2003).

2.3.2. During audit of the AETC, Solan, it was noticed in October 2002 that while finalising assessments between March 2000 and March 2001 of a dealer engaged in the sale/purchase of Indian made Foreign Spirit for the years 1995-96 and 1996-97; the Assessing Authority determined taxable turnover as Rs.1.58 crore on the basis of monthly returns filed by the dealer. However, a cross verification of the returns with the records of the Excise Department revealed that the taxable turnover of the dealer was Rs.1.97 crore. Thus, turnover of Rs.38.87 lakh with tax effect of Rs.5.83 lakh escaped assessment of the Assessing Authority. Interest of Rs.6.50 lakh and penalty of Rs.1.46 lakh were also leviable.

On this being pointed out, the Assessing Authority, raised an additional demand of Rs.14.58 lakh in May 2003.

The matter was reported to the Government in November 2002; their reply has not been received (August 2003).

2.4. Non levy of tax due to non-registration of dealers

Under the HPGST Act 1968, with effect from 1st April 1991 every dealer engaged in contract work is liable to be registered if his annual gross turnover exceeds Rs.3 lakh.

2.4.1. Information collected from the Income Tax Department, revealed that gross turnover of a dealer of Shimla District engaged in contract work was Rs.79.76 lakh during 1995-96. The dealer was liable to be registered under the Sales Tax Act with the AETC, Shimla. But, scrutiny in audit revealed that neither he had applied for registration nor were any efforts made by the Department to get him registered. Non-registration of the dealer had, thus, resulted in non levy of tax of Rs.6.38 lakh on which interest of Rs.7.15 lakh was also leviable. The dealer did not pay any tax during this period.

On this being pointed out in August 2002 in audit, the Department stated in October 2002 that directions were being issued to the District Officer to initiate immediate action in the matter. Further report has not been received (August 2003).

The matter was reported to the Government in September 2002; but reply has not been received (August 2003).

2.4.2. The audit of the records of the AETC, Nahan disclosed in December 2002 that 6 suppliers of Nahan engaged in purchase and sale of timber had sold khair wood valued at Rs.1.04 crore to a firm between 1997-98 and 2001-2002. The annual turnover of each dealer exceeded Rs.3 lakh but none of them had applied for registration. The Department had also failed to detect the cases of non registration. The dealers had not paid any tax during this period. This resulted in non levy of tax of Rs.51.33 lakh including interest.

On this being pointed out, the Additional Excise and Taxation Commissioner, H.P. Shimla stated in June 2003 that AETC of the district was being directed to take necessary action.

The matter was reported to the Government in January 2003; their reply has not been received (August 2003).

Under Section 6(2) of the HPGST Act 1968, sales tax is leviable at the first stage of sale in the State. Sales to Government department are taxable at the rate of 4 *per cent* against production of declaration in form 'D'.

2.4.3. According to the information collected from 2 contractor's files maintained in the office of the AETC, Kangra, it was noticed in January 2002 that Garrison Engineer, MES Palampur had imported materials from outside the State worth Rs.43.67 lakh during the years 1996-97 to 1999-2000 and supplied it to contractors for execution of work. A scrutiny of records revealed that Garrison Engineer, MES was not registered with the Excise and Taxation Department under the Sales Tax Act and had not paid any tax on these sales. This resulted in non-levy of tax of Rs.1.75 lakh.

On this being pointed out, the Department raised in March 2002 a demand of Rs.1.75 lakh. However, the Garrison Engineer had filed an appeal before the Appellate Authority which was dismissed in February 2003. The matter had been taken up for recovery of demand.

The matter was reported to the Government in February 2002; reply has not been received (August 2003).

2.5. Short levy of tax

As per notification issued in April 1991 under the Central Sales Tax Act, 1956 tax at the rate of 1 *per cent* on the sale in the course of inter-state trade or commerce shall be levied, subject to production of declaration in form 'C'. Otherwise, tax is leviable at 10 *per cent*.

During audit of the AETC, Nahan, it was noticed in December 2002 that a dealer engaged in the manufacture and sale of newsprint had made inter-State sales of Rs.2.05 crore during the year 1998-99. Scrutiny of the records revealed that the Assessing Authority taxed the sales for the year 1998-99 at the rate of 1 *per cent* although prescribed declarations were not produced by the dealer at the time of assessment. In the absence of the declarations, the sales were taxable at the rate of 10 *per cent*. This resulted in short levy of tax of Rs.30.50 lakh including interest of Rs.12.07 lakh.

On this being pointed out, the Department stated in June 2003 that the case would be reassessed. Further progress has not been received (August 2003).

The matter was reported to the Government in January 2003; their reply has not been received (August 2003).

2.6. Inadmissible exemption on sales

The taxable quantum under the HPGST Act, 1968 in relation to any dealer who runs a hotel, restaurant, bakery or other similar establishment wherein food preparations including tea are served, was Rs.one lakh up to 25th May 2000 and Rs.2 lakh thereafter. Further, foods prepared and sold by halwais* and dhabawalas@ themselves are exempt from tax.

During the audit of AETC, Shimla, it was noticed that while finalising assessments between March 2000 and November 2001 of a dealer running a restaurant, the Assessing Authority exempted sales of sweets amounting to Rs.12.08 lakh from payment of tax for the years 1998-99 to 2000-01. The dealer neither fell under the category of halwai nor a dhabawala and as such the exemption granted was incorrect and resulted in non-levy of tax of Rs.1.34 lakh including interest.

* Halwai means the owner of a small business where only customary sweets, milk, curd, namkeen, poories etc. are prepared and sold in traditional style and fashion.

@ Dhaba means a small business of running an eating place where only traditional Indian Meals are prepared and sold and includes a tandoorwala, lohwala and chatwala.

On this being pointed out, the Department stated in October 2002 that additional demand had been raised against the assessee. Report of recovery has not been received (August 2003).

The matter was reported in September 2002 to the Government; reply has not been received (August 2003).

2.7. Irregular exemption

Under the HPGST Act, 1968, all classes of co-operative societies and persons, in whose favour certificates of genuineness had been issued by the Commissioner, constituted under the Khadi and Village Industries Commission Act, 1956, or the Board constituted under the Khadi and Village Industries Board Act, 1966, were exempted from the levy of sales tax. The exemption, was however, withdrawn with effect from 10th March 1999.

During audit of the AETC, Una, it was noticed that a unit constituted under Khadi & Village Industries made sales valued at Rs 36.08 lakh between 10th March 1999 and 31st March 2001. The Assessing Officer while finalizing the assessment in October 2001 and May 2002 incorrectly exempted the sale from payment of tax. This resulted in incorrect exemption of Rs 4.01 lakh including interest.

On this being pointed out, the Department stated in July 2003 that an additional demand of Rs.4.56 lakh had been raised in June 2003 against the dealer. Report of recovery has not been received (August 2003).

The matter was reported to the Government in March 2003; further development was awaited in audit (August 2003).

2.8. Short levy of tax due to application of incorrect rate of tax

Under the HPGST Act, 1968, readymade sewn garments including umbrella cloth covers and pillow covers etc., are taxable at the rate of four *per cent*, with effect from 1st January 1991.

During audit of the AETC, Solan, it was noticed in October 2002 that a dealer made sale of readymade garments valued at Rs.92.29 lakh between 1992-93 to 1996-97. The Assessing Officer while finalizing the assessment between August 1998 to January 2002 levied tax at the rate of 2 *per cent* instead of 4 *per cent*. This resulted in short levy of tax of Rs 4.12 lakh including interest of Rs.2.27 lakh.

The matter was reported to the Department and to the Government in November 2002; replies had not been received (August 2003).

2.9. Under assessment due to incorrect finalisation of assessment

Under the HPGST Act, 1968, "sale" means any transfer of property in goods for cash or for deferred payment or for any other valuable considerations and

includes the transfer of property in goods (whether as goods or in some other form) involved in the execution of a work contract.

During audit of the AETC, Kangra, it was noticed that assessments of a dealer engaged in the execution of works contract, for the years 1995-96 and 1996-97 were finalised on 30th November 1999 and 3rd June 2000 respectively. The Assessing Authority while finalising the assessments did not include material valued at Rs.36.59 lakh supplied to the contractor by the Executive Engineer, Himachal Pradesh Krishi Vishwa Vidyalaya, Palampur. This resulted in under assessment of tax of Rs.2.93 lakh. Besides, penalty was also leviable.

On this being pointed out, the Department stated in June 2003 that additional demand of Rs.2.74 lakh was raised in October 2002 against which the dealer had filed an appeal. Further report has not been received (August 2003).

The matter was reported to the Government in February 2002; reply has not been received (August 2003).

2.10. Non levy of tax on sales made against declaration forms

As per notification issued in February 1992 under the HPGST Act, 1968, the rate of tax on goods to be utilised as raw material in the manufacture of goods was reduced from 2 per cent to 1 per cent with effect from 11th December 1992, subject to the production of declaration form RM-1*.

During audit of the AETC, Solan, it was noticed that a dealer engaged in the manufacture and sale of M.S Ingots, made local sales amounting to Rs.27.42 lakh against form RM-I, between April 1992 and February 1993. The Assessing Authority while finalising re-assessment in July 2001 on a remanded case, did not tax the sales valued at Rs.27.42 lakh. This resulted in non levy of tax of Rs.1.44 lakh (including interest).

On this being pointed out, the Department stated in January 2003 that additional demand of Rs.1.47 lakh including interest upto November 2002 had been raised against the dealer. Report of recovery has not been received (August 2003).

The matter was reported to the Government in November 2002; their reply has not been received (August 2003).

2.11. Non levy of interest

Under the HPGST Act, 1968, if a dealer fails to pay the tax due by the prescribed date, he shall be liable to pay interest at the prescribed rates.

During audit of the AETC, Kangra, it was noticed in November 2002 that assessment of a dealer for the year 1996-97 was finalised on 28th November 2001 and an additional demand of tax of Rs.1.30 lakh was raised. However, the Assessing Authority had not levied interest of Rs.1.07 lakh for delayed

* Form issued by the Assessing Authority of the district concerned for carrying single transaction exceeding Rupees twenty five thousand.

payment. This had resulted in short realisation of Government revenue of Rs.1.07 lakh.

On this being pointed out, the Department stated in June 2003, that on reassessment, against the additional demand of Rs.1.07 lakh, Rs.0.25 lakh had been recovered. Report of recovery of balance amount has not been received (August 2003).

The matter was reported to the Government in January 2003; their reply has not been received (August 2003).

2.12. Internal Audit System of Sales Tax Department

Introduction

Internal Audit Wing of the Excise and Taxation Department was responsible for audit of the records relating to Sales Tax. This wing headed by the Deputy Controller, is functioning under the direct control of the Excise and Taxation Commissioner.

For regulating functioning of the Internal Audit Wing, procedure/guidelines were issued by the Excise and Taxation Commissioner in February 1987 which provide annual audit of records relating to sales tax. Guidelines further provide for maintaining a register showing details of auditable units. Audit programme are to be chalked out in advance so as to cover all units due for audit during the year. Reports of audit findings are required to be issued to the concerned units, within 20 days from completion of audit and the first annotated replies from the concerned units are required to be received within two months from the issuance.

Pendency of Inspection Reports and Paras

The number of inspection reports/paras issued and their settlement during the years 1999-2000 to 2002-03 by the Internal Audit Wing, were as under:-

Year	Opening balance		Addition during the year		Clearance during the year		Balance at the close of the year		Percentage disposal	
	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
1999-00	92	691	6	112	0	101	98	702	0	13
2000-01	98	702	8	167	3	144	103	725	3	17
2001-02	103	725	8	286	2	186	109	825	2	18
2002-03	109	825	7	188	2	133	114	880	2	13

Percentage disposal of Inspection reports and paras during the year 1999-2000 to 2002-03 ranged between zero to three and 13 to 18 respectively. Reasons for less settlement was stated to be due to the quasi judicial process involved in re-assessment.

A test check of records of Internal Audit Wing relating to inspection report of Sales Tax Department for the years 1999-2000 to 2002-03, revealed the following:

- Neither any register showing details of auditable units has been maintained nor advance annual audit planning is done. Besides, no register has been maintained to keep records of the objection raised and their further disposal.
- Out of 44 units to be audited during the years 1999-2000 to 2002-2003, only 29 units were audited. Out of 29 inspection reports issued, no reply has been received in respect of 18 inspection reports. Replies of remaining 11 inspection reports were received late (beyond permissible two months) with delay ranging between 24 to 246 days. As the observations made by the Internal Audit Wing was not replied/attended to promptly, it is quite evident that the Internal Audit was not given adequate importance.

The above points were brought to the notice of the Department. Reply to which is awaited (September 2003).

CHAPTER 3: STATE EXCISE

3.1. Results of audit

Test check of records relating to State Excise, conducted in audit during the year 2002-2003, revealed non-realisation of permit fee/license fee/excise duty and other irregularities involving revenue amounting to Rs.7.99 crore in 53 cases, which broadly fall under the following categories:-

		(Rupees in crore)	
		Number of cases	Amount
1.	Non-realisation of permit/license fee	21	6.35
2.	Non-realisation of excise duty/ interest	25	1.43
3.	Other irregularities	7	0.21
	Total	53	7.99

During 2002-2003, the Department accepted under-assessments etc., of Rs.0.39 crore involved in 38 cases, of which 3 cases involving Rs.0.15 crore had been pointed out in audit during the year and rest in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs.5.07 crore are given in the following paragraphs.

3.2. Receipts from State Excise Duty- Deficiencies thereof

3.2.1. Introduction

Levy and collection of State Excise Duty is governed by the Punjab Excise Act, 1914 and the rules made thereunder as applicable to the State of Himachal Pradesh. The Act empowers the Government to levy excise duty on all liquors permitted to be imported into or exported from, manufactured in or sold in any part of the State. The major items of revenue accruing to the State under this head are license fee and excise duties/fees. License fee is the revenue derived by the State from the highest of the bids received either in the annual open auction or from tenders invited for annual auction of vends during the month of March every year. To regulate terms and conditions of the excise licenses, the State Government issues Excise Auction Announcements annually in the month of March. Excise duty is levied on rectified spirit, Indian Made Foreign Spirit (IMFS) including beer, country liquor and country fermented liquor. Other collections made under the Excise Act, are fixed license fee from breweries, distilleries, bonded ware houses, fee for serving liquor in hotels, restaurants, and bars, composition fees, fines and penalties imposed under the Act/rules.

To ascertain efficacy in implementation of the Excise Act/ rules, a test check of records was conducted between May 2002 and February 2003. The following shortcomings were noticed in audit:-

3.2.2. *Undue fiscal and financial favours to the licensee*

Under the Himachal Pradesh State Excise Announcements for 2001-02, no person/licensee shall be allowed to run his business without furnishing the requisite security, solvency and surety. In case the licensee defaults in payment, he is liable to pay interest at the rate of 18 *per cent* per annum for delay upto one month and thereafter at the rate of 24 *per cent* per annum from the initial date of default in payment till the default continues.

For the grant of license to a licensee of Shimla Unit-I for the year 2001-2002 by Collector, the following irregularities were noticed:

- 1 *per cent* of the bid money of Rs 13.78 crore amounting to Rs 13.78 lakh was required to be deposited on the date of auction i.e. 27th March 2001. Instead, it was deposited late between 28th March 2001 and 28th April 2001.
- Security of Rs.1.86 crore (13½ *per cent* of the bid money) required to be deposited before the commencement of license was deposited in November 2001 i.e. late by seven months.

For non-compliance with the above conditions, the Department should not have granted license to the licensee.

- Thereafter, monthly equated instalments were also not paid on due dates till November 2001. Further, no instalment was paid by the licensee from December 2001 onwards. For failure to pay monthly instalment, the license was liable to be cancelled. However, the Department allowed him to run the business upto 31st March 2002. The amount outstanding on account of license fee was Rs.2.73 crore. Besides, the licensee was liable to pay interest of Rs 1.16 crore upto February 2003.
- The license was granted by the Collector (Excise) without obtaining valuation of declared assets (Form A) duly certified by the Sub Divisional Magistrate. Consequently, the assets/properties of nine partners were found fictitious. The property of one partner was also found transferred in January 2002 during the currency of license. Thus, due to failure of the Department to observe the prescribed conditions, the scope for recovery became very remote.

3.2.3. *Non recovery of license fee in respect of Bottling Plants*

Under Rule 5AA of the Punjab Distillery Rules 1932, as applicable to Himachal Pradesh, the license fee for a license in form D-2A* shall be payable on units of country liquor at the rate of Rs.0.70 paise per unit of 750 mls subject to a minimum of Rs.75,000 per annum recoverable at the time of grant/renewal of the license.

* Bottling plant of country liquor

During the course of audit, it was revealed that three firms were liable to pay a license fee of Rs. 85.27 lakh on production of country liquor of 1,21,81,691 units. Against this the licensees paid only Rs. 2.25 lakh, resulting in short realisation of Rs. 83.02 lakh.

On this being pointed out, the Department accepted the audit observations and stated in September 2002 that the matter had been referred to the headquarter office.

3.2.4. Non invoking of provisions of bond

The Punjab Liquor Permit and Pass Rules, 1932, as applicable to Himachal Pradesh provides that in case of transport of beer in bond to other states, the manager of the brewery of the warehouse, within a reasonable time not exceeding two months, shall produce before the Collector of the district of issue, a certificate in form L-38. If the certificate is not produced within the specified period, the Collector shall, unless the omission is satisfactorily explained, call upon the manager concerned to deposit the amount specified in the bond executed by him in respect of the consignment.

During test check of records of AETC, Nahan, it was noticed that the manufacturer of one brewery had been allowed to despatch consignments of 2,33,944 Bls of beer between April 2001 and March 2002 under bond executed in form L-37. The Department neither obtained the required certificates ensuring that the consignments had reached the destination nor recovered duty of Rs.16.26 lakh as specified in the bond from the consignor. This resulted in non-realisation of Rs. 16.26 lakh.

On this being pointed out, the Department accepted the audit observation in May 2003. However, progress of recovery had not been received (August 2003).

3.2.5. Non realisation of duty on excess wastage

Rule 90(16) of the Punjab Distillery Rules, 1932, as applicable to Himachal Pradesh provides for prescribing the scale of wastage of spirit allowable in the maturation room of a distillery. Through notification dated 20 September 1965, issued under the Punjab Distillery Rules, 1932 as applicable to Himachal Pradesh, the Excise and Taxation Commissioner, Himachal Pradesh prescribed the allowable scales of wastage in the spirit maturation warehouse/warehouses during the period of storage in Kasauli distillery/ spirit bottling section in Solan Brewery.

During test check of records of Kasauli distillery in Solan district, it was noticed that against admissible maturation wastage of 13,511.42 proof litres of spirit, the actual wastage was 21,198.72 proof litres. This resulted in excess wastage of 7,687.3 proof litres of spirit during 2001-02. Excise duty of Rs.1.84 lakh payable by the licensee was neither paid by him nor demanded by the AETC. The inaction on the part of Department resulted in non-realisation of government revenue to that extent.

On this being pointed out, the AETC stated in December 2002 that the case had been referred to the Collector (Excise).

3.2.6. Non recovery of interest on late deposit of license fee

The Excise Announcements for 2001-02 provided that the monthly quota of country liquor shall be issued to the licensee proportionately and in no case, advance quota shall be issued without payment of the instalment of license fee for the corresponding month. On failure to pay the instalment of license fee, interest at the prescribed rates is to be charged.

During audit of records of five[#] districts it was revealed that monthly quota was lifted by the licensees in excess of the proportionate monthly quota of that month. However, the advance quota was supplied without payment of the instalment of license fee for the corresponding month. The licensees were liable to pay license fee alongwith interest amounting to Rs.17.03 lakh which was neither demanded by the department nor paid by the licensee. This resulted in non-realisation of government revenue of Rs. 17.03 lakh.

The cases were reported to the Department and to the Government between August 2002 and March 2003. Except Una, all others accepted between May 2003 to August 2003 the audit observation and stated that the matter was under consideration.

[#] Solan, Una, Kullu, Bilaspur and Hamirpur

CHAPTER 4: TAXES ON VEHICLES, GOODS AND PASSENGERS

4.1. Results of audit

Test check of records of the departmental offices, conducted in audit during the year 2002-2003, revealed non/short realisation of tax and other irregularities amounting to Rs.19.36 crore in 246 cases, which broadly fall under the following categories:-

(Rupees in crore)			
		Number of cases	Amount
1.	Non/ short realisation of		
	(i) Token tax	95	1.07
	(ii) Composite fee	9	9.12
	(iii) Passengers and Goods Tax	28	0.38
2.	Evasion of		
	(i) Token Tax	34	2.49
	(ii) Passengers and Goods Tax	10	0.08
3.	Other irregularities		
	(i) Vehicles Tax	66	6.16
	(ii) Passengers and Goods Tax	4	0.06
Total		246	19.36

During 2002-2003, the Department accepted under-assessments etc., of Rs.0.14 crore involved in 64 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs.3.49 crore are given in the following paragraphs.

4.2. Working of National Permit Scheme

Highlights

4,083 bank drafts for Rs.97.74 lakh on account of composite fee received from other states were not credited to government account.

(Paragraph 4.2.9.)

Credit of bank drafts amounting to Rs.2.44 crore to government account had been delayed by 1 to 6 months.

(Paragraph 4.2.12.)

Composite fee of Rs.28.95 lakh was short realised from 14 States.

(Paragraph 4.2.16.)

Late issuance of notification resulted in short realisation of government revenue of Rs.28.24 lakh.

(Paragraph 4.2.17.)

Non provision for levy of interest for delayed remittance of bank drafts to government account led to loss of accrued interest of Rs.0.37 crore.

(Paragraph 4.2.20.)

Introductory

4.2.1. The National Permit Scheme was formulated by the Government of India in 1975 under the provisions of the Motor Vehicles Act, 1988, and the Rules made thereunder, namely, the Motor Vehicles (National Permits) Rules, 1975, to promote and facilitate long distance inter-state transportation of goods by road. Under this Scheme, the States and Union Territories are authorised to grant permits to owners of public carrier vehicles for carriage of goods throughout the territory of India or in such contiguous states not being less than four in number including the home-state.

For issue of National Permit, the intending operators are required to pay the prescribed permit fees and authorization fees to the home-State in addition to the Motor Vehicles Taxes levied by the home-state concerned as specified in their respective Motor Vehicles Taxation Laws. In addition, composite tax is also required to be paid (for each year) in advance to each State/Union Territory in which permission to operate the vehicle is granted as notified by the State/Union Territory concerned either at one time or in two equal six monthly instalments.

The composite fee for tourist permits is required to be paid in advance by a crossed bank draft in four equal instalments on or before 15th April, 15th July, 15th October and 15th January every year, and where the permit holder of tourist vehicle undertakes to pay the tax direct to the concerned State Transport Authority (STA) at the time of entry into his jurisdiction, the authorisation shall expressly state that it has been issued subject to payment of tax to the concerned STA. The composite fee payable to other states is received by the home state in the form of crossed bank drafts payable to the designated authorities of those states and is forwarded to the state concerned.

Organisational set-up

4.2.2. The National Permit Scheme is administered and monitored by the State Transport Department in Himachal Pradesh. Issue of National Permit, collection of all kinds of receipts and other ancillary functions under the scheme are discharged by the office of the STA, located at Shimla and the work of renewal of National Permits is done by the respective Regional Transport Authorities (RTA). The Transport Department consists of one Director Transport, as head of the Department who is assisted by the Secretary, State Transport Authority at Shimla, six Regional Transport Authorities and 51 Registering and Licensing Authorities in 12 districts of the State for the administration of the Central Motor Vehicles Act, 1988 and the Himachal Pradesh Motor Vehicles Taxation Act, 1972.

Audit objectives

4.2.3. Test check of the records of the STA/RTA was conducted for the period 1999-2000 to 2001-2002 with a view to ascertain, in the working of the national permit scheme:

- whether adequate provisions and sufficient controls exist in the Department for monitoring timely receipts and remittance of bank drafts into the government account;
- whether fee/penalty payable to the Government of Himachal Pradesh are realised at the prescribed rates;

Scope of audit

4.2.4. The records of the STA and six* RTAs for the years 1997-98 to 2001-02 were test checked between June 2002 and February 2003. The results are discussed in the following.

Trend of revenue

4.2.5. Revenue realised on account of National Permit Scheme during 1997-98 to 2001-02 was as under.

Year	Budget estimates (Rs. in crore)	Actuals receipts (Rs. in crore)	% age variation (+) increase (-) decrease
1997-1998	0.20	0.67	235.55
1998-1999	0.58	1.50	158.38
1999-2000	1.00	1.30	29.63
2000-2001	1.00	1.26	25.71
2001-2002	2.53	3.28	29.74

It would be seen from the above table that there was a huge variation (ranging between 25.71 and 235.55 *per cent*) between budget estimates and the actuals. This indicates that budget estimates were not realistic. No reasons were furnished for these huge variations.

4.2.6. A comparison of receipts under National Permit Scheme to the total receipts under MVT is given as under:-

Year	Total revenue realised under MVT (Rs. in crore)	Receipts under National Permit Scheme (Rs. in crore)	Percentage of receipts under National permit Scheme to the total receipts.
1997-1998	15.83	0.67	4
1998-1999	17.48	1.50	9
1999-2000	28.37	1.30	5
2000-2001	61.04	1.25	2
2001-2002	132.70	3.28	2

Thus, contribution of revenue under National Permit Scheme to the total receipts of the Department was highest in 1998-99 i.e. 9 *per cent*. Excluding this year, the contribution decreased from 5 *per cent* in 1999-2000 to two *per cent* in 2001-2002.

* Dharamsala, Hamirpur, Kullu, Mandi, Shimla and Solan

No reasons were furnished for this relative decline in the receipts.

Growth of permits

4.2.7. According to departmental records, the position of permits issued by the STA, Shimla and renewed by the RTAs during the five years ending March 2002 was as under:-

Year	No. of permits issued	No. of permits renewed	Total no. of permits in operation at the end of the year	Percentage of increase/decrease of permits over the preceding year
1997-1998	2,554	2,897	5,451	-
1998-1999	1,753	6,321	8,074	48.12
1999-2000	1,917	7,443	9,360	15.93
2000-2001	2,217	5,402	7,619	(-) 18.60
2001-2002	1,000	4,701	5,701	(-) 25.17

The reasons for gradual decrease in the total number of permits in operation over the last 2 years were not furnished.

Remittance of bank drafts into Government account

4.2.8. In the office of the STA, Shimla the database of all bank drafts pertaining to composite fee received from transport authorities of other States were kept in computer before their remittance into bank. Under the Himachal Pradesh Financial Rules, 1971, the head of the office is required to ensure that departmental receipts collected during the day, are credited into the treasury on the same day or on the morning of the next working day. The validity of a bank draft is six months from the date of its issue. No provision has been made for levy of interest for late remittance of bank drafts into Government account.

A comparison of the data from covering letters of bank drafts received from various states and operators of the home state, challans of remittance of bank drafts into treasury and other related documents revealed that bank drafts valued at Rs.9.60 crore were received during 1997-98 to 2000-2001 against which bank drafts worth Rs.8.01 crore were deposited into Government account as detailed below:-

(Rupees in crore)			
Year	Money value as per covering letters of bank drafts etc.	Actuals	Difference
1997-1998	1.53	0.67	(-)0.86
1998-1999	2.04	1.50	(-)0.54
1999-2000	1.35	1.30	(-)0.05
2000-2001	2.20	1.26	(-)0.94
2001-2002	2.48	3.28	(+)0.80
Total	9.60	8.01	(-)1.59

It would be seen from the above that bank drafts valued at Rs.1.59 crore were not credited to Government account.

Non-remittance of bank drafts into Government account

An analysis of the bank drafts received from STAs of other States but not credited or credited late to Government account is as under:-

4.2.9. Bank drafts received but not credited to Government account

Test check of records revealed that 4083 bank drafts amounting to Rs.97.74 lakh received between March 2000 and March 2002 from transport authorities of other states like Delhi, Uttar Pradesh, Punjab and Haryana etc. were neither credited to Government account nor returned to the issuing states/banks for revalidation.

On this being pointed out, the Department stated in November 2002 that the figures of bank drafts requires reconciliation between the total number of bank drafts received and credited to Government account. It further stated that efforts would be made to reconcile the account of bank drafts and factual position would be intimated. The reply of the department is not tenable as reconciliation should have been carried out well in advance with treasury records.

4.2.10. Bank drafts returned for revalidation but not received back

During test check of records of STA, Shimla it was noticed that 680 bank drafts involving money value of Rs.20.59 lakh returned to the bank for revalidation were not received back. Moreover, 731 bank drafts involving money value of Rs.37.44 lakh sent for revalidation during 2000-01 and 2001-02, were received back. However, there was nothing on record to indicate that the bank drafts received back were credited to Government account. Out of these, 680 number of bank drafts involving money value of Rs.20.59 lakh had not been received back as per details given below:

Year	BDs not received	Amount (Rs. in lakh)	Delay as on 30.11.2002 ranged between
1997-1998	294	3.99	56 months and 67 months
1998-1999	128	2.22	44 months and 55 months
1999-2000	8	0.17	32 months and 43 months
2000-2001	99	2.95	20 months and 32 months
2001-2002	151	11.26	14 months and 22 months
Total	680	20.59	

On this being pointed out, the Department stated in November 2002 that 35 bank drafts for Rs.1.41 lakh had been credited to Government account. No reply has been received in respect of the remaining bank drafts.

4.2.11. Bank drafts whose whereabouts were not known

During test check of records of the State Transport Authority, Shimla, it was noticed that bank drafts valued at Rs.24.76 lakh (composite fee: Rs.22.62 lakh, authorisation fee: Rs.2.14 lakh) were received between August 1997 and February 2001. Neither documentary evidence for their deposit into government account nor any information relating to return of these bank drafts to the concerned states/banks for revalidation was made available.

Late remittance of bank drafts into the banks

4.2.12. During review of the records of the STA, Shimla and the six* RTAs, it was noticed between June 2002 and February 2003 that 13455 bank drafts received on account of composite fee/authorisation fee valued at Rs.2.44 crore for years 1997-98 to 2001-02 were not credited to Government account immediately on their receipt (i.e. the month in which these were received). Their deposit into Government account was delayed for periods between one month and six months as detailed below:-

Sr. No.	Period to which bank drafts relates	Bank drafts relates to	No. of bank drafts	Amount (Rs. in crore)	Delay ranged between
1.	2000-01 and 2001-02	composite fee	6,938	2.11	1 and 6 months
2.	1997-98 to 2000-01	authorisation fee	6,517	0.33	1 and 6 months
	Total		13,455	2.44	

Thus, government revenue remained blocked during this period.

The Department accepted the late remittance of the bank drafts and stated that due to paucity of staff bank drafts could not be remitted into Government account within its validity period. However, the fact remains that revenue amounting to Rs.2.44 crore was kept out of Government account for a period of one month to six months.

Late receipt of bank drafts from other states

4.2.13. A demand and collection register is required to be maintained for watching prompt receipt and disposal of bank drafts received from other states transport authorities.

It was noticed that 1,032 bank drafts valued at Rs.23.94 lakh on account of composite fee payable to the State of Himachal Pradesh as collected by the States of Punjab, Haryana, Jammu and Kashmir, Delhi and Union territory, Chandigarh during the years 1999-2000 and 2001-02 were sent late by one month to eleven months to the STA, Himachal Pradesh by the designated

* Dharamsala, Hamirpur, Kullu, Mandi, Shimla and Solan

authorities of those States. Thus, Government revenue of Rs.23.94 lakh remained blocked during this period.

The Department intimated in November 2002 that to ensure timely deposit of bank drafts of composite fee, meetings were being organised on monthly/bi-monthly basis. The reply of the Department is not tenable, as recoveries are required to be watched through demand and collection register and action for recovery taken accordingly. The authority has not made use of the demand and collection register, thus, defeating the very purpose of this register. Department could not ensure timely remittance of bank drafts.

Bank drafts pertaining to other states

The composite fee payable to other states is received by the home state in the form of crossed bank drafts payable to the designated authorities of those states and is forwarded to the state concerned. Bank drafts require revalidation if not deposited within the currency period of six months.

4.2.14. During the course of audit, it was noticed that 284 bank drafts valued at Rs.7.41 lakh payable to Haryana State received by the STA, Shimla from the operators of home State during the month of March 2000 and April 2000 were transmitted in December 2000 after the expiry of the validity period of six months. The concerned authority returned the bank drafts in February 2001 with the request to send these after revalidation.

On this being pointed out in audit, the STA, Shimla stated that 175 bank drafts were got revalidated and transmitted to the concerned authorities in June 2002. The remaining 109 bank drafts were sent to the concerned banks for revalidation. Further report has not been received.

4.2.15. It was noticed that 47,285 bank drafts valuing Rs.5.69 crore on account of composite fee payable to other states like Uttar Pradesh, Punjab, Rajasthan and Union Territory, Chandigarh etc. received by six* RTAs from the operators of home State during the years 1997-98 to 2001-02 were sent to the concerned states after delay ranging from one month to eighteen months.

Of these, 2,168 bank drafts valued at Rs.9.96 lakh on account of composite fee payable to Uttar Pradesh and Union Territory, Chandigarh received by the RTA, Mandi from the operators of home State during the month of March 1997 were sent to the concerned authorities in February/March 1998 after expiry of the validity period of six months. The concerned authorities returned the bank drafts to the RTA, Mandi in March 1998 for getting these revalidated. Though a period of more than 53 months had elapsed in June 2002 the bank drafts were still lying with the office.

On this being pointed out in audit, the RTA stated that the Director Transport Himachal Pradesh was requested to sanction revalidation charges amounting to Rs.21,680, but the sanction had not been received till August 2003. It was also stated that due to large number of bank drafts, considerable time was required to

* Dharamsala, Hamirpur, Kullu, Mandi, Shimla and Solan

sort out the demand drafts bank-wise and as such these bank drafts were sent late. However, due to the delay the Government would have to incur expenditure on revalidation of these bank drafts.

Thus inaction on the part of RTA resulted in incurring extra expenditure on the revalidation of the bank drafts. From the above facts it is evident that internal control of the department, for receipt, deposit and despatch of bank drafts is poor. There is a need for close monitoring of the disposal of bank drafts at apex level.

Short recovery of composite fee

4.2.16. The Government of Himachal Pradesh vide notification dated 15th December 1999 levied composite fee at the rate of Rs.2,500 for every six monthly period commencing from 1st April and 1st September every year.

During review of the STA, Shimla it was noticed that composite fee pertaining to the period April 2000 to March 2002 was not paid to Government of Himachal Pradesh at correct rates by the concerned states. As a result, composite fee of Rs.28.95 lakh was short realised. The STA had not taken any action to recover the differential amount from 14^v States.

No reply was furnished by the Department.

Delay in issue of notification

4.2.17. Government of India, Ministry of Surface Transport, communicated on 1st December 1993 to Government of Himachal Pradesh enhancement, the rate of composite fee to Rs.3,000 per year from Rs.1,500 per year in accordance with the decision taken in the meeting of the Transport Development Council. The Government of Himachal Pradesh forwarded the Ministry's communication to the Director Transport on 8th December 1993 for issue of appropriate notification. However, the notification was issued only on 15th December 1999 i.e. after a delay of six years.

During the course of audit it was noticed that during the period of delay the fee was received @ Rs.1,500 per annum instead of Rs.3,000 per annum in respect of 3,668 cases from 1994-95 to 1999-2000 resulting in short realisation of government dues by Rs.28.24 lakh.

On this being pointed out, the Department stated that recommendations of the council were advisory in nature and that the Department had not fixed any rate of composite fee prior to 15th December 1999. The reply of the Department is not tenable as delay in getting the notification issued led to loss of revenue amounting to Rs.28.24 lakh to the State exchequer.

^v Andhra Pradesh, Chandigarh (UT), Delhi (UT), Gujrat, Haryana, Karnataka, Maharashtra, Nagaland, Punjab, Rajasthan, Tamilnadu, Uttar Pradesh, Uttranchal and Jammu and Kashmir

Non levy /short levy of penalty

4.2.18. Under the National Permit Scheme, the prescribed annual composite fee is required to be paid in advance by the permit holders either in full for the whole year on or before 15th March or at the option of the operator in two equal instalments on or before 15th March and 15th September every year. For failure to pay the fee within the prescribed period, the operators, in addition to composite fee, are liable to pay penalty of Rs.100 per month or part thereof till the default continues.

Test check of records of the STA, Shimla revealed that in 769 cases, composite fee payable between 1997-98 and 2000-01 to Himachal Pradesh by the permit holders of the states of Punjab, Haryana, Uttar Pradesh, Delhi and Union Territory of Chandigarh was paid late ranging between one month to five months. However, penalty of Rs.5.97 lakh for late payment of composite fee was either not levied or levied short as detailed below:

(Rupees in lakh)

Name of State	Year wise penalty					
	1997-98	1998-99	1999-2000	2000-01	2001-02	Total
Haryana	0.87	1.17	0.40	0.19	0.16	2.79
Uttar Pradesh	0.58	0.50	0.24	0.09	0.12	1.53
Chandigarh	0.09	0.10	0.03	0.02	0.04	0.28
Punjab	0.48	0.40	0.14	0.13	0.07	1.22
J&K	0.02	0.04	0.01	--	0.03	0.10
Delhi	0.04	0.01	--	--	--	0.05
Total	2.08	2.22	0.82	0.43	0.42	5.97

The State Government also did not take up matter with the authorities concerned of the authorising states for levy of penalty.

Short/non recovery of composite fee for other States

4.2.19. The composite fee is payable in accordance with notifications issued from time to time. Government of other States had issued notification to enhance the composite fee from Rs.1,500 to Rs.3,000/ Rs.5,000 per year from time to time.

During the course of audit it was noticed that composite fee of Rs.6.35 crore pertaining to other States was due from 1,414 operators from Himachal Pradesh during the period October 1993 to March 2002. The state-wise detail of composite fee payable to states concerned was not available on record as such composite fee payable to each could not be ascertained. However, the amount recoverable by each RTAs of Himachal Pradesh from the operators is detailed below :-

Sr. No.	Name of the RTA	No. of operators	Amount of composite fee (Rs. in crore)
1.	Dharamsala	158	0.53
2.	Hamirpur	366	1.62
3.	Mandi	348	1.69
4.	Kullu	228	1.15
5.	Shimla	244	0.89
6.	Solan	70	0.47
	Total	1,414	6.35

No action was taken by all the six RTAs for recovery of composite fee. However, the Department stated between 2002 and February 2003 that efforts would be made to effect the recovery by issuing notices to defaulters. Further report has not been received (August 2003).

Loss of revenue due to delayed remittances

4.2.20. Test check of records revealed that some of the bank drafts were either not credited at all or were credited late into the treasury. Timely remittance into banks and credit to Government account would have resulted in saving of government revenue of Rs.37.20 lakh by way of interest (calculated at the minimum borrowing rates of 12.5 per cent per annum). The details are given below:-

(Rupees in crore)

Sr.No.	Period during which Bank Drafts received	No. of Bank Drafts	Amount of Bank Drafts	Date of deposit	Delay in months	Loss from Interest accrued
1.	March 2000 and March 2002	4,083	0.98	Not deposited yet (November 2002)	8 months to 32 months	0.28
2.	1997-98 to 2001-2002	13,455	2.44	May 1997 and September 2001	1 month to 6 months	0.09
	Total	17,538	3.42			0.37

On this being pointed out in audit, the Department did not furnish any reasons for non/late remittance of these bank drafts into the Government account.

Recommendations

4.2.21. The State Government may consider taking following steps to improve the effectiveness of the system:

- internal control mechanism should be devised in the Department to ensure timely remittance of bank drafts and their credit to Government account;
- treasury reconciliation should be carried out every month well in time;
- there should be co-ordination among the states to exchange information regarding number of operators who are authorised to ply their vehicles in other states;
- the State Government should develop a strong internal control system to check the deficiencies and lapses in implementation of the various provisions of Acts, Rules and of instructions issued by the State Government/department so that the revenue receipts due to the Government are collected forthwith.

The above findings were reported to the Department and to the Government in April 2003; their replies have not been received (August 2003).

4.3. Short realisation of token tax

Under the Motor Vehicles Taxation Act, 2001, the rates of tax on goods vehicles and stage carriages were revised with effect from 18th October 2001. Besides, rebate of tax at the rate of 10 *per cent* in respect of person holding more than 25 vehicles was withdrawn. By another notification of 10 September 2002, the rates in respect of stage carriage were again revised.

During audit of twenty three[@] Registering and Licensing Authorities, it was noticed that in 4,436 cases of token tax in respect of stage and goods carriage, between October 2001 and January 2003 was charged incorrectly either by applying pre-revised rate or by allowing inadmissible rebate. This resulted in short realisation of token tax amounting to Rs.55.99 lakh.

The matter was reported to the Department and to the Government between April 2002 and March 2003; replies have not been received (August 2003).

4.4. Non/short realisation of special road tax

The Himachal Pradesh Motor Vehicles Taxation Act, 1972, as amended in 1999 provides for levy and collection of special road tax in advance at specified rates, for stage carriage transport vehicles plying on the National Highways, Intra-State/Inter-State routes, State Highways, and rural roads, and for local buses/mini-buses operating within a radius of 30 kilometers.

During audit of 4* RTAs, it was noticed that special road tax was either not levied at all or was levied short. This resulted in non/ short realization of revenue amounting to Rs.37.86 lakh.

[@] Arki, Barsar, Baijnath, Bilaspur, Chamba, Dehra, Dharamsala, Hamirpur, Kullu, Kangra, Mandi, Nahan, Nadaun, Nurpur, Palampur, Rampur, Rekonig Peo, Rohroo, Sarkaghat, Shimla(U), Sundernagar, Theog and Una

* Shimla, Solan, Kullu and Dharamsala

The matter was reported to the Department and to the Government in February 2003; reply has not been received.

4.5. Short realisation of one time token tax

Under the Himachal Pradesh Motor Vehicles Taxation (Amendment) Act, 2001, effective from 18th October 2001, a one time token tax based on the price of personal motor vehicle and motor cycle/scooter was levied. Category wise rates of tax were notified on 15th December 2001, to be applied retrospectively with effect from 18th October 2001.

During audit of 11^s Registering and Licensing Authorities, it was noticed that in the case of 547 vehicles registered between 18th October 2001 and 25th March 2002, one time token tax was realised on the basis of unladen weight of the vehicles instead of price of the vehicles. This resulted in short realisation of token tax amounting to Rs.11.68 lakh.

The matter was reported to the Department/Government between July 2002 and April 2003; replies have not been received.

4.6. Non levy of special registration fee

Under the Himachal Pradesh Motor Vehicles (Amendment) Rules, 2001, special registration fee for the allotment of registration mark of choice is chargeable with effect from 10th August 2001.

During audit of six[©] Registering and Licensing Authorities, it was noticed that special registration fee amounting to Rs.1.82 lakh chargeable for the allotment of registration marks to 145 vehicle owners, during 10th August 2001 to 27th March 2002 was not levied.

On this being pointed out in audit, the authorities concerned stated that necessary action would be taken. Further report had not been received till August 2003.

The matter was reported to the Department/Government between July 2002 and February 2003; replies have not been received.

4.7. Non realisation of token tax

Under the provisions of the Motor Vehicles Act, 1988, before granting the no objection certificate to a owner of a motor vehicle, the registering authority shall verify whether all the amounts due to Government including road tax in respect of that motor vehicle have been paid.

During audit of the records of Registering and Licensing Authority, Palampur, it was noticed that two vehicles owners were issued no objection certificates

^s Barsar, Baijnath, Dharamsala, Hamirpur, Kullu, Nadaun, Palampur, Sundernagar, Solan, Theog and Una.

[©] Barsar, Baijnath, Dharamsala, Hamirpur, Nadaun and Theog

without realising token tax amounting to Rs.1.14 lakh for the period April 1997 to December 2001.

On this being pointed out, the Registering and Licensing Authority stated in February 2002 that recovery would be effected. Further report has not been received (August 2003).

The matter was reported to the Department/ Government in March 2002; reply has not been received (August 2003).

4.8. Vehicles not registered with the Excise and Taxation Department

As per Motor Vehicles Act, 1988, read with the Himachal Pradesh Motor Vehicles Taxation Act, 1972, the owners of goods carriers are required to register their vehicles with the concerned Excise and Taxation Officers under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, and pay goods tax at the prescribed rates on all freights in respect of goods transported by motor vehicles. For failure to apply for registration, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of five hundred rupees is also leviable.

During test check of records of five* Assistant Excise and Taxation Commissioners, it was noticed that 342 goods vehicles registered with the Registering and Licensing Authorities, were not registered with the Excise and Taxation Department. As a result, goods tax of Rs.6.64 lakh for the period falling between January 2001 and March 2002 was not paid by the owners of the vehicles. A minimum penalty of Rs.1.71 lakh was also leviable.

On this being pointed out in audit, the department stated between November 2002 and May 2003 that goods tax amounting to Rs.0.84 lakh had been recovered. Reports of recovery of remaining amount and replies in respect of Mandi and Una have not been received (August 2003).

The matter was reported to Government between August 2002 and April 2003; replies have not been received (August 2003).

* Bilaspur, Hamirpur, Mandi, Shimla and Una.

CHAPTER 5: OTHER TAX RECEIPTS

5.1. Results of audit

Test check of records relating to land revenue, stamp duty and registration fee, electricity duty etc. conducted in audit during 2002-2003, revealed non/short deposit of revenue and other irregularities amounting to Rs.1.91 crore in 235 cases, which broadly fall under the following categories:-

(Rupees in crore)			
		Number of cases	Amount
1.	Non/short deposit of revenue	27	0.23
2.	Non/Short-levy of stamp duty and registration fee	96	1.23
3.	Other irregularities	112	0.45
	Total	235	1.91

During 2002-2003, the Department accepted under-assessments etc., of Rs.2.49 crore involved in 83 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs.59.51 crore are given in the following paragraphs.

A. Land Revenue

5.2. Non-deposit of revenue

Under the Himachal Pradesh Land Revenue Act, 1954, as amended from time to time and the rules framed thereunder, collection of land revenue and cesses made for the *rabi* and *kharif* harvests is required to be credited to Government account by 15th July and 28th February respectively, each year. Failure on the part of the *Lambardars* to deposit these collections into Government treasury attracts coercive recovery process against them and the defaulting *lambardars* are liable to removal from office and forfeiture of *lambardari* "Pachotra".

During audit of the records of the Tehsildar, Chamba, it was noticed in June 2002 that land revenue and cesses amounting to Rs.2.27 lakh pertaining to *Kharif 1999 to Rabi 2001* crops had not been deposited into government treasury till June 2002 by the *lambardars*. The Department, though required to take coercive action for recovery of the overdue land revenue and cess, had not initiated any action against the defaulting *lambardars*.

On this being pointed out in June 2002, the Collector, Chamba stated in July 2003 that out of Rs.2.27 lakh, land revenue and cess amounting to Rs.0.40 lakh pertaining to *Rabi 2001* crop had been remitted whereas Rs.0.45 lakh were recovered and efforts were being made to recover the remaining amount of Rs.1.42 lakh. Further report has not been received (August 2003).

The matter was reported to the Department and to the Government in July 2002; replies have not been received (August 2003).

B. Stamp Duty and Registration Fee**5.3. Under valuation of immovable property**

The Indian Stamp Act, 1899, as amended (vide Himachal Pradesh Act No. 7 of 1989) in its application to Himachal Pradesh provides that the consideration and all other facts and circumstances affecting the chargeability of any instrument with duty shall be fully and truly set forth therein. 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 the consideration and the proper duty payable. Any person intending to defraud the Government, if executes any instrument concealing the complete facts is punishable with fine which may extend to five thousand rupees. The responsibility of calculation of average price according to the classification of land has been entrusted to Patwaris by the Government.

5.3.1. During audit of records of Sub Registrar, Hamirpur and Kasauli, it was noticed that the consideration of the properties set forth in 20 conveyance deeds valued at Rs.2.19 crore was much below the average price certified by the concerned Patwaris of the locality. The Registering Officers, after registering these instruments did not refer these cases to the Collectors for determination of the market value. This resulted in short levy of stamp duty and registration fee amounting to Rs.26.72 lakh.

On this being pointed out, the Inspector General of Registration stated in January 2003 that in one case the amount had been recovered and in remaining cases notices were issued to the concerned vendees. Further report of recovery has not been received (August 2003).

The matter was reported to the Department and to the Government between September 2002 and February 2003; replies have not been received (August 2003).

5.3.2. During audit of four[#] Sub Registrars it was noticed that in 24 cases registered between January 2000 and December 2001, the value of the properties set forth in the deeds of conveyance was Rs.16.93 lakh while those shown in the agreements to sell and recorded with the document writers was Rs.82.88 lakh. This resulted in evasion of stamp duty and registration fee amounting to Rs.9.03 lakh. Fine up to Rs.1.20 lakh could also be levied.

On this being pointed out, the Sub Registrar, Jogindernagar intimated that in three cases, Rs.0.49 lakh had been recovered in June 2002. Report of recovery in other cases had not been received (August 2003).

The matter was reported to the Department and to the Government between February and August 2002; reply had not been received (August 2003).

[#] Indora, Jogindernagar, Mandi and Sundernagar

5.4. Irregular exemption/ short determination of stamp duty and registration fee

Stamp duty and registration fee are payable on documents executed for mortgage of immovable property (without possession) for securing loan advanced or to be advanced or for an existing or future debt. Mortgage deeds executed by Central Government employees and employees of the Himachal Pradesh Government, Public Sector Undertakings and Autonomous bodies for repayment of house building advances received by them from their employers for the purpose of construction or purchase of a dwelling house for their own use were exempted in April 1989 from payment of stamp duty. No such exemption was admissible in case of loans raised from co-operative banks.

5.4.1. During audit of the records of seven* Sub Registrars, it was noticed between July and December 2002, that 121 mortgage deeds amounting to Rs.2.34 crore executed during the year 2001 by the employees of state government/ local bodies/ corporations/ boards, on the basis of House Building loans raised from cooperative banks, were incorrectly exempted from the levy of stamp duty and registration fee amounting to Rs.8.18 lakh.

On this being pointed out in audit, the Sub Registrar, Dharamsala, stated in November 2002 that recovery amounting to Rs.8,200 had been made and that efforts were being made to recover the remaining amounts. Further report had not been received (August 2003).

5.4.2. During audit of the Sub Registrar, Hamirpur, it was noticed in January 2003 that in the case of 27 mortgage deeds executed during the year 2001 by the employees of the state government/corporation/board on the basis of House building loans raised from Kangra Central Cooperative Bank, stamp duty of Rs.400 only was levied instead of Rs.1.88 lakh. This resulted in short determination of stamp duty and registration fee amounting to Rs.1.87 lakh.

The above matter was reported to the Inspector General of Registration/Government between August 2002 and February 2003. Further developments are awaited in audit (August 2003).

5.4.3. According to the Indian Stamp (Himachal Pradesh Amendment) Act 1991, stamp duty at the rate of 12 *per cent* is chargeable on sale deed with effect from 24th April 1991. Under the Indian Registration Act, 1908, as applicable to Himachal Pradesh, registration fee, at the rate of 2 *per cent* on the value of consideration, subject to a maximum of Rs.25,000 is also leviable.

During audit of the Sub Registrar, Kasauli, it was noticed that the Himachal Pradesh Housing Board sold three flats to the Himachal Pradesh State Cooperative and Consumer Federation Limited, Shimla, in July 2001 for a consideration of Rs.24.89 lakh on which stamp duty and registration fee of Rs.3.48 lakh though leviable was incorrectly exempted resulting in non realisation of Government revenue to that extent.

* Baijnath, Bilaspur, Dharamsala, Palampur, Nadaun, Solan and Thural

On this being pointed out, the Department stated in March 2003 that notices were issued to the concerned vendee but the amount had not been deposited and that coercive processes were being initiated to effect the recovery. Further reply has not been received (August 2003).

The matter was reported to the Government in September 2002; reply has not been received (August 2003).

5.4.4. During audit of the records of Sub Registrar, Udaipur, it was noticed that land measuring two bighas and three biswas was sold by an individual in November 2001 to the Himachal Pradesh Bus Stand Management and Development Authority for a consideration of Rs.10.75 lakh, but stamp duty and registration fee amounting to Rs.1.50 lakh was not levied.

The matter was reported to the Department and to the Government in July 2002; replies had not been received (August 2003).

5.4.5. Under the Indian Stamp Act, 1899, as applicable to Himachal Pradesh the Government may reduce or remit, the duties with which any instruments, when executed by, or in favour of, any particular class of persons, are chargeable. By a notification issued in March 1988, the State Government exempted instruments executed by or on behalf of a co-operative society or by an officer or member thereof and relating to the business of such society, from stamp duty.

The Government clarified in November 1997 that the stamp duty and registration fee was leviable where loans had been secured for purposes other than agricultural purposes.

During audit of five* Sub registrars it was noticed that 34 instruments were executed during 2000-2001, for obtaining loans from bank for purchase of medium/light motor vehicles, printing machine/ construction of marketing yards/establishment of industry, business/opening of dhaba/ goldsmith shop/tailoring shop/bangles shop/photography unit/furniture shop etc. Though the loans secured through these documents were meant for commercial purposes, and were not related to land improvement or productive purposes, the Sub-registrars while registering the documents did not levy any stamp duty and registration fee thereon. This resulted in loss of revenue amounting to Rs.2.97 lakh.

The matter was reported to the Department and to the Government between June 2002 and January 2003; replies have not been received (August 2003).

* Dehra, Kasauli, Mandi, Sarkaghat and Solan

C. Electricity Duty

5.5. Non-recovery of electricity duty

According to the Himachal Pradesh Electricity (Duty) Act, 1975 and the Rules made thereunder, electricity duty was leviable on the electrical energy supplied by the Himachal Pradesh State Electricity Board to consumers. Under the rules *ibid*, the duty collected by the Board in monthly bills for the energy supplied shall be deposited into Government account half yearly i.e. in April and October every year. The rules also require that the Board shall submit to the Electrical Inspector by the last day of May and November a statement in the prescribed form.

It was noticed in audit that electricity duty amounting to Rs.29.47 crore during the period April 2002 to September 2002, required to be deposited in October 2002, had not been deposited by the Board till June 2003. Information regarding the electricity duty due to Government during subsequent period October 2002 to March 2003 was not available in June 2003 with the Chief Electrical Inspector. A return for this period showing details of electricity duty had not been furnished to the Electrical Inspector.

On this being pointed out in June 2003, the Chief Electrical Inspector confirmed the non receipt of electricity duty and stated that State Electricity Board was being reminded for its payment. The Inspector also intimated in August 2003 that Board was asked to furnish half yearly return of electricity duty. In the absence of this return no demand for electricity duty could be raised by the Department. Keeping same figure of receipt of Rs.29.47 crore for the period October 2002 to March 2003, minimum revenue on account of electricity duty of Rs.58.94 crore remained out side the Government account.

The matter was reported to the Department and to the Government in August 2003; reply has not been received (August 2003).

CHAPTER 6: FOREST RECEIPTS

6.1. Results of audit

Test check of records of forest receipts, conducted in audit during the year 2002-03, revealed non-recoveries, short recoveries and other losses of revenue amounting to Rs.25.19 crore in 151 cases, which broadly fall under the following categories:-

(Rupees in crore)			
		No. of cases	Amount
1.	Non-recovery of royalty	10	0.62
2.	Short recovery of royalty	11	0.93
3.	Non-levy of extension fee	13	0.82
4.	Non-levy of interest	6	1.01
5.	Other irregularities	111	21.81
	Total	151	25.19

During 2002-03, the Department accepted under-assessments etc., of Rs.30.30 crore involved in 87 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs.9.55 crore are given in the following paragraphs.

6.2. Loss of revenue due to non-levy of permit fee

Khair heart wood/ chips and khair billets with bark (having medicinal values) were liable to pay export fee of Rs.250 per quintal and Rs.175 per quintal respectively in accordance with the notification of 20 August 2001 published in Rajpatra, Himachal Pradesh (Extra ordinary), on 3 September 2001 issued under the Indian Forest Act as applicable to Himachal Pradesh.

During the course of audit it was noticed that the State Government had issued instructions on 20 August 2001 that export permit^s fee shall not be levied on intra state transport of khair wood, though no such amendment was made to the notification. The Divisional Forest Officers of 11 divisions issued passes for intra state export of 2,08,629.45 quintals of khair wood between September 2001 and December 2002 without levying of export permit fee. This resulted in non-realisation of export fee of Rs.4.39 crore on the export of khair wood.

On this being pointed out in audit, the Department accepted the audit observation and referred, in February 2003, the case to the Government for carrying out an amendment to the Act/ rules retrospectively for exempting khair wood from levy of permit fee on its transport within the State. In the absence of any notification or amendment to the rules, the permit fee should have been recovered. This resulted in loss of Rs.4.39 crore.

^s Export permit: It is a pass from an officer duly authorised to issue the same to regulate import or export or moving of timber or other forest produce.

These cases were reported to the Government between October 2002 and April 2003; reply had not been received (August 2003).

6.3. Loss of revenue due to delay in handing over of lots

The Government of Himachal Pradesh, on the recommendations of the Pricing Committee had decided in December 1999 that all the marking lists which have been taken over by the Divisional Manager of the Himachal Pradesh State Forest Corporation before 15 September in case of sub-tropical areas and 15 December for the temperate areas would be considered to have been sent for the year in question. If there is any delay, these lots would be considered for the subsequent year.

During audit of records of 6* Divisional Forest Officers, it was noticed that 29 lots of 8,997 trees containing 23,042.783 cubic metres standing volume of timber were marked by the Department for exploitation between 1998-99 and 2000-02. However, the Divisional Forest Officer failed to hand over the lots by the scheduled dates to the Divisional Managers of the Corporation. These lots were required to be handed over by 15th September or 15th December of the year preceding the year of exploitation but were handed over after the due dates. This resulted in postponement of the working period of the lots which resulted in short recovery of royalty of Rs.1.14 crore due to reduction in royalty rates in subsequent years. Thus, delay in exploitation of lots resulted in loss of Rs.1.14 crore.

These cases were reported to Government between November 2001 and March 2003; replies had not been received (August 2003).

6.4. Loss of revenue due to non-tapping of resin blazes

The Resin Tapping Instructions and Rules provide that work relating to handing over of resin blazes to the Forest Corporation for tapping in each tapping season should be completed by the end of January each year. As per decision of the Government in October 1980, the Corporation was required to work all the lots in a division and could not pick and choose them. The lots are allotted as per the enumeration list approved by the Conservator of Forests on the basis of information supplied by the Divisional Forest Officer. The Principal Chief Conservator of Forest had issued instructions in May 2000 that for deletion of blazes prior approval of the Conservator of Forests be obtained well before commencement of the tapping season.

During audit of the records it was noticed that 15[&] Divisional Forest Officers, had deleted 3,84,126 resin blazes from resin tapping between the tapping seasons of 1998 and 2002 without assigning any reason and prior permission of the Conservator of Forests. This resulted in depriving the Government of

* Ani, Dehra, Jogindernagar, Kullu, Parbati and Shimla

& Ani, Bilaspur, Chopal, Hamirpur, Kotgarh, Kunihar, Nalagarh, Palampur, Parbati, Rohroo, Shimla, Solan, Suket, Theog and Una

revenue of Rs.97.23 lakh on account of royalty. A few instances are given below:

(In lakh of rupees)

Name of division	No. of blazes not handed over/ tapped in various tapping seasons.					Total	Amount of royalty involved
	1998	1999	2000	2001	2002		
Ani at Luhri	9,187	9,187	9,187	9,187	-	36,748	9.32
Kunihar	--	--	12,589	12,589	--	25,178	6.36
Nalagarh	--	--	27,178	27,178	--	54,356	13.72
Palampur	--	--	19,974	9,780	--	29,754	7.49
Shimla	--	--	28,491	38,483	19,405	86,379	21.89
Solan	--	--	12,298	14,669	--	26,967	6.82
Suket	--	--	7,797	12,599	--	20,396	5.16

On this being pointed out, the Department stated between December 2002 and January 2003 that reasons for deletion were being investigated in Chopal division whereas the case for the approval of deletion of resin blazes had been taken up by Parbati, Suket and Theog divisions. Further progress and replies in respect of remaining divisions had not been received (August 2003).

The cases were reported to the Government between April 2002 and March 2003; replies had not been received (August 2003).

6.5. Non levy of extension fee

Clause 3 of standard agreement executed in pursuance of the Indian Forest Act, 1927 as applicable to Himachal Pradesh provided that if a lessee fails to fell, convert and carry trees outside the leased area within the contract period, he may seek extension in the working period, failing which he shall have no right on the standing/ felled trees and scattered/ stacked timber lying in the leased forest area. If extension is applied for and granted, the lessee is required to pay extension fee at the prescribed rates on the amount of royalty of the lot concerned.

During audit of the records of 6[@] Divisional Forest Officers, it was noticed that 47 lots with lease periods between 31 March 1999 and 31 March 2002 were handed over to the State Forest Corporation for exploitation. As the exploitation work of these lots could not be completed within the lease periods, the Corporation sought extension of the working periods of 37 lots whereas no extension was sought in 10 lots. No action was also taken to recover extension

[@] Chamba, Chopal, Karsog, Palampur, Rampur and Shimla

fee of Rs.60.71 lakh. A few instances are given below:

(In lakh of rupees)

Sl. No.	Name of Division	No. of forest lots	Year of working	Lease period up to	Extension sought for the period up to	Whether extension granted	Amount of extension fee not charged
1.	Chamba	4	2001-02	March 2002	Between 30 September 2002 and 31 March 2003	Yes	2.37
Remarks: The working period was extended between 30 September 2002 and 31 March 2003 in 4 lots. However, extension fee amounting to Rs.2.37 lakh was neither demanded nor paid by the Corporation.							
2.	Chopal	3 6	1999-2000 2000-01	March 2000 March 2001	Between 31 May 2001 and 31 March 2002	Yes	41.13
Remarks: The working period was extended between 31 May 2001 and 31 March 2002 in 9 lots. However, extension fee amounting to Rs.41.13 lakh was neither demanded nor paid by the Corporation.							
3.	Karsog	3 2	2000-01 2001-02	March 2001 March 2002	Extension not sought	--	4.71
Remarks: The Corporation continued to exploit the lots without seeking any extension. The Divisional Forest Officer also did not take any action either to stop the exploitation work nor to set the forest produce forfeited. Completion of exploitation work of 2000-01 lots was between 6 June and 31 July 2001 whereas that of 2001-02 lots between 31 July and 31 October 2002.							
4.	Shimla	1 2 2	1998-99 2001-02 2001-02	March 1999 June 2002 March 2002	Extension not sought	--	7.42
Remarks: The Corporation continued to exploit the lots without seeking any extension. The Divisional Forest Officer also did not take any action either to stop the exploitation work nor to set the forest produce forfeited. Exploitation work of these lots was completed between 31 May 2002 and 31 January 2003.							

On this being pointed out in audit, the Department stated that demand in respect of Karsog (2000-01 lots) and Palampur divisions had been raised in December 2001 and March 2002 respectively. Replies of remaining divisions and report of recovery had not been received (August 2003).

These cases were reported to the Government between October 2001 and March 2003; replies had not been received (August 2003).

6.6. Loss of revenue due to administrative failure

Any act causing damage by negligence, or act of deliberate felling of a tree or clearing of land for cultivation or for any other purpose in any protected forest etc., is an offence under the Indian Forest Act, 1927 and is punishable with imprisonment for a term up to six months or with fine up to five hundred rupees, or with both. It is the duty of every Beat Forest Guard to immediately take cognizance of a forest offence, to issue the damage report for the offence committed and get the damage accepted by the offender, and also to seize the forest produce and the implements used in committing the offence. In case offender escapes arrest on the spot, an immediate report is required to be made and got signed by the nearest influential person (*Lambardar*). The forest offence cases can be (a) compounded by the Forest Officer himself and in cases where he is not competent to compound (b) registered with the Police and (c) taken to Court of law for decision.

During audit of the records of seven[@] Divisional Forest Officers, it was noticed that 399 trees containing 434.83 cubic metres of standing volume of timber were felled illicitly by offenders between May 1999 and August 2002. Out of these 309.70 cubic metres of timber valued at Rs.54.92 lakh were removed illegally by the offenders and only 125.13 cubic metres could be seized. The damage reports were issued in respect of 310 trees while no damage reports were issued by the Forest Guards in respect of 89 trees. Thus, failure of the Department to take timely cognizance of offences resulted in loss of revenue to the tune of Rs.54.92 lakh including sales tax on account of the cost of timber not seized.

The cases were reported to the Department and to the Government between December 2001 and February 2003; replies had not been received (August 2003).

6.7. Exploitation of bamboo crop by the Himachal Pradesh State Forest Corporation.

Bamboo crop is grown in 8 forest divisions of Himachal Pradesh. The bamboos are felled/ exploited in a 3 to 4 years felling cycle prescribed in the relevant working plans prepared in accordance with the guidelines issued in July 1983 by the Government of India and approved by the State Government. The crop is prone to rapid deterioration/ decay if not exploited, when due, as per the prescriptions in the working plan. Non-exploitation of bamboo crop also prevents fresh growth of coppice shoots/ clumps which eventually form the future bamboo crop. Any deviation from the prescriptions of the working plan is required to be got approved from the State Government in close association with the Working Plan Cell of Government of India. Till 1983-84, its exploitation was carried out through private contractors. However, with effect from 1984-85, the exploitation of bamboo crop was entrusted to Himachal Pradesh State Forest Corporation (Corporation).

[@] Chamba, Chopal, Kotgarh, Nachan, Rajgarh, Rampur and Rohroo.

In May 1994, the Government decided to charge royalty at 20 *per cent* of the gross sale of bamboo for the years 1993-94 and onwards.

In addition to royalty, sales tax on sales of bamboo lots and interest on belated payments of royalty are also required to be deposited by the Corporation.

During scrutiny of records of 8 forest divisions, the following irregularities were noticed:

6.7.1. Non-handing over of bamboo forest for exploitation

The Working Plan Officer while preparing the working plan of a division is required to include all the forest areas of the division in the working plan. Bamboo forests are required to be handed over to the Corporation for exploitation as per the felling programme prescribed in the working plans of the respective forest divisions.

- A test check of records of five* forest divisions revealed that 1,183.720 hectares of bamboo forests were required to be exploited between 1995-96 and 1999-2000 as per the felling cycles prescribed in the approved working plans. Out of this only 389.97 hectares could be handed to the Corporation for exploitation during 1996-97. Thus, 793.75[§] hectares of bamboo forests were not handed over for exploitation during 1995-96 to 1999-2000. This resulted not only in loss of revenue to the tune of Rs.12.54 lakh (including sales tax) but also hampered further growth of bamboo and deviated from the prescription of the working plans. The reasons for not handing over the bamboo areas were not on record.
- Scrutiny of records of Una division revealed in October 2002 that the Himachal Pradesh State Forest Corporation had intimated in August 2001 to the Divisional Forest Officer that 376.16 hectares of Kutlehar bamboo forests had not been included in the working plan provided for exploitation of bamboo during 1996-97 and 2000-01. The forests were due for exploitation during 1996-97 and 2000-01 under four years felling cycle of bamboo crop. Reasons for non-inclusion of the area were not forthcoming from the records of the Division. This resulted in loss of revenue of Rs.8.38 lakh including sales tax. Thus, it would be seen that the working plan prepared by the Department was not based on ground realities.

6.7.2. Non/ short levy of interest on belated payment of royalty

The Corporation, entrusted with the responsibility of exploiting bamboo forest lots, is required to deposit the royalty instalments by 30th June of the lease year.

The Government, decided in September 1991 that from 1991-92 interest at rate of 16.5 *per cent* per annum would be chargeable if royalty was not paid within 90 days after the due dates. The Government further decided in August 2001 that the rate of interest would be 11.5 *per cent* per annum for the year 2001-02.

* Bilaspur, Dehra, Nahan, Nurgpur and Solan

[§] 1995-96 (85.84 hectares), 1996-97 (271.61 hectares), 1997-98 (205.60 hectares), 1998-99 (144.86 hectares) and 1999-2000 (85.84 hectares)

Test check of records of four[@] forest divisions revealed that instalments of royalty pertaining to the years 1996-97 to 2001-02 in respect of 44 forest lots which were handed over to the Corporation for exploitation had not been paid by the Corporation even after 90 days of the due dates. For delay in payments, interest amounting to Rs.4.86 lakh had neither been levied nor demanded by the Department.

6.7.3. Delayed sales of extracted bamboo

As per report (March 1994) of the Chief Conservator of Forests (Territorial) on the exploitation of bamboo crop, the demand for bamboo in the market is at its peak during the months of November and December and afterwards its demand declines in the market. The rate of royalty on bamboo is 20 *per cent* of gross sale proceeds realised by the Corporation.

Test check of records of Dehra and Nurpur forest divisions revealed that 1,58,527 bundles of bamboo were extracted by the Corporation from 11 lots between 1996-97 and 2001-02. It was noticed from the information supplied by the Corporation that these bundles were not auctioned in the peak seasons of the respective years but 2-3 months thereafter. The auctions were delayed up to 24 months when the demand in the market was less due to downward trend in the market, coupled with deterioration of quality of bamboo due to prolonged retention by the Corporation. Consequently, there was a huge variation in prices per bundle received in the first auction and that of the subsequent/ delayed auctions. Had the auctions been held in time, the Corporation would have earned an additional sale amount of Rs.16.78 lakh. Though the Department/ Government were aware that share of royalty was absolutely based on the gross sale obtained by the Corporation in the auctions/ sale of converted bamboos, they failed to take notice of delayed auctions which had direct bearing on the royalty payable. This resulted in short realisation of royalty amounting to Rs.3.36 lakh[#] by the Department.

6.7.4. Loss of revenue due to less yield of bamboos

According to the working plan as applicable to the Rajgarh division, yield of bamboos per hectare was estimated at 12,000. Bamboo lots are handed over to the Himachal Pradesh State Forest Corporation for exploitation and royalty recovered by the Department at rates fixed by the Government.

During audit of the records of the Divisional Forest Officer, Rajgarh, it was noticed that two lots measuring 50 hectares of bamboo forests were handed over to the Corporation for exploitation during 1999-2000. However, against estimated yield of 6,00,000 bamboos as per prescription of the working plan, the Corporation had extracted 50,495 bamboos only. This resulted in shortfall in yield of 5,49,505 bamboos and consequently led to shortfall in revenue of Rs.5.81 lakh.

[@] Bilaspur, Nalagarh, Nurpur and Solan

[#] Being 20 *per cent* of sale of Rs.16.78 lakh

On this being pointed out, the Department stated in March 2002 that the yield of bamboos per hectare as fixed by the Working Plan Officer had been on the higher side and the same was being reviewed. The reply of the Department is not tenable as the working plans are based on the facts and figures supplied by each division. This is also approved by the Government and any deviation from the approved plan requires the approval of the Government. Further report had not been received (August 2003).

6.7.5. Non-realisation of royalty

Test check of records of five^{\$} forest divisions revealed that in respect of 2,805.85 hectares of bamboo forests, handed over to the Corporation for exploitation between 1998-99 and 2001-02, royalty amounting to Rs.12.47 lakh had not been recovered by the Department till August 2003.

These cases were reported to the Department between November 2001 and September 2002 and Government in April 2003; replies had not been received (August 2003).

6.7.6. Conclusion/ Recommendations

Thus, it would be seen from the above that internal controls for systematic extraction/ exploitation and disposal of bamboos have failed resulting in loss of government revenue. Strong internal control is required to regulate systematic exploitation/ disposal of the forest produce. The working plan is also required to be prepared meticulously so that no division or blaze is excluded.

6.8. Short recovery of price of trees marked for electric poles

The State Government approved in March 2001 the rates chargeable from the State Electricity Board, for the years from 1990-91 to 1999-2000 in respect of deodar wooden electric poles with specifications of 15 to 25 centimetres and 25 to 35 centimetres. Pending fixation of rates after 1989-90, bills on account of electric poles supplied thereafter were to be raised provisionally, subject to recovery of differential amount following the actual fixation of rates.

During test check of records of 8[@] Divisional Forest Officers, it was noticed that 11,425 deodar poles were handed over to the Himachal Pradesh State Electricity Board between the years 1990-91 and 1998-99. On revision of the rates in May 2001 the total cost of the electric poles was Rs.84.12 lakh. The Department had collected Rs.58.01 lakh at pre-revised rates. Thus, an amount of Rs.26.11 lakh was liable to be recovered from the State Electricity Board by the Forest Department. However, neither any demand was raised nor any action taken to recover the amount resulting in non-realisation of Rs.26.11 lakh.

On this being pointed out, the Department stated between May 2002 and January 2003 in respect of Bharmour, Chopal, Rohroo and Theog that demands for Rs.15.67 lakh had been raised against the Electricity Board. Report of

^{\$} Nahan, Nalagarh, Nurpur, Solan and Una

[@] Bharmour, Chopal, Dalhousie, Kinnaur, Kotgarh, Mandi, Rohroo and Theog

recovery and replies in respect of remaining divisions had not been received (August 2003).

The matter was reported to the Government between May 2002 and February 2003; replies had not been received (August 2003).

6.9. Loss of revenue due to deterioration of timber

The Himachal Pradesh Forest Manual provides that sale of timber can be made in the sale depot approved by the Chief Conservator of Forests. One of such depots was approved for Chamba town wherein timber was required to be sold at concessional rates. The sale of timber was done by the Corporation with effect from 1 January 1993 on behalf of the Forest Department. Neither any time period nor any system has been developed for timely disposal of the unsold stock lying in the depots.

During the course of audit of the Divisional Forest Officer, Chamba, it was noticed that 187.054 cubic metres of timber valued at Rs.16.66 lakh remained unsold between January 1993 and May 2002 for want of buyers as the timber was stated to be of odd sizes. No effort was made to sell the timber by open auction till May 2002. By then 160.591 cubic meters of timber had become completely rotten and 26.463 cubic metres was partially rotten. Consequently, the auction fetched Rs.0.28 lakh resulting in loss of Rs.21.29 lakh (including sales tax of Rs.4.91 lakh).

On this being pointed out, the Department accepted and stated that there was no alternative but to auction the timber. The Divisional Forest Officer had not furnished any reason for not disposing of the timber in a timely manner.

The matter was reported to the Department and to the Government in November 2001; replies had not been received (August 2003).

6.10. Non remittance of transportation charges into Government account

To meet bonafide domestic and agricultural requirements of people residing in tribal areas, it was decided in October 1990 by the Government that fuel wood and timber would be sold at depots managed by the Forest Department. For this purpose, timber and fuel-wood were to be supplied by the Himachal Pradesh State Forest Corporation. Transportation charges of such fuel wood from the roadside depots of the Forest Corporation to sale depots in tribal areas were to be added to the sale price if sold to Government departments/commercial organisations, and recovery so made credited to the account of the Forest Department.

During audit of the records of the Divisional Forest Officers, Lahaul at Keylong and Kaza at Spiti, it was revealed that transportation charges of Rs.16.47 lakh collected by depots during 2001-02 on account of sale of 9,666.32 quintals of fuel-wood was deposited into the accounts of the Corporation instead of

Government account. This resulted in non-remittance of transportation charges of Rs.16.47 lakh into Government account.

On this being pointed out in audit, the Divisional Forest Officer, Kaza, stated in August 2002 that amount would be deposited into the Government account after reconciliation of fuel-wood with the Corporation. Further report had not been received (August 2003).

The matter was reported to the Department and to the Government in September-December 2002; replies had not been received (August 2003).

6.11. Non-recovery of royalty

The Himachal Pradesh State Forest Corporation is responsible for exploitation of all forest lots and is required to pay royalty on trees at the rates fixed by the State Government. As per departmental instructions issued in June 1985, demand on account of royalty, dates on which instalments are due etc. is to be informed by the Department immediately after the lots are handed over to the Corporation for exploitation.

6.11.1. During audit of records of the Divisional Forest Officer, Rohroo, it was noticed that two salvage forest lots, containing 3,486.15 cubic metres of standing volume of timber were handed over to the Corporation for exploitation during the years 2001-2005. Although, the Department had handed over these lots to the Corporation on 17 November 2000, instalments of royalty payable on 30th November 2001 and 20th March 2002 of Rs.4.39 lakh (including sales tax) each had not been demanded from the Corporation. This had resulted in non-recovery of royalty of Rs.8.78 lakh (including sales tax).

The case was pointed out in audit to the Department and reported to the Government in June 2002; replies have not been received (August 2003).

6.11.2. During audit of records of Divisional Forest Officer, Mandi, it was noticed that out of 576 trees, converted timber of 354 deodar trees were to be supplied to the Khalliar sale depot without payment of royalty. Remaining 213 trees of kail and tosh were handed over as commercial lots to the State Forest Corporation during 1998-99. However, royalty of Rs.5.13 lakh (including sales tax) was neither paid by the Corporation nor was any demand raised by the Forest Department.

On this being pointed out in audit, the Department stated in January 2002 that demand on account of royalty was being raised against the Corporation. Further report has not been received (August 2003).

The case was reported to Government in July 2001; reply has not been received (August 2003).

6.12. Non-recovery of sales tax and penalty

The Himachal Pradesh State Forest Corporation Limited, which is entrusted with the lease rights for working forest lots, is required to pay sales tax on the

sale value of the lots in addition to royalty. The Divisional Forest Officers, who are registered dealers with the Excise and Taxation Department, are also required to charge sales tax under sales tax laws of Himachal Pradesh on the sale value of timber and deposit the same in to Government account as per the agreement deed for lease of forests. In case of failure to do so, the Corporation has to pay penalty at the rate of 18 *per cent* per annum for belated payment of sales tax.

6.12.1. During audit of the records of the Divisional Forest Officer, Seraj, it was noticed that the Corporation had paid sales tax of Rs.23.96 lakh against Rs.31.94 lakh payable by 20 March 1999 on royalty amounting to Rs.1.06 crore in respect of two salvage lots exploited by it during 1997-99. Besides, the Department had also failed to demand penalty of Rs.5.44 lakh accrued till December 2002 for non-payment of Rs.7.98 lakh. This resulted in non-recovery of revenue of Rs.13.42 lakh.

On this being pointed out, the Divisional Forest Officer, accepted in January 2003 short realisation of sales tax and stated that penalty would be levied after assessment of sales tax by the Assessing Authority. The reply is not tenable as the penalty for delay was leviable as per standard agreement deed prescribed under Indian Forest Act as applicable to Government of Himachal Pradesh by the Department itself. Further progress and report of recovery had not been received (August 2003).

The case was reported to the Department and to the Government in February 2003; reply had not been received (August 2003).

6.12.2. During audit of the records of 4^s Divisional Forest Officers, it was noticed that in respect of 74 forest lots, handed over to the Corporation for exploitation between 1995-96 and 2001-03, the sales tax leviable on royalty instalments had not been paid by the due dates. For delays ranging between 30 days and 1395 days, in payment of sales tax penalty amounting to Rs.8.83 lakh had not been demanded by the Department.

The cases were reported to the Department and to the Government between June 2002 and September 2002; reply had not been received (August 2003).

6.12.3. Test check of records of six[@] forest divisions revealed that the Corporation sold 4,48,049 bundles of bamboos extracted out of 81 lots between 1996-97 and 2001-02 for Rs.38.24 lakh. On these sales, sales tax amounting to Rs.11.47 lakh was chargeable from the Corporation, but it actually paid Rs.9.39 lakh only. The balance tax of Rs.2.08 lakh had not been paid by the Corporation. For belated/ non-payment of sales tax, penalty amounting to Rs.2.05 lakh had also not been demanded by the Department.

These cases were reported to the Department and to the Government in April 2003; reply had not been received (August 2003).

^s Bharmour: (Rs.1.12 lakh), Churah: (Rs.4.81 lakh), Kullu: (Rs.1.26 lakh) and Nachan: (Rs.1.64 lakh)

[@] Bilaspur, Dehra, Nalagarh, Nurpur, Solan and Una

6.13. Non-recovery of royalty on trees marked along the road-side

As per decision in January 2002 of the State Government, royalty for dry trees marked along the road side and handed over to the Himachal Pradesh State Forest Corporation for exploitation prior to the year 2001-02 is chargeable at 50 per cent of the full royalty rates fixed for green standing trees.

During audit of the records of three[#] Divisional Forest Officers, it was noticed that 15 salvage lots containing 775.767 cubic metres standing volume of timber, marked along various roads, were handed over to the Corporation for exploitation during the years 1997-98 and 1999-2000. Scrutiny of the records, however, revealed that the Department had charged royalty at the rate of 30 per cent instead of the chargeable 50 per cent, which resulted in non-recovery of Rs.7.85 lakh (including sales tax).

On this being pointed out, the Department stated between April 2003 and August 2003 that revised demands for royalty and sales tax worth Rs.6.63 lakh had been raised in October 2002 and January 2003 in respect of Una and Dehra divisions respectively whereas royalty amounting to Rs.0.94 lakh had been recovered out of Rs.1.22 lakh in respect of Nalagarh division. Further report had not been received (August 2003).

6.14. Incorrect application of export permit fee

According to notification of August 1993 issued under the Indian Forest Act, 1927, export permit fee at the rate of Rs.500 per quintal was leviable on the export of berberis roots (local name: *Rasaunt*), which was reduced to Rs.80 per quintal with effect from 30 May 2001.

6.14.1. During audit of records of the Divisional Forest Officer, Karsog, it was noticed that on 30 April 2001, the Department had issued two permits for the export of 872 quintals of berberis roots to two firms. Scrutiny of records, however, revealed that the Department had wrongly charged export permit fee at the rate of Rs.80 per quintal on 300 quintals and lump sum of Rs.10,025 on 572 quintals of berberis roots instead of Rs.500 per quintal. The incorrect application of rates resulted in short recovery of export fee of Rs.4.02 lakh.

The case was reported to the Department and to the Government in January 2003; reply had not been received (August 2003).

6.14.2. Test check of records of the Divisional Forest Officer, Nachan, revealed in June 2002 that an export permit was issued to a firm on 3 March 2001 (valid up to 20 March 2001) after charging only Rs.25 as fee instead of Rs.1.90 lakh for export of 380 quintals of berberis roots from Nachan forest Range to Paonta Sahib. This resulted in loss of revenue of Rs.1.90 lakh to the government.

[#] Dehra, Nalagarh and Una

On this being pointed out in June 2002, the Department stated in December 2002 that the Divisional Forest Officer had been asked to intimate the detailed reasons for not charging the prescribed fee of Rs.500 per quintal. Further progress had not been received (August 2003).

The case was reported to Government in June 2002; reply had not been received (August 2003).

6.15. Loss due to less extraction of timber

The Himachal Pradesh State Forest Corporation entrusted with the responsibility of exploitation of all forest lots, is required to pay royalty on trees at rates fixed by the State Government on the recommendations of the Pricing Committee. The Corporation also exploits such lots which are marked for supply of timber to various sales depots to meet the *bona fide* requirements of the right holders at highly subsidized rates. The out-turn *percentage* (including sawn timber, hakkaries, pulp-wood etc.) have been fixed in February 1986 by the Department at 65 *per cent* of the standing volume for *deodar*, *kail* and *chil* trees and 50 *per cent* for *fir* and *spruce* trees.

During audit of the records of the Divisional Forest Officer, Mandi, it was noticed that a salvage lot of 562 trees of *deodar* and *Rai* (spruce) species, containing 1,223.095 cubic metres standing volume of timber was handed over to the Corporation for exploitation during the years 1998-2000, for supply of converted timber to Khaliar sale depot to meet the *bona fide* requirements of the right holders of Mandi town. Out of this, 475 trees containing 842.74 cubic metres standing volume were converted into timber up to March 2002, for which minimum quantity of 482.630 cubic metres of converted timber was required to be obtained. However, the Corporation had extracted only 340.978 cubic metres, resulting in less extraction of 141.652 cubic metres of timber. Thus, less extraction and consequent short supply of timber resulted in loss of Rs.5.44 lakh (including sales tax).

The case was reported to the Department and to the Government in July 2002; reply had not been received (August 2003).

6.16. Loss of revenue due to cases becoming time barred

As per the provisions of the Criminal Procedure Code, no Court shall take cognizance of forest offence cases after the expiry of one year as such the forest offence cases are required to be either compounded or challaned in the Court of law within one year.

During audit of the records of the Divisional Forest Officer, Seraj, it was noticed that 17 damage reports involving damages of Rs.3.26 lakh were issued between April 1997 and August 2000, against offenders, for illicit felling of *deodar* trees. However, the Department failed to compound these cases or to take them to the Court of law within a period of one year. Thus, no action could

be taken against the offenders. This resulted in loss of revenue of Rs.3.26 lakh to the Government.

The case was reported to the Department and to the Government in February 2003; reply had not been received (August 2003).

6.17. Loss of revenue due to illicit felling of trees

The agreement deed, prescribed under Indian Forest Act, 1927 as applicable to the Himachal Pradesh State Forest Corporation, provides that in the event of illicit felling of trees, the Corporation would be liable to pay, in addition to the price at royalty rates or the prevailing market rates, whichever is higher, penalty at the rate of 100 *per cent* of the price of such trees.

During audit of records of the Divisional Forest Officer, Kullu, it was noticed that the Range Officer had conducted inspection of a salvage forest lot, handed over to the Corporation for exploitation in September 2001. He had found 2 trees of *rai* containing 18.83 cubic metres of standing volume of timber illicitly felled by the Corporation and reported the case to divisional office in September 2001. However, despite being pointed out, the Department neither took up the matter with the Corporation nor raised any damage bill till July 2002. This resulted in non-recovery of Rs.3.12 lakh (price of trees: Rs.1.36 lakh; penalty: Rs.1.36 lakh and sales tax: Rs.0.40 lakh).

The case was reported to the Department and to the Government in September 2002; reply had not been received (August 2003).

6.18. Short recovery of royalty on fit trees

The State Government decided in December 1999 on the recommendations of the Pricing Committee that no royalty was chargeable on rotten/ hollow trees.

During audit of the records of the Divisional Forest Officer, Theog, it was noticed that 1,195 trees containing 870.287 cubic metres of standing volume of *kail* timber were marked in a salvage lot and handed over to the Corporation for exploitation during the year 1998-99. Of this, 173.014 cubic metres of 217 trees were found rotten in a joint inspection conducted in September 1999, leaving 697.273 cubic metres of standing volume fit for conversion into timber. Scrutiny of records, however, revealed that the Department had incorrectly charged in December 2001 royalty of Rs.10.13 lakh by treating 447.631 cubic metres standing volume as fit* and 422.656 cubic metres as unfit* instead of chargeable royalty amounting to Rs.12.30 lakh for 697.273 cubic metres as fit standing volume of timber. This resulted in short levy of royalty of Rs.2.82 lakh (including sales tax).

On this being pointed out, the Divisional Forest Officer stated in January 2003 that matter regarding wrong reconciliation of unfit volume of *kail* timber and

* Fit volume is chargeable at 30 *per cent* and unfit volume at 9 *per cent* of Rs.5,878/- per cubic metre i.e. full royalty rates fixed for green trees

recovery of royalty had been taken up in May 2002 with the Corporation. Further progress and report of recovery had not been received (August 2003).

The case was reported to the Government in May 2002; reply had not been received (August 2003).

6.19. Non-recovery of launching fee

According to the Himachal Pradesh River Rules, 1971, made under Indian Forest Act, 1927, no person could launch, float and/ or raft timber in any river without a written permission of the concerned Divisional Forest Officer. Persons willing to launch timber should apply to the Divisional Forest Officer thirty days before the intended date of launching to obtain a pass after paying fee in this regard.

During audit of the records of the Divisional Forest Officer, *Parbati*, it was noticed that 1,78,070 nags[#] of sawn timber were launched in Rolli khad and Toshnalla by the Corporation during the period falling between 1999-2000 and 2000-01. Scrutiny of records, however, revealed that the Corporation had not sought prior permission of the Department to launch the timber in the khad/ nalla nor had the Department demanded launching fee of Rs.2.67 lakh leviable in this regard. This resulted in non-recovery of fee of Rs.2.67 lakh.

On this being pointed out, the Department stated in January 2003 that Rs.0.50 lakh were deposited by the Corporation and that the balance of Rs.2.17 lakh had not been paid though demanded in August 2002. Further report has not been received (August 2003).

The case was reported to the Government in July 2002; reply had not been received (August 2003).

6.20. Non-recovery of price of drift and stranded timber

Under the Indian Forest Act, 1973, all timber found adrift, beached, stranded or sunk, shall be deemed to be the property of Government until and unless any person establishes his right and title thereto. Such timber may be collected by the Forest Department or other person authorised to collect the same and bring to forest depot declared by the Forest Officer. The Himachal Pradesh State Forest Corporation is the sole forest exploiting agency in Himachal Pradesh and therefore, in the case of waif logs collected by the Corporation, the net proceeds of revenue are required to be deposited into Government account, after deducting the expenditure incurred on account of extraction, collection, carriage, auction etc.

During audit of the records of the Divisional Forest Officer, *Chamba*, it was noticed that price of 400 cubic metres of pulp wood and 500 cubic metres of fuel-wood collected from the reservoir of Chamara Dam, during 1998 by the Corporation and subsequently sold, was neither claimed by the Department nor

[#] Unit of timber

paid by the Corporation. This resulted in non-recovery of revenue of Rs.2.24 lakh (including sales tax).

The case was pointed out in July 2002 to the Department and reported to the Government in August 2002; reply had not been received (August 2003).

6.21. Non recovery of price of resin

According to the Himachal Pradesh Financial Rules, 1971, departmental Controlling Officers should see that all sums due to Government are regularly and promptly assessed, realised and duly credited into the treasury.

During audit of records of the Divisional Forest Officer, Dharamsala, it was noticed that 115.92 quintals of resin was handed over to the Himachal Pradesh State Forest Corporation between 1995 and 2001 for auction in its sale depots. Out of this, sale proceeds of Rs.0.82 lakh in respect of 38.90 quintals of resin supplied during 1996 and 1997 was paid by the Corporation in May 1999. However, price/ sale proceeds in respect of the remaining 77.02 quintals of resin pertaining to 1995 and 1998 to 2001 was not claimed. This resulted in non-recovery of Rs.1.36 lakh. Besides, interest accrued amounted to Rs.0.74 lakh.

On this being pointed out, the Department stated in June 2003 that against the demand of Rs.2.10 lakh raised in March 2002, an amount of Rs.0.43 lakh had been recovered. Report of recovery of balance amount had not been received (August 2003).

The case was reported to Government in February 2002; reply had not been received (August 2003).

6.22. Non-levy of interest

The Himachal Pradesh State Forest Corporation which is entrusted with the responsibility of exploitation of forest lots is required to deposit instalments of royalty in respect of forest lots by due dates as fixed by the State Government. In case the royalty is not paid within 90 days after the due date, interest at the rate of 16.5 *per cent* per annum is chargeable in accordance with the government notification dated 1 October 1994.

During audit of records of the Divisional Forest Officer, Chamba, it was noticed that one forest lot was handed over to the Corporation for exploitation during 1997-98 for which royalty amounting to Rs.4.56 lakh payable by 30 November 1997 was paid on 9 July 1999. Interest of Rs.1.21 lakh though leviable was not demanded by the Department for belated deposit of royalty.

The case was reported to the Department and to the Government in August 2002; reply had not been received (August 2003).

6.23. Loss of revenue due to un-authorised marking of trees in Timber Distribution

According to departmental instructions of December 1986, the grant of trees in Timber Distribution to the right holders is made by the Divisional Forest Officer on the basis of recommendations of the Sarpanch of the concerned Panchayat and the forest field staff in regard to the genuineness of the demand. Any deviation at the time of marking by the field staff is irregular/ unauthorized.

During audit of records of the Divisional Forest Officer, Theog, it was noticed that during 1999-2000 one *deodar* tree of class IA category containing 4.021 cubic metres standing volume of timber was sanctioned in the timber distribution to a right holder, and to another right holder sanction of two *deodar* trees of class IIA category containing standing volume: 3.576 cubic metres was accorded. Scrutiny of records revealed that permits to fell two trees of class IA instead of one tree and two trees of higher class (class IIB[@]) against class IIA involving total standing volume of 13.642 cubic metres were issued by the field staff. Wrong issue of permits led to excess marking of 6.045 cubic metres of standing volume of timber and consequently led to loss of revenue of Rs.1.17 lakh, including sales tax.

On this being pointed out, the Department accepted the audit observations and stated in January 2003 that the amount would be recovered from the defaulters. Further progress and report of recovery had not been received (August 2003).

The case was reported to Government in May 2002; reply had not been received (August 2003).

[@] IIB is higher class than that of IIA

CHAPTER 7: OTHER NON-TAX RECEIPTS

7.1. Results of audit

Test check of records relating to Co-operation Department, Industries Department etc. conducted in audit during 2002-2003, revealed non-realisation of royalty, sales tax and other irregularities involving revenue amounting to Rs.4.40 crore in 41 cases, which broadly fall under the following categories:-

(Rupees in crore)			
		Number cases	of Amount
1.	Non realisation of royalty and sales tax	16	2.67
2.	Non redemption of Government share capital	2	0.58
3.	Other irregularities	23	1.15
	Total	41	4.40

During 2002-2003, the Department accepted under-assessments etc., of Rs.2.32 crore involved in 34 cases which had been pointed out in audit in earlier years. Two cases, highlighting important observations involving financial effect of Rs.0.37 crore are given in the following paragraphs.

A. Co-operation Department

7.2. Non-redemption of Government share capital

The State Government had decided in January 1996 that in case of cooperative banks, share of government contribution shall be redeemable at the rate of 10 per cent of its capital share once an optimum level of Rs.1 crore is reached.

During audit of Assistant Registrar, Co-operative Societies, Dharamsala, it was noticed in July 2001 that government's contribution of share capital in respect of a co-operative bank was Rs 1.07 crore as on 31 March 1998. Consequently share capital of Rs.32.20 lakh became redeemable between 1998-99 and 2000-01. However, no action was taken to recover the amount.

On this being pointed out, the Registrar Cooperative Societies stated in October 2001 that necessary action was being taken. Further reply had not been received till August 2003.

The matter was reported to the Government in July 2001; reply has not been received (August 2003).

B. Industries Department**7.3. Non realisation of royalty and sales tax**

The Himachal Pradesh Minor Minerals (Concession) Revised (Amendment) Rules, 1999, provides that the lessee shall pay royalty in advance for the material to be removed from the leased area. Besides, the Mining Officers are also required to recover sales tax on royalty under the Sales Tax Law and deposit the tax into the Government Treasury.

A test check of records of the Mining Officer, Solan, revealed that 7 lessees were required to pay advance of royalty of Rs.13.99 lakh on sand, bajri and stone to be removed from the leased area. However, the Department recovered Rs.9.19 lakh. This resulted in short recovery of royalty of Rs.4.80 lakh on which sales tax of Rs.0.38 lakh was also leviable.

On this being pointed out, the Department stated in June 2003 that recovery of Rs.3.84 lakh had been made. Report of recovery of the remaining amount of Rs.1.34 lakh has not been received (August 2003).

The matter was reported to the Government in September 2002; reply has not been received (August 2003).

Jai Narain

Shimla
The

10 FEB 2004

10 3 FEB 2004

(J.N. Gupta)

Accountant General (Audit)
Himachal Pradesh

Countersigned

Vijayendra N. Kaul

New Delhi
The

11 7 FEB 2004

(Vijayendra N. Kaul)

Comptroller and Auditor General of India

