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

FOR THE YEAR ENDED 31 MARCH 2001

**(REVENUE RECEIPTS)
GOVERNMENT OF HIMACHAL PRADESH**



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TABLE OF CONTENTS

<i>Particulars</i>	Paragraph	Page
<i>Prefatory Remarks</i>		iii
<i>Overview</i>		v
GENERAL		
Trend of revenue receipts	1.1.	1
Variations between Budget estimates and actuals	1.2.	3
Analysis of collections	1.3.	5
Cost of collection	1.4.	5
Arrears of revenue	1.5.	6
Arrears in appeals	1.6.	9
Frauds and evasion of tax/ duty	1.7.	9
Results of audit	1.8.	10
Outstanding inspection reports and audit observations	1.9.	10
Arrears in assessment	1.10.	11
SALES TAX		
Results of audit	2.1.	13
Under-assessment of sales Tax	2.2.	13
Incorrect exemption of sales tax	2.3.	14
Short levy due to application of incorrect rate of tax	2.4	15
Non-levy of tax	2.5	15
STATE EXCISE		
Results of audit	3.1.	17
Re-distillation losses	3.2.	17
Non-realisation of excise duty	3.3.	18
TAXES ON VEHICLES, GOODS AND PASSENGERS		
Results of audit	4.1.	19
Non-recovery of token tax	4.2.	19
Non realisation of composite fee	4.3.	20
Non payment of token tax by owners of Educational Institutions Vehicles	4.4	21
Incorrect deduction of passenger tax and surcharge	4.5.	22
Vehicles not registered with the Excise and Taxation Department	4.6.	22
Short realisation of goods tax	4.7.	23
Short realisation of passengers tax	4.8.	24
FOREST RECEIPTS		
Results of audit	5.1.	26
Uncollected revenue of Forest Department	5.2.	26
Non-levy of penalty	5.3.	35
Short realisation of revenue due to less conversion of timber	5.4.	37
Non-levy of extension fee	5.5.	38
Loss of revenue due to administrative failure	5.6.	38

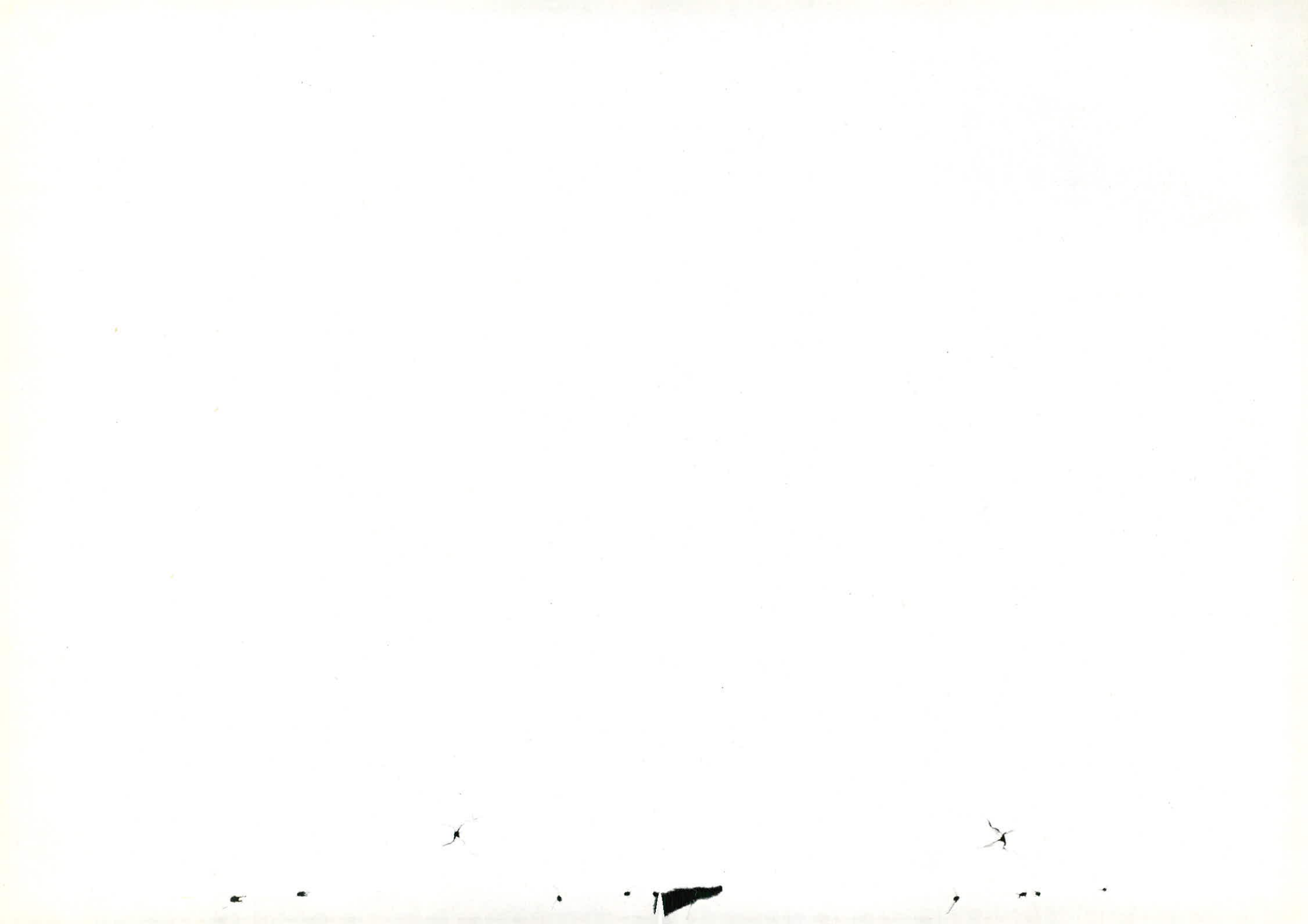
<i>Particulars</i>	<i>Paragraph</i>	<i>Page</i>
Loss of revenue due to lacuna in the agreement deed/ subsequent decisions	5.7	39
Blockage of revenue due to non-disposal of trees	5.8.	40
Loss of revenue due to non-tapping of resin blazes	5.9.	40
Non deposit of transportation charges into the Government account	5.10.	41
Non-levy of entry fee	5.11.	42
Non-recovery of registration fee from resin tapers	5.12.	42
Short recovery of royalty	5.13.	43
Non-disposal of bamboo crop	5.14.	44
Non-recovery of export fee	5.15.	44
Short recovery of royalty due to incorrect determination of intensity of trees	5.16.	45
Non-levy of interest and penalty	5.17.	46
Non-levy of interest on belated payments of damage money	5.18.	46
OTHER TAX AND NON-TAX RECEIPTS		
A.-FINANCE DEPARTMENT		
Receipts from lotteries	6.1	48
B.-COOPERATION, INDUSTRIES AND AGRIGULTURE DEPARTMENTS		
Interest receipts from loans	6.2	56
REVENUE DEPARTMENT		
C.-LAND REVENUE		
Results of audit	6.3.	64
Non deposit of revenue into the Government treasury	6.4.	65
Lease money	6.5.	65
D.-STAMP DUTY AND REGISTRATION FEE		
Results of audit	6.6.	67
Non-levy of stamp duty and registration fee	6.7.	67
Under valuation of immovable property	6.8.	68
Short realisation of registration fee on compulsorily registrable documents	6.9.	69
E- PUBLIC WORKS AND IRRIGATION-CUM- PUBLIC HEALTH DEPARTMENTS		
Non-deposit of sales tax	6.10.	70

PREFATORY REMARKS

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

The Audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising sales tax, state excise, motor vehicles tax, passengers and goods tax, forest receipts, 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 2000-2001 as well as those noticed in earlier years but could not be included in previous years' Reports.



OVERVIEW

This report contains 35 paragraphs and 3 reviews relating to non-levy, short levy of tax, penalty, interest etc. involving Rs.47.03 crore. As per existing arrangement, copies of the draft audit paragraphs and draft Audit Reviews are sent to the concerned Secretary to the State Government by the Accountant General, demi-officially with a request to furnish replies within 8 weeks. The Secretaries are also reminded demi-officially by the Accountant General for replies. However, despite such efforts, in 35 Audit Paragraphs and for all the 3 Reviews, no response was received from the concerned Secretary of the State Government. The matter was also brought to the notice of Chief Secretary from time to time by the Accountant General. The departments/Government have accepted audit observations involving Rs.5.51 crore of which Rs.0.1 crore had been recovered up to September 2001. Some of the major findings are mentioned below:-

1. General

(i) The total receipts of the Government for the year 2000-2001 were Rs.3045.57 crore which were 22 per cent less than the previous year. The revenue receipts of Rs.905.37 crore consisted of Rs.728.41 crore from taxes and Rs. 176.96 crore from non-tax revenue. The State received Rs. 330.34 crore as its share of divisible Union Taxes against Rs.920.98 crore received during 1999-2000. Receipts under state excise (Rs.209.17 crore), sales tax (Rs.302.05 crore), taxes on goods and passengers (Rs. 43.05 crore) and taxes on vehicles (Rs. 61.04 crore) accounted for a major portion of tax receipts. Under non-tax revenue, the main receipts were from forestry and wild life (Rs. 16.54 crore).

(Paragraph 1.1.)

(ii) The arrears of revenue under principal heads of revenue as on 31 March 2001 amounted to Rs.201.03 crore, of which Rs.79.72 crore pertained to Forestry and Wild Life.

(Paragraph 1.5.)

(iii) Test check of records of sales tax, state excise taxes on vehicles goods and passengers, forest receipts, other tax and non tax receipts conducted during the year 2000-2001 revealed under-assessments/ short levy/ loss of revenue amounting to Rs.21129.86 lakh in 780 cases. During the course of the year 2000-2001 the concerned departments accepted under-assessments etc. of Rs. 4550.51 lakh involved in 1527 cases of which 60 cases involving Rs.23.45 lakh had been pointed out in audit during 2000-2001 and the rest in earlier years.

(Paragraph 1.8.)

(iv) 2944 audit and inspection reports containing 8112 objections with money value of Rs.402.51 crore issued up to 31 December 2000 were not settled up to 30 June 2001.

(Paragraph 1.9.)

2. Sales Tax

(i) Inadmissible deductions allowed in six cases resulted in under assessment of tax of Rs. 39.08 lakh.

(Paragraph 2.2.)

(ii) Incorrect exemption in respect of sales of chicks allowed by the assessing authority, resulted in non-recovery of sales tax of Rs. 12.82 lakh.

[Paragraph 2.3(a).]

3. State Excise

In a brewery and a bottling plant excise duty amounting to Rs. 2.66 lakh leviable on spirit lost in the process of re-distillation during the period 1 April 1999 to 3 October 1999 was not levied.

(Paragraph 3.2.)

4. Taxes on Vehicles, Goods and Passengers

(i) Token tax amounting to Rs. 34.04 lakh recoverable in 449 cases had neither been deposited by the vehicle owners nor the department taken any action to recover the same.

(Paragraph 4.2.)

(ii) Goods tax amounting to Rs. 27.30 lakh was either not realised or short realised.

(Paragraphs 4.6, 4.7.)

5. Forest Receipts

A review on "Uncollected Revenue of Forest department" revealed the following:-

(i) In 75 cases, the department initiated certificate proceedings between April 1965 and October 1999 to recover Rs.1.63 crore pertaining to the period between 1960-61 and 1982-83 but only a sum of Rs.0.08 lakh could be recovered up to March 2000 in two cases.

(Paragraph 5.2.6.)

(ii) In seven forest divisions, the department failed to recover Rs.1.19 crore relating to 19 cases of forest lessees pertaining to the years 1963-64 to 1981-82 and were taken to the Courts of law and had been pending in courts for a period ranging between 7 and 11 years.

[Paragraph 5.2.7.(a)]

(iii) In 12 forest divisions, in 57 cases revenue of Rs. 20.96 lakh for the period falling between 1949-50 and 1985-86 was pending for write off.

[Paragraph 5.2.7(c).]

(iv) Royalty of timber and resin lots amounting to Rs.6.03 crore pertaining to the period 1997-98 to 1999-2000 had not been included in the arrears pending collection at the end of each year.

[Paragraph 5.2.8(d).]

(v) In 6 forest divisions, the recoverable cost (Rs.5.18 crore) of 30993 trees coming in the alignment of power transmission lines marked and handed over to the State Forest Corporation between August 1998 and February 2000 was neither adjusted nor shown outstanding for recovery as on 31st March 2000.

[Paragraph 5.2.9 (ii).]

(a) In two forest divisions, penalty on account of irregular marking of green trees/ illicit felling of trees amounting to Rs. 145.32 lakh was not levied.

(Paragraph 5.3.)

(b) In three forest divisions, less conversion of timber and short supply of converted timber resulted in less receipt of timber valued at Rs. 74.91 lakh.

(Paragraph 5.4.)

(c) In six forest divisions, extension fee amounting to Rs. 67.40 lakh leviable on the extended lease periods, was not demanded by the department from the State Forest Corporation.

(Paragraph 5.5.)

(d) Timber valued at Rs. 23.50 lakh (including sales tax) could not be seized by the department due to lack of vigil on their part to take timely cognizance of illicit felling by the offenders in two divisions.

(Paragraph 5.6.)

(e) In seven forest divisions, 1,46,850 resin blazes could not be tapped between tapping seasons 1996 and 2000 due to deletion of blazes from the marking lists, non-enumeration of blazes and refusal of the Corporation to tap the blazes, depriving the Government of revenue amounting to Rs.39.75 lakh.

(Paragraph 5.9.)

(f) In twelve forest divisions, interest and penalty amounting to Rs. 88.27 lakh leviable on belated payments of royalty and sales tax were not demanded by the department.

(Paragraph 5.17.)

6. Other Tax and Non-Tax Receipts

A review on "Receipts from lotteries" revealed the following:-

(i) Against the gross profit aggregating Rs. 699.12 crore earned by the Sole Selling Agent (SSA), the State Government received Rs. 37.60 crore as guaranteed profit which was 5.37 per cent of the gross profit earned by the SSA.

[Paragraph 6.1.5(ii).]

(ii) The SSA in his offer had agreed to pay pro rata increase in Government profits on lotteries exceeding Rs.50 lakh and additional Government profit of Rs.50,000 per bumper draw. Neither the conditions were incorporated in the agreement nor additional demand of Rs.30.73 lakh on this account was raised against the SSA.

(Paragraph 6.1.8.)

(iii) Draw involving ten thousand special tickets amounting to Rs. 11.80 lakh was never held and consequently the amount required to be deposited in the Government account was not deposited by the SSA.

[Paragraph 6.1.9(b).]

A review on "Interest receipts from loans" revealed the following:-

(i) In 8488 cases for the period falling between 1957-58 & 1999-2000 not even a single instalment of interest aggregating Rs. 164.52 lakh had been recovered due to inadequate action of Co-operation, Industries and Agriculture departments.

[Paragraph 6.2.6(a).]

(ii) 594 loanees had defaulted in repayment of instalments of loan and interest and consequently for default, penal interest amounting to Rs. 35.40 lakh was leviable but was not levied by the departments of Co-operation, Industries and Agriculture.

(Paragraph 6.2.8.)

(iii) In Industries department, in 223 cases loans were not utilized for the purpose for which the same had been sanctioned. For misutilization, interest amounting to Rs. 26.92 lakh was leviable/ chargeable from loanees but was not charged.

(Paragraph 6.2.9.)

(iv) 16 Co-operative Societies to whom loans had been disbursed during the period 1973-74 to 1992-93 went into liquidation and for whom liquidators were appointed between June 1979 and November 1998 for recovery of outstanding dues, out of interest of Rs. 19.09 lakh pending for recovery as on 31 March 2000, the liquidators could recover only Rs. 0.07 lakh.

(Paragraph 6.2.11.)

(a) Contrary to the provisions of financial rules, compensation money amounting to Rs. 302.44 lakh was deposited in the Post Office Savings Bank Account instead of Government account.

(Paragraph 6.4.)

(b) In seven cases, short realisation of lease money amounting to 34.95 lakh was noticed whereas in nine cases, non-renewal of leases led to non-realisation of Rs. 38.10 lakh.

[Paragraph 6.5.)

(c) Incorrect grant of exemption resulted in non-realisation of stamp duty and registration fee aggregating Rs. 31.45 lakh in 324 cases.

(Paragraph 6.7.)

(d) Under valuation of property in 68 cases resulted in short levy of stamp duty and registration fee amounting to Rs. 11.99 lakh.

(Paragraph 6.8.)

(e) In four Public Works/ Irrigation-and Public Health divisions, sales tax amounting to Rs. 37.95 lakh deducted at source from the bills of contractors during the period between 1993-94 and 2000-2001 had not been deposited into Government treasury as sales tax receipts.

(Paragraph. 6.10.)



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 2000-2001, the share of divisible Union taxes and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding two years are given below:

(Rupees in crore)

		1998-99	1999-2000	2000-2001
I.	Revenue raised by the State Government			
	(a) Tax revenue	572.03	620.26	728.41
	(b) Non-tax revenue	205.42	1056.24*	176.96
	Total	777.45	1676.50	905.37
II.	Receipts from the Government of India			
	(a) State's share of divisible Union taxes	727.33	920.98	330.34@
	(b) Grants-in-aid	807.08	1117.80	1809.86
	Total	1534.41	2038.78	2140.20
III.	Total receipts of the State Government (I and II)	2311.86	3715.28	3045.57
IV.	Percentage of I to III	34	45	30

* 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 receipt, 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 2000-2001. Figures under the head "0021-Taxes on Income other than Corporation Tax-share of net proceeds assigned to States" booked in the Finance Accounts under A-Tax Revenue have been excluded from Revenue raised by the State and included in State's share of divisible Union Taxes in this Statement.

(i) The details of tax revenue raised during the year 2000-2001 along with the figures for the preceding two years are given below:

(Rupees in crore)

Sr. No.	Head of revenue	1998-99	1999-2000	2000-2001	Percentage of increase(+) or decrease (-) in 2000-2001 over 1999-2000
1.	State Excise	185.55	198.70	209.17	(+) 5
2.	Taxes on Sales, Trade etc.	196.57	233.07	302.05	(+) 30
3.	Taxes on Goods and Passengers	115.11	104.83	43.05	(-) 59
4.	Taxes on Vehicles	17.48	28.37	61.04	(+) 115
5.	Stamps and Registration fees	21.61	24.68	29.22	(+)18
6.	Taxes and Duties on Electricity	28.03	0.21	27.39	(+)12943
7.	Land Revenue	1.04	6.48	3.89	(-) 40
8.	Others	6.64	23.92	52.60	(+) 119
	Total	572.03	620.26	728.41	(+) 17

(ii) The details of non-tax revenue realised during the years 1998-99 to 2000-2001, are given below:

(Rupees in crore)

Sr. No.	Head of revenue	1998-99	1999-2000	2000-2001	Percentage of increase (+) or decrease (-) in 2000-2001 over 1999-2000
1.	Forestry and Wild Life	9.98	669.37	16.54	(-) 98
2.	Interest Receipts	9.40	159.51	15.00	(-) 91
3.	Non-ferrous Mining and Metallurgical Industries	37.97	30.36	12.50	(-) 59
4.	Education, Sports, Art and Culture	9.74	10.48	13.20	(+) 26
5.	Crop Husbandry (including Horticulture)	2.97	3.12	4.06	(+) 30
6.	Others	135.36	183.40	115.66	(-) 37
	Total	205.42	1056.24	176.96	(-) 83

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

(a) Under "Taxes and Duties on Electricity", the increase in receipt was mainly due to non deposit of electricity duty during 1999-2000 which was

- deposited in the year 2000-2001 by the Himachal Pradesh State Electricity Board.
- (b) Under "Forestry and Wild Life", the decrease was mainly due to receipt of advance royalty amounting to Rs.656.04 crore during the year 1999-2000.
- (c) Under "Land Revenue", the decrease was mainly due to less leasing and sale of Government land.
- (d) Under "Taxes on Goods and Passengers", the decrease was mainly due to levy of special Road Tax on stage carriage by the Transport Department and due to levy of tax under Himachal Pradesh Taxation (on Certain Goods Carried by Road) Act, 1999 which were previously being taxed under the Himachal Pradesh Passenger and Goods Taxation Act 1955.
- (e) Under "Taxes on Vehicles", the increase was mainly due to increase in the number of vehicles and levy of Special Road Tax by Transport Department.
- (f) Under "State Excise", the increase was mainly due to increase in annual auction money and excess consumption of country liquor.
- (g) Under "Education, Sports, Art and Culture", the increase was mainly due to increase in the sale of departmental publication and blow up articles.

1.2. Variations between Budget estimates and actuals

The variations between budget estimates and actual receipts for the year 2000-2001 under the principal heads of revenue are given below:

(Rupees in crore)

Sr.No.	Head of revenue	Budget estimates	Actual receipts	Variations increase(+) decrease (-)	Percentage of variation
1.	State Excise	195.00	209.17	(+) 14.17	7
2.	Taxes on Sales, Trade etc.	285.00	302.05	(+) 17.05	5
3.	Taxes on Goods and Passengers	38.00	43.05	(+) 5.05	13
4.	Taxes on Vehicles	100.15	61.04	(-) 39.11	39
5.	Other Taxes and Duties on Commodities and Services	52.00	52.60	(+) 0.60	1.15
6.	Stamps and Registration Fees	23.40	29.22	(+) 5.82	25
7.	Taxes and Duties on Electricity	26.16	27.39	(+) 1.23	5
8.	Land revenue	0.95	3.89	(+) 2.94	309
9.	Industries	11.19	42.52	(+) 31.33	280
10.	Villages and Small Industries	0.17	2.06	(+) 1.89	1112
11.	Forestry and Wild Life	50.00	16.54	(-) 33.46	67
12.	Interest Receipts	7.45	15.00	(+) 7.55	101

(Rupees in crore)

Sr.No.	Head of revenue	Budget estimates	Actual receipts	Variations increase(+) decrease (-)	Percentage of variation
13.	Education, Sports, Art and Culture	8.44	13.20	(+) 4.84	56
14.	Crop Husbandry (including Horticulture)	3.25	4.06	(+) 0.81	25
15.	Non-ferrous, Mining and Metallurgical Industries	15.03	12.50	(-) 2.53	(-) 17
16.	Housing	0.87	1.82	(+) 0.95	109
17.	Fisheries	0.73	1.09	(+) 0.36	49
18.	Water supply and Sanitation	5.31	5.13	(-) 0.18	(-) 3
19.	Police	7.37	8.26	(+) 0.89	12
20.	Medical and Public Health	4.15	5.04	(+) 0.89	21

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

- (a) Under "Taxes on Sales, Trade etc.", the increase was mainly due to allowing of unconditional benefit of concessional rate of Central Sales Tax to all the industrial units except brewery/ distilleries and L.P.G. cylinders (empty), increase in the rate of sales tax on IMFS and on motor spirits including aviation turbine fuel (excluding diesel) levy of sales tax on country liquor and hike in prices of petroleum products.
- (b) Under "Taxes on Goods and Passengers", the increase was mainly due to levy of Special Road Tax on stage carriage.
- (c) Under "Stamp duty and registration fee", the increase was mainly due to increase in the prices of land, more sale/purchase of land/property and therefore more sale of stamps.
- (d) Under "Industries", the increase was mainly due to re-imburement of central freight grant from the Government of India and more realisations from industrial estates.
- (e) Under "Village and Small Industries", the increase was mainly due to realisation of rent of Government residences, and receipts from auction of industrial sheds.
- (f) Under "Interest", the increase was due to recovery of more interest on industrial loans.
- (g) Under "Education, Sports Art and Culture", the increase was mainly due to opening of new schools, up-gradation of schools, increase in the number of students, sale of departmental publications, and more receipt under Centrally Sponsored Schemes.
- (h) Under "Crop Husbandry", the overall increase was mainly due to sale of produce from Government orchards/nursery plants.
- (i) Under "Non ferrous, Mining and Metallurgical Industries", the decrease was mainly due to adjustment of advance receipt of royalty for the earlier years.

- (j) Under "Fisheries", the increase was mainly due to increase in the production of fisheries and consequently more realisation of royalty fee, sale of fish and fish seeds.
- (k) Under "Medical and Public Health" the increase was mainly due to more receipts from health laboratories, more license fee and auction of unserviceable stores.

1.3. Analysis of collections

The break-up of the total collections (at pre-assessment stage and after regular assessment) of state excise, sales tax, passenger and goods tax and other taxes and duties on commodities and services during the year 2000-2001 and the corresponding figures for the preceding two years, as furnished by the Excise and Taxation Department is given below:

(Rupees in crore)

Name of tax head	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment		Interest	Other Penalties	Amount refunded	Net collection of taxes/duties	Percentage of column 3 to 9
			Additional demand	Penalties for delay in payment of taxes & duties					
1	2	3	4	5	6	7	8	9	10
State Excise	1998-99	184.49	--	0.07	0.91	0.13	0.05	185.55	99
	1999-2000	197.82	--	0.11	0.77	0.07	0.07	198.70	99
	2000-2001	207.95	--	0.10	1.03	0.09	--	209.17	99
Taxes on Sales, Trade etc.	1998-99	190.18	4.11	0.74	1.11	0.44	0.01	196.57	97
	1999-2000	230.69	4.47	0.87	1.35	0.71	5.02	233.07	99
	2000-2001	291.27	9.45	1.39	2.65	0.73	3.44	302.05	96
Taxes on Goods and Passengers	1998-99	111.50	3.05	0.41	--	0.15	--	115.11	97
	1999-2000	100.00	4.23	0.36	0.07	0.17	--	104.83	95
	2000-2001	35.72	6.27	0.44	0.08	0.54	--	43.05	83
Other Taxes and Duties on Commodities and Services	1998-99	6.29	0.33	0.01	0.02	0.01	0.02	6.64	95
	1999-2000	23.37	0.44	0.03	0.10	--	--	23.93	98
	2000-2001	52.06	0.44	0.06	0.05	--	0.01	52.60	99

The position of revenue collected by the Excise and Taxation department as detailed above shown that the collection of revenue at the pre-assessment stage ranged between 83 and 99 percent and the percentage of additional demand raised after regular assessments ranged between 1 and 18 during the year ending March 2001.

1.4. Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1998-99, 1999-2000 and 2000-2001 along with

the relevant all India average percentage of expenditure on collections to gross collections for 1999-2000 are given below:

(Rupees in crore)

Sr. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 1999-2000
1.	State Excise	1998-99	185.55	3.63	1.96	3.31
		1999-2000	198.70	3.71	1.87	
		2000-2001	209.17	3.83	1.83	
2.	Taxes on Sales, Trade etc.	1998-99	196.57	3.85	1.96	1.56
		1999-2000	233.07	4.35	1.87	
		2000-2001	302.05	5.53	1.83	
3.	Taxes on Vehicles, Goods and Passengers	1998-99	132.58	2.92	2.20	3.56 (MVT)
		1999-2000	133.20	2.63	1.97	
		2000-2001	104.09	1.51	1.45	
4.	Stamp and Registration Fees	1998-99	21.62	0.49	2	4.62
		1999-2000	24.68	1.91	8	
		2000-2001	29.22	0.68	2	

1.5. Arrears of revenue

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

(Rupees in crore)

Sr.No	Head of revenue	Arrears pending collection	Arrears more than five years old	Remarks
1.	Forestry and Wild Life	79.72	--	Out of total arrears of Rs.79.72 crore, the bulk of the outstanding amount (Rs.75.71 crore) relates to Himachal Pradesh State Forest Corporation. The balance amount (Rs.4.01 crore) relates to Forest Contractors/ other Govt. Departments. Specific action taken by the department to effect the recoveries had not been intimated (September 2001).
2.	Taxes on Sales, Trade etc.	60.92	16.91	Out of Rs.60.92 crore, demands for Rs.15.55 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.1.54 crore had been stayed by the Courts/ other judicial authorities. Demands for Rs.3.17 crore were likely to be written off. Specific action taken in respect of arrears of Rs.40.66 crore though requested for (April 2001), had not been intimated (September 2001).

(Rupees in crore)

Sr.No	Head of revenue	Arrears pending collection	Arrears more than five years old	Remarks
3.	Taxes on Goods and Passengers	22.62	0.52	Out of arrears of Rs.22.62 crore, demands for Rs.0.96 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.0.04 crore had been stayed by the courts. Demands for Rs.0.06 crore were likely to be written off. Specific action taken in respect of arrears of Rs.21.56 crore though requested for (April 2001), had not been intimated (September 2001).
4.	Taxes and Duties on Electricity	6.86	--	The amount is recoverable from the Himachal Pradesh State Electricity Board in respect of electricity duty for the year 2000-2001.
5.	State Excise	1.38	0.42	Out of Rs.1.38 crore, demands for Rs.0.67 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.0.37 crore had been stayed by the courts. Demands for Rs.0.04 crore were likely to be written off. Specific action taken in respect of remaining arrears of Rs.0.30 crore called for (April 2001) had not been intimated (September 2001) by the department.
6.	Other Taxes and Duties on Commodities and Services	1.19	0.01	Out of Rs.1.19 crore, demands amounting to Rs.0.28 crore had been certified for recovery as arrears of land revenue. Specific action taken in respect of arrears Rs.0.91 crore called for (April 2001) had not been intimated (September 2001) by the department.
7.	Water Supply, Sanitation and Minor Irrigation	13.05	3.86	Out of the total arrears of Rs.13.05 crore, the bulk of the outstanding amount relates to Municipal Corporation of Shimla (Rs.11.48 crore), Nahan (Rs.0.18 crore) Una (Rs.0.04 crore) and Sundernagar (Rs.0.03 crore). The balance amount (Rs.1.32 crore) relates to other institutions/ consumers. Specific action to effect the recovery; by the department had not been intimated (September 2001).

(Rupees in crore)

Sr.No	Head of revenue	Arrears pending collection	Arrears more than five years old	Remarks
8.	Industries (including village and small scale industries)	1.52	0.60	Efforts were reportedly being made to recover the outstanding dues. The specific action taken by the department to recover these arrears had not been intimated (September 2001).
9.	Police	9.72	1.06	Out of total arrears of Rs.9.72 crore, the bulk of the outstanding amount relates to Bhakra and Beas Management Board (Rs.3.82 crore), National Hydro Power Corporation (Rs.0.49 crore), Nathpa Jkhari Power Corporation (Rs.0.73 crore), Civil Aviation Authority (Rs.2.06 crore), Railway Authority (Rs.1.23 crore and Yamuna Hydel Project, Khodri Majri (Rs.0.95 crore). The remaining arrears (Rs.0.44 crore) related to other departments/ institutions.
10.	Land Revenue	0.51	Not received	Period to which this arrear pertains and specific action taken to effect the recovery called for (April 2001) from the department had not been intimated (September 2001).
11.	Stationery and Printing	0.72	--	Arrears of Rs.0.72 crore pertained to the period from 1997-98 to 1999-2000 and the amount is recoverable from the Director, Public Relations.
12.	Non-ferrous, Mining and Metallurgical Industries	2.62	0.15	The demands of Rs.0.07 crore and Rs.0.03 crore were covered under recovery certificate, recovery stayed by the High Court/ other judicial authorities respectively. Efforts were reportedly being made to recover the remaining arrears of Rs.2.52 crore (September 2001).
13.	Public Works	0.20	--	Period to which this arrear pertains and specific action taken to effect the recovery called for (April 2001) from the department had not been intimated (September 2001).
	Total	201.03	--	

1.6. Arrears in appeals

According to the information furnished by the Excise and Taxation Department the number of appeals filed under the sales tax, passengers and goods taxation Act, etc., the number of appeals disposed of and the number of cases pending with the appellate authorities at the end of each year during last five years ending March 2001 were as under:

Year	Opening balance	Number of appeals filed/ Transferred by other appellate authorities during the year	Total	Number of appeals disposed of during the year	Balance at the close of the year	Percentage of cases disposed of to total number of cases
1996-97	257	460	717	314	403	44
1997-98	403	431	834	339	495	41
1998-99	495	530	1025	673	352	66
1999-2000	352	557	909	651	258	72
2000-2001	258	673	931	641	290	69

Out of 290 cases outstanding at the end of March 2001, the oldest case relates to August 1995. There is a need to take effective steps for disposal of these cases.

1.7. Frauds and evasion of tax/ duty

The details of cases of frauds and evasion of taxes and duties pending at the beginning of the year, the number of cases detected by the departmental authorities, the number of cases in which assessments/investigations were completed and additional demands (including penalties etc.) of taxes/duties were raised against dealers during the year and the number of cases pending finalisation at the end of March 2001, as supplied (September 2001) by the Excise and Taxation Department are given as under:

(Rupees in crore)

Sr. No.	Name of tax/ duty	Cases pending as on 31 March 2000	Cases detected during 2000-2001	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 2001
				Number of cases	Amount of demand	
1.	Sales Tax	484	4818	4828	8.21	474
2.	State Excise	3	184	161	0.10	26
3.	Passengers and Goods Tax	3537	5556	6149	0.50	2944
4.	Other Taxes and Duties on Commodities and Services	12	121	87	0.13	46
	Total	4036	10679	11225	8.94	3490

1.8. 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 2000–2001 revealed under-assessments/short levy/loss of revenue amounting to Rs. 21129.86 lakh in 780 cases. During the course of the year 2000-2001 the concerned departments accepted under-assessments etc., of Rs. 4550.51 lakh involved in 1527 cases of which 60 cases involving Rs. 23.45 lakh had been pointed out in audit during 2000-2001 and the rest in earlier years.

This report contains 38 paragraphs including 3 reviews relating to non-levy, short levy of tax, interest and penalty etc. involving Rs.47.03 crore. Department/ Government have accepted audit observations involving Rs.5.51 crore of which 0.1 crore had been recovered upto September 2001. No replies have been received in the other cases.

1.9. Outstanding inspection reports and audit observations

- (i) Audit observations on incorrect assessments, short levy of taxes, duties, fees, etc., as also defects in the maintenance of initial records noticed during audit and not settled on the spot are communicated to the Head of Offices and other departmental authorities through Inspection Reports. Serious financial irregularities are reported to the concerned Heads of Departments and the Government. The Heads of Offices are required to furnish replies to the inspection reports through the respective Heads of Departments within a period of two months.
- (ii) The number of inspection reports and audit observations relating to revenue receipts issued during the last three years up to 31st December 2000 which were pending settlement by the departments as on 30th June 1999, 30th June 2000 and 30th June 2001 is given below:

	At the end of June		
	1999	2000	2001
Number of inspection reports pending settlement	2714	2908	2944
Number of outstanding audit observations	7710	8036	8112
Amount of revenue involved (in crore of rupees)	169.27	222.21	402.51

(iii) Department-wise break-up of the inspection reports and audit observations outstanding as on 30th June 2001 is given below:

Sr. No.	Department	Number of outstanding		Amount of receipts involved (Rupees in crore)	Year to which observations relate	Number of inspection reports to which even first replies had not been received
		Inspection report	Audit observations			
1.	Revenue	661	1541	13.43	1976-77 to 1999-2000	53
2.	Forest Farming and Conservation	582	1956	290.92	1970-71 to 1999-2000	8
3.	Excise and Taxation	700	2278	57.66	1972-73 to 1999-2000	9
4.	Transport	459	1244	5.26	1972-73 to 1999-2000	15
5.	Other Departments (Public Works, Irrigation and Public Health, Agriculture and Soil Conservation, Horticulture, Co-operation, Food and Supplies, Industries and State Lotteries)	542	1093	35.24	1976-77 to 1999-2000	18
	Total	2944	8112	402.51		103

The matter was last brought to the notice of the Chief Secretary to Government in August 2001; intimation regarding steps taken by the Government to clear the outstanding inspection reports and audit observations has not been received.

1.10. Arrears in assessment

The details of sales tax and passengers and goods tax assessment 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 each year during 1996-97 to 2000-2001, as furnished by the department are given below:

(Rupees in crore)

Year	Opening balance	Cases due for assessment during the year	Total	Cases finalized during the year	Balance at the close of the year	Percentage of cases finalised during the year to total number of cases
1996-97	50,882	42,861	93,743	33,091	60,652	35
1997-98	60,652	45,441	1,06,093	34,279	71,814	32
1998-99	71,814	46,869	1,18,683	41,255	77,428	35
1999-2000	77,428	48,972	1,26,400	48,162	78,238	38
2000-2001	78,238	48,056	1,26,294	43,093	83,201	34

The above table shows that the number of cases pending at the beginning of 1996-97 were 50,882 which increased to 83,201 at the end of 2000-2001 registering an increase of 61 *per cent*. The percentage of finalisation of assessment cases, which had gone up to 35 *per cent* during 1996-97 declined to 34 *per cent* in 2000-2001.

Out of 83201 cases outstanding as on 2000-2001 (or pending as on 31.03.2001) 5471 cases more than five years old were pending and no case has become time barred.

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 the year 2000-2001 revealed short assessment of tax amounting to Rs.480.81 lakh in 134 cases which broadly fall under the following categories:-

(Rupees in lakh)

		Number of cases	Amount
1.	Evasion of tax as a result of suppression of purchases/ sales	34	35.11
2.	Non-levy/ short levy of interest/ penalty	10	7.91
3.	Under assessment of tax	88	285.79
4.	Other irregularities	2	152.00
Total		134	480.81

During 2000-2001, the department accepted under-assessments etc., of Rs.2707.05 lakh involved in 891 cases, of which 134 cases involving Rs.480.81 lakh had been pointed out in audit during the year and the rest in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 62.77 lakh are given in the following paragraphs.

2.2. Under-assessment of sales tax

Under the Himachal Pradesh General Sales Tax Act, 1968, read with rules made thereunder in the case of a works contract, tax shall be assessed on the taxable turnover of the works contractor after deducting all sums towards labour charges with some exceptions, property which has passed in the execution of works contract, whether as goods or in some other form. If a dealer fails to pay tax due by the prescribed date, he shall liable to pay interest at the rate of one per cent per month for the first month and at the rate of one and a half per cent per month thereafter, so long as the default continues.

During audit of the Assistant Excise and Taxation Commissioner, Solan, it was noticed (October 2000) that assessments of six dealers for the years

falling between 1993-94 and 1997-98 were finalised incorrectly (between June 1999 and August 2000) by allowing deductions on inadmissible items such as salary account, travelling allowance, bank charges, conveyance charges and administrative expenses etc. amounting to Rs.292.49 lakh. This resulted in under- assessment of tax of Rs. 39.08 lakh (including interest: Rs.15.68 lakh).

The above matter was referred to the Department/ Government on 21 November 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 1 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

2.3. Incorrect exemption of sales tax

(a) Under the Himachal Pradesh General Sales Tax Act, 1968, sales of 'live stock' were exempted from levy of sales tax. As per the decision of High Court* of Andhra Pradesh 'Chicks' are not 'live stock' and therefore, taxable as general goods. The department advised (July 1993) the assessing authorities to examine the cases of poultry farms and levy tax on the sales of chicks. This position was again reiterated by the department in October 1999.

During audit of the Assistant Excise and Taxation Commissioner, Kangra, it was noticed (December 2000) that assessments of a dealer, engaged in the production and sales of 'Chicks', for the years 1995-96 to 1997-98 were finalised (August 1999) by treating entire sales of chicks worth Rs. 103.50 lakh as tax free under 'live stock'. This resulted in incorrect exemption of sales tax amounting to Rs.12.82 lakh (including interest :Rs:4.90 lakh).

The above matter was referred to the Department/ Government on 10 January 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 1 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

(b) Under the Himachal Pradesh General Sales Tax Act, 1968, tax is leviable on the sale of chilka (including ricebran)of food-grains, pulses and oil cakes at the rate of 8 *per cent*.

During audit of the Assistant Excise and Taxation Commissioner, Una it was noticed (February 2000) that the sales of rice bran/ husk valuing Rs. 18.72 lakh made between the period 1996-97 and 1997-98 were allowed as tax free by the Assessing Authority at the time of finalisation of assessments (March and December 1999) of a dealer who was engaged in the trading of rice. The incorrect exemption resulted in under assessment of tax by Rs. 1.50 lakh. Besides interest of Rs. 0.60 lakh was also leviable.

The above matter was referred to the Department/ Government on 16 March 2000. No response was received from them. The matter was followed up with

* *In the case of M/s Venkataramana Hatcheries Pvt. Ltd. V/s Commercial Tax Officer of Andhra Pradesh. (66 STC 154)*

reminders to the Secretary on 1 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

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

According to the notification of May 1974 the rate of tax on the sale of any goods made to Government of India or any State Government shall be four *per cent*, provided a certificate in the prescribed form i.e. Form 'D' in support of such sale is furnished by the dealer to the Assessing Authority, otherwise tax at the rate of 8 *per cent* is chargeable.

During audit of the Assistant Excise and Taxation Commissioner, Kangra, it was noticed (October 2000) that four contractors utilised material worth Rs. 105.29 lakh in the execution of works contract of the State Government during the years 1995-96 to 1999-2000 and did not produce certificates in form D at the time of assessment. The Assessing Authority while finalising assessments (between November 1998 and August 2000) levied tax at the rate of 4 *per cent* instead of 8 *per cent*. This resulted in short levy of tax amounting to Rs. 5.96 lakh (including interest: Rs 1.73 lakh).

The above matter was referred to the Department/ Government on 10 January 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 1 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

2.5. Non-levy of tax

As per the Himachal Pradesh General Sales tax Act, 1968, the small scale industrial units which were manufacturing goods taxable at less than general rate of sales tax (8 *per cent*) were exempted from the payment of sales tax for a period of five years commencing from the date of their coming into existence.

During audit of the Assistant Excise and Taxation Commissioner, Una it was noticed (February 2000) that a small scale industrial unit engaged in paddy for conversion into rice and its by products, went into production on 14 September 1992 and was entitled for exemption from the payment of sales tax upto 13 September 1997. Scrutiny of the assessment records for the year 1997-98 revealed (February 2000) that the assessing authority while finalising (December 1999) the assessment of the dealer exempted the sales made during the period between October 1997 and March 1998 from levy of tax. This resulted in non-levy of tax of Rs. 2.81 lakh (including interest: Rs 0.70 lakh).

The above matter was referred to the Department/ Government on 16 March 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 1 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

CHAPTER 3 : STATE EXCISE

3.1. Results of audit

Test check of records relating to State Excise, conducted in audit during the year 2000-2001 revealed non-levy of excise duty/fee and other irregularities involving revenue amounting to Rs.51.50 lakh in 41 cases which broadly fall under the following categories:-

(Rupees in lakh)

		Number of cases	Amount
1.	Non levy/ Non-recovery of excise duty	5	17.45
2.	Non-realisation of additional licence fee	6	9.18
3.	Non-levy of duty on spirit lost in redistillation	3	3.37
4.	Other irregularities	27	21.50
Total		41	51.50

During 2000-2001, the department accepted under-assessments etc., of Rs. 1256.09 lakh involved in 276 cases, of which 41 cases involving Rs.51.50 lakh had been pointed out in audit during the year and the rest in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 5.03 lakh are given in the following paragraphs.

3.2. Re-distillation losses

The Punjab Distillery Rules 1932, as applicable to Himachal Pradesh, do not provide for wastage of spirit during the process of re-distillation. In an appeal case*, the Excise and Taxation Commissioner-cum-Financial Commissioner (Excise) had held (October 1995) that excise duty would be levied on the spirit lost in the process of re-distillation. Subsequently, through a notification dated 4 October 1999, the Government allowed wastage allowance at the rate of 1.5 per cent in the re-distillation process.

During audit of the Assistant Excise and Taxation Commissioner, Una it was noticed (February 2001) that in a brewery and a bottling plant, 14,013.80 proof litres of country spirit was shown to have been lost in the process of

* M/S Himachal Pradesh General Industrial Corporation, Country Liquor Bottling Plant, Mehatpur, District Una V/S Collector (Excise) -cum-Deputy Excise and Taxation Commissioner (North Zone) Palampur, District Kangra.

re-distillation during the period from 1 April 1999 to 3 October 1999 (period not covered vide notification of 4 October 1999). This resulted in non-levy of excise duty amounting to Rs. 2.66 lakh as no wastage in process of re-distillation was allowed during this period.

The above matter was referred to the Department/ Government on 1 March 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 1 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

3.3. Non-realisation of excise duty

Under the Punjab Liquor Permit and Pass Rules, 1932, as applicable to Himachal Pradesh, export of spirit in bonds is allowed after the exporter executes a bond in form L-37 binding himself in respect of any consignment to be despatched to produce a certificate in form L-38 and to pay such duty as may be demanded from him in case the prescribed certificate is not produced within a reasonable time.

During audit of the Assistant Excise and Taxation Commissioner, Una it was noticed (February 2001) that in a brewery, 6,075 proof litres of spirit was exported under bond in 1998-99. Scrutiny of the records revealed that neither the required certificates in the prescribed form had been produced by the management nor excise duty amounting to Rs. 2.37 lakh was demanded by the department.

The above matter was referred to the Department/ Government on 1 March 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 1 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

CHAPTER 4 :
TAXES ON VEHICLES, GOODS AND PASSENGERS

4.1. Results of audit

Test check of the records of the departmental offices, conducted in audit during the year 2000-2001, revealed non realisation or short realisation of tax and other irregularities amounting to Rs. 1046.87 lakh in 148 cases, which broadly fall under the following categories:-

(Rupees in lakh)

		No. of cases	Amount
1.	Non-realisation or short realisation of		
	(i) Token tax and Composite fee	41	36.27
	(ii) Passengers and Goods Tax.	30	398.70
2.	Evasion of		
	(i) Token Tax	15	38.41
	(ii) Passengers Tax	16	120.65
3.	Other irregularities		
	(i) Vehicles Tax	19	33.55
	(ii) Passengers and Goods Tax	27	419.29
Total		148	1046.87

During 2000-2001, the department accepted under-assessments etc., of Rs.1059.91 lakh involved in 179 cases, of which 31 cases involving Rs. 13.03 lakh had been pointed out in audit during the year and the rest in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 159.64 lakh are given in the following paragraphs.

4.2. Non-recovery of token tax

Under the Himachal Pradesh Motor Vehicles Taxation Act, 1972 token tax is payable in advance and is collected quarterly or annually in the prescribed manner. If an owner of a registered vehicle defaults in making payment of token tax, the taxation authority may direct him to deposit the arrears of token tax alongwith penalty not exceeding the annual tax payable or twice the amount of tax due whichever is higher.

During audit of 9 Registering and Licensing Authorities, it was noticed (between April and November 2000) that in respect of 449 vehicles tax amounting to Rs.34.04 lakh and penalty amounting to Rs.68.08 lakh for the period falling between 1995-96 and 1999-2000 had neither been deposited by the vehicle owners nor had the department taken any action to recover the same as per details given below:

(Rupees in lakh)

Sr. No.	Name of Registering and Licensing Authority	Kind of vehicle	No. of vehicles	Recovery period falling between	Tax due	Penalty leviable
1.	Arki	Buses	2	July 1997 and March 2000	0.49	0.98
2.	Kullu	-do-	19	1997-98 and 1999-2000	3.87	7.74
		Auto Rickshaw	192	1997-98 and 1999-2000	2.26	4.52
3.	Shimla (Rural)	Buses	8	January 1998 and March 2000	1.18	2.36
4.	Shimla (Urban)	-do	25	October 1995 and March 2000	6.91	13.82
5.	Sundernagar	-do-	47	October 1998 and March 2000	5.59	11.18
6.	Solan	-do-	7	October 1997 and March 2000	1.67	3.34
		Auto Rickshaw	79	1996-97 and 1999-2000	0.85	1.70
7.	Paonta Sahib	Buses	18	1996-97 and 1999-2000	3.87	7.74
8.	Gohar	-do-	12	1997-98 and 1999-2000	1.03	2.06
9.	Mandi	-do-	40	-do-	6.32	12.64
	Total		449		34.04	68.08

The above matter was referred to the Department/ Government between 15 May 2000 and 29 November 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, in spite of such efforts, no reply was received from the Government.

4.3. Non realisation of composite fee

Under the provisions of the Himachal Pradesh Motor Vehicles (Amendment) Rules, 1999, tourist vehicles having seating capacity to carry more than twelve passengers excluding driver and which are authorised to ply in the State of Himachal Pradesh under a permit granted are liable to pay composite fee at the rate of Rs.12,000 per quarter with effect from 1 January 2000. The Composite

fee payable to other States is required to be recovered by the home State in the form of a crossed bank draft payable to the prescribed designated authorities of those States and to send these bank drafts to the concerned States.

A correlation of the data regarding tourist vehicles of other States which entered Himachal Pradesh through Kandwal barrier of Kangra district under the control of Excise and Taxation department with the records of the Regional Transport Authority, Dharamsala revealed that passengers tax amounting to Rs.0.40 lakh was recovered from 18 tourist vehicle owners of the States of Jammu and Kashmir, Delhi and Utter Pradesh which entered the State in January/ February 2000 instead of composite fee amounting to Rs.2.16 lakh payable to Himachal Pradesh State. However, on enquiry from the State Transport Authority, Shimla it was revealed that no banks drafts on account of composite fee pertaining to All India Tourist Vehicles had been received in respect of these vehicles from the States concerned.

The above matter was referred to the Department/ Government on 16 October 2000. No response was received from him. The material was developed into a draft audit paragraph for consideration of Government and the same was demi-officially forwarded to the Secretary to the Government for reply within 8 weeks. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Secretary (Transport).

4.4. Non payment of token tax by owners of Educational Institutions Vehicles

By a notification of April 1992 issued by the State Government under the Himachal Pradesh Motor Vehicles Taxation (Amendment) Act, 1992, token tax at the rate of Rs. 200 per seat per annum subject to a maximum of Rs. 8,000 was leviable on the educational institution bus, private service vehicle, omnibus and other buses.

During audit of the Registering and Licensing Authority, Solan and Nalagarh, it was noticed (July 1998 and May 2000) that 18 vehicles owned by various educational institutions though registered with the licensing authorities had not paid token tax amounting to Rs. 1.86 lakh for the period falling between 1992-93 and 1999-2000 for which no action was taken by the Department.

On this being pointed out in audit, the Registering and Licensing Authority, Solan recovered Rs. 0.52 lakh in 2 cases and notices for recovery of remaining amounts in 7 cases had been issued. Further report and reply in respect of Nalagarh had not been received (September 2001).

The above matter was referred to the Department/ Government on 21 July 1998 and 19 May 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June

2001. However, inspite of such efforts, no reply was received from the Government.

4.5. Incorrect deduction of passenger tax and surcharge

Under the Himachal Pradesh Passengers and Goods Taxation Rules, 1957, passengers tax and surcharge leviable under the Himachal Pradesh Passengers and Goods Taxation Act, 1955 is required to be deposited by the owner of a motor vehicle with the treasury within seven days of the close of the month during which the tax has been collected. The owner is also required to submit to the assessing authority a return in the prescribed form within ten days of the close of the month to which such payment relates. The assessing authority has to assess either during or at the close of the year, the amount of tax due on the basis of monthly returns filed by the owner or any other evidence tendered for the purpose.

During the course of audit of the records of the Himachal Road Transport Corporation, Rampur unit it was noticed (December 2000) that the corporation deposited Rs. 247.79 lakh (Rs. 179.79 lakh up to March 1999 and Rs. 68.00 lakh credited on 01.10.1999).

However, scrutiny of the assessment records for the year 1999-2000 revealed (December 2000) that while finalising the assessment (February 2000) for the year 1999-2000, the assessing authority incorrectly adjusted an amount of Rs.21.40 lakh payable during the year against the deposit of Rs. 68.00 lakh (credited on 01.10.1999) which already stood credited against the year 1998-99 assessment and adjusted.

The failure of the assessing authority to link up the records properly resulted in non-recovery of Rs. 21.40 lakh which led to undue benefit to the corporation. The above matter was referred to the Department/ Government on 9 January 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

4.6. Vehicles not registered with the Excise and Taxation Department

Under the Motor Vehicles Act, 1988, read with the Himachal Pradesh Motor Vehicles Taxation Act, 1972, the owners of all motor vehicles are required to register their vehicles with the concerned Registering and Licensing Authority and pay motor vehicles tax. Owners of stage/contract carriages and goods carriers are also required to register their vehicles with the concerned Excise and Taxation Officers as per the Himachal Pradesh Passengers and Goods

Taxation Act, 1955, and pay passengers tax, surcharge and goods tax at the prescribed rates on all fares and freights in respect of passengers carried and goods transported by motor vehicles. For failure to apply for registration, penalty not exceeding five times the amount of tax or surcharge so assessed, subject to a minimum of five hundred rupees is also leviable.

While the motor vehicles tax is administered by the Transport Department, the passengers and goods tax is administered by the Excise and Taxation Department. According to departmental instructions (December 1984), Excise and Taxation Officers are required to ensure registration of all vehicles liable to pay passengers and goods tax under the Himachal Pradesh Passengers and Goods Taxation Act, 1955, in close co-ordination with the Registering and Licensing Authority in the Transport Department.

During test check of the records of seven* Assistant Excise and Taxation Commissioners, it was noticed (May 2000 and January 2001) that 497 goods vehicles and one passenger transport vehicle registered with the Registering and Licensing Authorities concerned were not registered with the Excise and Taxation Department as required under the Himachal Pradesh Passengers and Goods Taxation Act, 1955. Goods tax amounting to Rs. 13.74 lakh (at lump sum rates) and passengers tax and surcharge of Rs. 0.97 lakh for the year 1999-2000 had not been paid by the owners of the vehicles to the concerned taxation authorities as these vehicles were not registered with the Excise and Taxation Department. For failure to apply for registration under the Act *ibid*, a minimum penalty of Rs. 2.49 lakh was also leviable.

On this being pointed out (May 2000 and January 2001) in audit, the department stated (October 2000 and March 2001) in respect of Bilaspur, Hamirpur and Shimla districts that goods tax amounting to Rs.1.31 lakh (Bilaspur: Rs.0.99 lakh, Hamirpur: Rs.0.24 lakh and Shimla: Rs.0.08 lakh) had been recovered and that for the recovery of remaining amounts, efforts were being made by the district incharge. Further report and reply in respect of remaining districts had not been received (September 2001).

The above matter was referred to the Department/ Government between 12 June 2000 and 26 December 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

4.7. Short realisation of goods tax

Under the provisions of the Himachal Pradesh Passengers and Goods Taxation (Amendment) Rules, 1997, for the carriage of goods by the owner of a transport vehicle or a private carrier who delivers goods to his customers without charging freight separately may pay goods tax lump sum at the rate of Rs. 7,000 per annum per vehicle having loading capacity of more than 30

* Bilaspur, Hamirpur, Kulu, Mandi, Solan, Shimla and Una.

quintals with effect from 1st October 1996 which was reduced to Rs.4000 per annum with effect from 1.4.1997, provided that lump sum goods tax on the 1st day of April of each following financial year shall automatically increase by 10 per cent of the rates applicable on 31st day of March of the preceding financial year and no fresh option was required in that behalf.

During the course of audit of the Excise and Taxation Commissioners, Shimla, Solan Kullu and Una it was noticed (between July 2000 and January 2001) that goods tax amounting to Rs.13.56 lakh was short realised in 827 cases during the period falling between October 1996 and March 2000 as per details given below:-

(Rupees in lakh)

Sr. No.	Name of Assistant Excise and Taxation Commissioner	No. of cases	Goods tax chargeable	Goods tax deposited	Goods tax short realised
1.	Shimla	187	5.99	3.09	2.90
2.	Solan	166	5.47	2.95	2.52
3.	Kullu	171	5.27	2.41	2.86
4.	Una	303	10.01	4.73	5.28
Total		827	26.74	13.18	13.56

On this being pointed out in audit, the department in respect of Shimla and Solan districts stated (August 2000 and March 2001) that amounts aggregating Rs.0.59 lakh (Shimla: Rs.0.10 lakh; Solan: Rs.0.49 lakh) had been recovered in 29 cases and that for the recovery of remaining amounts, the district incharge was being directed to recover the balance amounts expeditiously whereas in the case of remaining districts, the districts incharge stated (between July 2000 and January 2001) that notices would be issued to the owners. Further reports have not been received (September 2001).

The above matter was referred to the Department/ Government on 26 July 2000 and 9 February 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, in spite of such efforts, no reply was received from the Government.

4.8. Short realisation of passengers tax

Under the provisions of Himachal Pradesh Passengers and Goods Taxation (Amendment) Rules, 1997, the owners of taxi car or jeep having seats upto 6 (excluding driver) were required to pay lump sum passengers tax at the rate of Rs. 2400 per annum with effect from 1st October 1996 which was reduced to Rs.1000 per annum from 1st April 1997 provided that the rate of lump sum passengers tax on the 1st day of April of each following financial year,

automatically increase by 10 per cent of the rates applicable on 31st day of March of the preceding financial year.

During the audit of Assistant Excise and Taxation Commissioner, Shimla it was noticed (December 2000) that passenger tax for the period falling between October 1996 and March 1999 had not been deposited at revised rates by 156 operators which resulted in short realisation of tax amounting to Rs.1.34 lakh.

On this being pointed out (December 2000) in audit, the department stated (March 2001) that an amount of Rs.5400 had been recovered in six cases and that action was being taken in the remaining cases. Further report has not been received (September 2001).

The above matter was referred to the Department/ Government on 5 January 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

CHAPTER 5 : FOREST RECEIPTS

5.1. Results of audit

Test check of the records of forest receipts, conducted in audit during the year 2000-2001, revealed non-recoveries, short recoveries and other losses of revenue amounting to Rs. 18,748.57 lakh in 160 cases, which broadly fall under the following categories:

(Rupees in lakh)

		No. of cases	Amount
1.	Non-recovery of royalty	5	87.86
2.	Short recovery of royalty	2	6.34
3.	Non-levy of extension fee	16	83.68
4.	Non-levy of interest	28	288.04
5.	Other irregularities	109	18,282.65
Total		160	18,748.57

During 2000-2001, the department accepted under-assessments etc., of Rs.19279.43 lakh involved in 261 cases, of which 101 cases involving Rs.530.85 lakh had been pointed out in audit during the year and the rest in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 3,791.60 lakh are given in the following paragraphs.

5.2. Uncollected Revenue of Forest Department

(i) 5.2.1. Introduction

To ensure efficiency and scientific extraction of forest produce and eliminate malpractices the State Government nationalised the whole timber trade and other work relating to forest exploitations, in phased manner from the year 1974-75. For this purpose, the Himachal Pradesh State Forest Corporation was constituted in March 1974.

Consequent upon the nationalisation of forest exploitation work, the whole work relating to forest operations was entrusted to the Himachal Pradesh State Forest (Corporation) from the year 1982-83. All forest exploitation leases with the Corporation are governed by the same terms and conditions which were applicable in the case of private contractors prior to the nationalisation except the conditions of security deposit and pricing pattern of the lots. The rates of royalty in respect of all kinds of lots at present are determined for each

year by a statutorily constituted Pricing Committee and approved by the Government.

Mention was made vide para 5.2 in the Report of Comptroller and Auditor General of India for the year ending March 1992 (Revenue Receipts) Government of Himachal Pradesh about uncollected revenue of the Forest Department. The Public Accounts Committee in its 82nd report (8th Vidhan Sabha) presented in the State Assembly on 5th April 1995 recommended that the time limit for effecting recoveries in old cases be fixed. The action taken report of the Government on the recommendations had not been received as yet.

5.2.2. Organisational set up

The Forest Department is headed by the Principal Chief Conservator of Forests and assisted by two Additional Principal Chief Conservators of Forests and 5 Chief Conservators of Forests one each for Wild Life, Projects, General, Protection and Working Plan Wing. There are 16 circles and 57 Forest Divisions (including 37 territorial divisions) in the State headed by Conservators of Forests and Divisional Forest Officers respectively and are assisted by other field staff.

5.2.3. Scope of audit

Out of 37 territorial forest divisions, the records of 20 forest divisions relating to the recovery of arrears pertaining to the period from 1995-96 to 1999-2000 were test checked between May 2000 and January 2001 in audit to see whether:

(i) The department had processed, conducted and disposed of the recovery cases of the forest lessees promptly in accordance with the provisions of the agreement deeds, statutory law and departmental instructions issued from time to time and cases of long outstanding Government dues were referred to the Collectors for recovery as arrears of land revenue immediately and pursued these cases regularly.

(ii) The department had demanded the royalty etc., from the Forest Corporation in accordance with the Government instructions issued from time to time and there was a proper system for the accountal and adjustment of receipts and pursuance of outstanding arrears of royalty etc.

5.2.4. Highlights

(i) In 75 cases, the department initiated certificate proceedings between April 1965 and October 1999 to recover Rs.1.63 crore pertaining to the period between 1960-61 and 1982-83 but only a sum of Rs.0.08 lakh could be recovered upto March 2000 in two cases.

(Paragraph 5.2.6)

(ii) In seven forest divisions the department failed to recover Rs. 1.19 crore relating to 19 cases of forest lessees pertaining to the years 1963-64 to 1981-82 and were taken to the Courts of law and had been pending in Courts for a period ranging between 7 and 11 years.

[Paragraph 5.2.7.(a)]

(iii) In 12 forest divisions, in 57 cases revenue of Rs. 20.96 lakh for the period falling between 1949-50 and 1985-86 was pending for write off.

[Paragraph 5.2.7.(c)]

(iv) Royalty of timber and resin lots amounting to Rs. 6.03 crore pertaining to the period 1997-98 to 1999-2000 had not been included in the arrears pending collection at the end of each year.

[Paragraph 5.2.8(d)]

(v) In 6 forest divisions, the recoverable cost (Rs. 5.18 crore) of 30,993 trees coming in the alignment of power transmission lines marked and handed over to the State Forest Corporation between August 1998 and February 2000 was neither adjusted nor shown outstanding for recovery as on 31st March 2000.

[Paragraph 5.2.9(ii)]

5.2.5. Trend of revenue

The revenue realised and the budget estimates for the years 1995-96 to 1999-2000 was as under:

(Rupees in crore)				
Year	Budget estimates	Actuals	(+) Excess (-) Shortfall	Variations in percentages
1995-96	26	44.94	(+) 18.94	(+) 73
1996-97	27	41.19	(+)14.19	(+) 53
1997-98	86	41.15	(-) 44.85	(-) 52
1998-99	50	9.98	(-) 40.02	(-) 80
1999-2000	50	669.37	(+) 619.37	(+) 1239

The abnormal increase in the receipt of revenue during the year 1999-2000 i.e. Rs. 669.37 crore against the budget estimates of Rs. 50 crore was due to issue of non-Statutory Liquidity Ratio (SLR) Bonds during 1996-2000 through the Corporation with the objective of scientific and effective management of forest wealth of the State and silvicultural felling and extraction of timber etc. and depositing an amount of Rs. 656.04 crore out of total loan of Rs. 659.63 crore on account of advance royalty under the receipt head of account of the Forest department. The State Government has given guarantees for the loan amount and budgetary support for meeting the principal and interest liability (except the interest on amount of Rs. 154.34 crore of Series I Bonds). By this action, the Government has cast future burden on the State besides concealment of revenue deficit to the extent during 1999-2000.

5.2.5.1. Trend of arrears

Amount of uncollected revenue had increased from Rs. 68.97 crore in 1994-95 to Rs. 98.84 crore in 1998-99 thereby registering an increase of 43.31 percent whereas in the year 1999-2000 the arrears came down to Rs. 64.23

crore representing a decrease of 6.87 percent as compared to the year 1994-95 as per details given below:-

(Rupees in crore)

Year	Amount of revenue pending collection at the end of each year as recoverable			Total	Percentage of increase/decrease over the previous years Increase (+) Decrease (-)
	Contractors Agency	State Forest Corporation	Other Government Departments		
1994-95	4.03	63.95	0.99	68.97	--
1995-96	4.07	70.13	1.19	75.39	(+) 9.30
1996-97	4.07	76.58	0.96	81.61	(+) 8.25
1997-98	3.83	71.90	0.95	76.68	(-) 6.04
1998-99	3.82	94.07	0.95	98.84	(+)28.90
1999-2000	3.78	60.24	0.21	64.23	(-)35.01

Out of the total arrears of Rs. 64.23 crore at the end of March 2000, the amount recoverable from the Corporation alone constituted Rs. 60.24 crore which is 93.79 per cent of the total arrears.

5.2.6(a). Contractor's agency

Prior to the nationalisation of forest exploitation work in 1982-83 this work was being executed through contractor agencies. As per terms of the standard agreement, applicable to the forest lessee/ contractors in case of delay in payment of instalment of lease money, the lessee was liable to pay interest at the rate of 10 per cent per annum for the period of delay within the contract period and at the rate of 15 per cent per annum thereafter. If any amount due to Government could not be recovered by any method available with the department, the same was to be recovered as arrears of land revenue.

Test check of the records in audit relating to arrears of Forest receipts revealed that in 13[@] Forest Divisions a sum of Rs.163.36 lakh was outstanding in 75 cases for the period between 1960-61 and 1982-83. The certificate proceedings for recovery of dues were instituted against the Contractors between April 1965 and October 1999 but only a sum of Rs.7745 could be

[@] Bharmour, Bilaspur, Chamba, Chopal, Churah, Dharamshala, Karsog, Nahan, Nichar, Pangi, Rampur, Rohroo and Paonta Sahib

recovered in two cases (part recovery) upto March 2000 and balance amount of Rs. 163.28 lakh was still pending though the certificate proceedings were initiated between period of one year and 35 years.

5.2.6(b). Non-exercising of powers under Land Revenue Act

The Himachal Pradesh Government conferred the powers of Collector upon divisional forest officers (Territorial) of Kangra and Shimla districts in March 1997 to be exercised by them within the jurisdiction of their respective forest divisions for the recovery of arrears of Forest department as arrears of land revenue.

At the end of March 2000, Rs. 104.25 lakh was recoverable in 86 cases as arrears of land revenue pertaining to the period 1955-56 to 1980-81 in respect of Shimla and Kangra districts (Shimla:Rs.102.44 lakh, 83 cases; Kangra:Rs.1.81 lakh, 3 cases). The Divisional Forest Officers could not initiate any recovery proceedings under the provisions of Land Revenue Act as the cases already referred for recovery as arrears of land revenue were not called back from the concerned Collectors which defeated the purpose of conferring powers to the divisional officers as Collectors.

Further the Collector, Shimla had returned 15 cases involving an amount of Rs.4.99 lakh to the concerned Divisional Forest Officers of Shimla district between May 1997 to July 1999 as (a) cases were not sent to him according to the instructions of the Government (b) the addresses in most of the cases were not complete and (c) the cases in which the court had stayed recovery proceedings. No action has been taken thereafter by the concerned officers in accordance with the powers conferred upon them and the cases were lying pending with them.

5.2.7(a). Cases pending in the Courts

Scrutiny of the records of seven* forest divisions revealed that 19 cases involving Rs. 119 lakh relating to the years 1963-64 to 1981-82 were pending in various Courts for the period ranging between 7 years and 11 years. The failure of the department to take effective steps to recover the amount during the lease period resulted in case falling into arrears and further in litigation. Further, the department was not aware of the present position of the cases lying in the Courts as the same was not supplied to audit.

5.2.7(b). Non-adjustment of credits

The timber requisitioned/ indented by other Government departments was passed by the forest department from the stocks of different contractors on the basis of the requisition received from the concerned consignee. The cost of the timber so passed alongwith departmental charges etc. was to be paid in advance by the requisitioning Government department to the Forest Utilisation

* Bharmour, Churah, Dharamshala, Mandi, Nahan, Rohroo and Paonta Sahib.

Officer of the department who maintained the Personal Ledger Account in respect of each consignee. The cost of the timber sold to requisitioning department was then to be transferred/ deposited in the Revenue head of the State and the credit so received were to be passed on to the concerned division for further adjustment.

(i) It was however noticed in audit that Forest Utilisation Officer had deposited a sum of Rs. 43 lakh in March 1986 as miscellaneous revenue of the department, from the credits received in his personal ledger account on account of payment of passed timber. The credits of the revenue deposited could not be passed on to the concerned divisions for the last 14 years for want of details. A scrutiny of the personal ledger account of the Forest Utilisation Officer further revealed that a sum of Rs. 8.21 lakh (credit balance) was also lying unadjusted for want of details in the said account as on 31 March 2000 for which no action was taken. As a result of non-adjustment of credits aggregating Rs. 51.21 lakh, arrears to that extent had been overstated.

(ii) Similarly, scrutiny in audit of the records of 3[@] Forest Divisions revealed that in 16 cases pertaining to the period from 1972-73 to 1983-84 an amount of Rs. 9.33 lakh relating to credits of passed timber received from different consignees were still awaiting adjustments in the divisional records for want of details of the treasury challans for which the department had not taken any action to clear the amount from the outstanding arrears by collecting the required information (February 2001).

5.2.7(c) Cases pending for write off

The Government dues which has become irrecoverable can be written off by a competent authority under the provisions of the Himachal Pradesh Financial Rules, 1971.

During test check in audit of the records of the 12[&] Divisional Forest Officers revealed that in 57 cases involving Government revenue amounting to Rs. 20.96 lakh pertaining to different periods falling between 1949-50 and 1985-86, were pending for recovery on different reasons. The department had shown these cases as proposed for their write off due to non-availability of records/ immovable property of the defaulters, the firm had become insolvent, non-acceptance of BT bills, whereabouts of the contractor were not known. However, when the cases were referred to the Government to write off the dues were not made available to audit.

[@] *Bharmour (11 cases: Rs.8.51 lakh), Dharamshala (1 case: Rs.0.04 lakh) and Chamba (4 cases: Rs.0.78 lakh).*

[&] *Bilaspur, Chamba, Churah, Hamirpur, Karsog, Mandi, Nachan, Nahan, Nichar, Paonta, Rajgarh and Rampur*

5.2.8. Himachal Pradesh State Forest Corporation

(a) *Misclassification of credits*

The Managing Director Himachal Pradesh Forest Corporation deposited a sum of Rs. 9.36 crore during the year 1992-93 towards royalty of timber lots which were adjusted against 159 lots pertaining to the period 1988-89 to 1991-92 of 13 divisions during 1993-94. It was, however, noticed in audit that this amount was deposited by the Corporation under Head 8443-Civil deposits 109 forest deposits, instead of the revenue head "8782 Cash Remittances and adjustment between Officers rendering account to the same Accounts Officer-103 Forest Remittances of the forest department". The amount had not been transferred (April 2001) to proper head of account. As a result of misclassification of Rs. 9.36 crore, the credits adjusted by the Principal Chief Conservator of Forests and treated as receipt towards royalty dues of 159 lots pertaining to the years 1988-89 to 1991-92 was irregular. On being pointed out (May 2000) in audit the department stated that the case had been referred to Treasury Officer, Shimla for carrying out necessary correction in the accounts but no such correction had been made (April 2001).

(b) *Arrears pending due to non recovery of royalty*

Scrutiny in audit of the records of 2[@] forest divisions revealed that royalty of resin and timber lots amounting to Rs. 6.03 crore pertaining to the period 1997-98 to 1999-2000 had neither been demanded from the forest corporation nor shown as arrears against the Corporation in the quarterly returns sent to Conservator of Forest.

(c) *Arrears pending on account of extension fee, interest on royalty, damage bills and interest on interest*

(i) Under the provisions of Himachal Pradesh Kutlehar Regulation Act, 1992, the management of Kutlehar forest was taken over by the Government in February 1996. The royalty and sales tax payable till the date of taking over by the forest department was to be paid to the Superintendent Kutlehar Forest by the Forest Corporation. There was dispute regarding other dues i.e. interest on royalty/ sales tax, extension fee and damage bill etc. amounting to Rs. 50.41 lakh payable to Superintendent Kutlehar Forest which was deposited in registry with the Hon'ble High Court Himachal Pradesh as the case was in Supreme Court and an amount of Rs. 26.22 lakh payable to the Superintendent Kutlehar Forest and Rs. 20.73 lakh payable to the Government was retained by the Forest Corporation since 1984. As per the decision of the Hon'ble Supreme Court (March 1999), the Superintendent Kutlehar Forest was to refund all the sum within three months alongwith interest at the rate of 12 per cent till the date of payment. Since all the amount i.e. Rs. 97.36 lakh (Rs. 50.41 lakh withdrawn from the Registry and Rs. 46.95 lakh retained by the Corporation) has not been remitted to the Government treasury so far. Thus, a

[@] *Chopal and Dharamshala.*

revenue of Rs. 97.36 lakh and interest Rs. 23.34 lakh due thereon up to February 2000 as per the decision of the Supreme Court had neither been recovered nor shown outstanding in the books of the Principal Chief Conservator of Forests against the Corporation.

(ii) Similarly, scrutiny in audit revealed that royalty of resin amounting to Rs.36.03 lakh in respect of 1,33,453 resin blazes for 1995 tapping season pertaining to the Kutlehar Forests was also retained by the Corporation. Royalty of Rs.36.03 lakh and interest thereon amounting to Rs.19.82 lakh (up to February 1999) had not been shown as outstanding in the arrears against Forest Corporation. The department stated (March 2001) that the dues of Kutlehar Forests had not been reflected in the outstanding for which no reasons were given.

(iii) The Principal Chief Conservator of Forests, Himachal Pradesh had claimed (December 1995/ September 2000) a sum of Rs.68.19 lakh on account of interest on interest, in pursuance of the decision (May 1994) of the State Government, from the Corporation but this amount had not been shown as outstanding in the returns of arrears as on 31 March 2000.

The matter was referred to the department in January 2001; their reply has not been received (September 2001).

(d) Under-statement of arrears

Under the Himachal Pradesh Financial Rules, 1971, it is the duty of the Revenue or the Administrative Department/ Departmental Controlling Officers to see that all sums due to Government are regularly and promptly assessed, realised and duly credited into the treasury. The reconciliation of differences is required to be carried out as promptly as possible. As per the information received (December 2000) Corporation intimated that an amount of Rs. 88.35 crore was payable to the Forest department as on 31 March 1996 (as per the audited accounts of the Corporation up to the year 1995-96) against which only Rs. 70.13 crore was intimated by the Principal Chief Conservator of Forest, Himachal Pradesh, Shimla as recoverable from the Corporation on that date (up to 1995-96). This resulted in understatement of arrears to the tune of Rs. 18.22 crore as on 31 March 1996.

5.2.9. Other Government Departments

Arrears pending for recovery from other Government Departments/ Forest Divisions

(i) Against the total outstanding of Rs.21.29 lakh recoverable from other Government departments a sum of Rs.17.48 lakh pertaining to the period 1973-74 to 1977-78 was recoverable from three Divisional Forest Officers (Shamshi: Rs.10.07 lakh; Kullu: Rs.0.73 lakh and Lahaul: Rs.6.68 lakh). Although all the three offices were under the administrative control of

Principal Chief Conservator of Forest Himachal Pradesh but arrears pending for over 17 years had not been recovered/adjusted.

Besides, the Principal Chief Conservator of Forests had shown a sum of Rs. 18.15 lakh (out of Rs.21.29 lakh) outstanding as on 31 March 2000 in the arrears to be recovered by the Divisional Forest Officer, Kullu, whereas no such amount pending recovery/ adjustment was shown in the return up to 31 March 2000 supplied by the Divisional Office Kullu to Headquarters' office.

(ii) As and when the sanction to transfer the forest land for non forestry purposes under the Forest Conservation Act is received from the Government of India the trees standing on such land which are required to be felled and removed are marked and handed over to Corporation for exploitation, the price of the trees so marked is recovered from the user Agency (the agency in whose favour the land is transferred) at the prevailing market rates and deposited as revenue of the forest department.

A test check of the records of 6[@] forest divisions revealed that the Government of India accorded approval for transfer of land to Power Grid Corporation of India and 30,993 trees standing on the land which were required to be felled were marked and handed over to State Forest Corporation for exploitation between August 1998 to February 2000. The total value of the trees marked was assessed at Rs. 5.18 crore. The department instead of recovering the cost of trees from the user Agency accepted an FDR for Rs. 7 crore as security during March 1998. The company instead of getting the FDR renewed from the date of expiry, obtained a fresh FDR for the same amount valid up to 31 March 2001. Thus, the revenue of Rs. 5.18 crore which fell due during 1998-99 to February 2000 had neither been adjusted as revenue of the department nor shown outstanding in the arrears as it stood on March 2000 which led to misrepresentation of figures of arrears by the department.

The above matter was referred to the Department/ Government on 27 April 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 25 May 2001 and 26 June 2001. However, in spite of such efforts, no reply was received from the Government.

5.3. Non levy of penalty

In view of the Hon'ble Supreme Court interim* order dated 12 December 1996, marking of only dry standing, dry fallen etc., trees are to be done for exploitation through the State Forest Corporation whereas half broken and top broken green trees would not be marked under salvage marking in order to form bio mass in the forest. These orders were conveyed (November 1997) by the department to the Corporation and all the Divisional Forest Officers and others for compliance. In the case of violation of these orders the lessee (the

[@] *Bilaspur, Karsog, Kotgarh Nalagarh, Rampur and Suket.*

* Writ Petition (Civil) No. 1202/95 Shri T.N. Godavarman Thirumalkpad versus Union of India and others.

Corporation) would be liable, as per provisions of the standard agreement deed, to pay the price at lease rates or the prevailing market rates, whichever is higher. In addition, penalty at the rate of 100 per cent of the price of trees illicitly felled is also leviable.

The departmental guidelines (July 1993) provide that the salvage marking should be done by the Forest Ranger/Deputy ranger (Territorial Wing) subject to test check by the Range Officer and Assistant Conservator of Forest/Division Forest Officer. The work of timber exploitation is required to be inspected by the concerned Forest Ranger (Production Wing) once a fortnight, the Assistant Conservator of Forests once in a month and the Divisional Forest Officer at least twice during the working season.

(a) During audit of the records of the Divisional Forest Officer, Rampur, it was noticed (November 1999) that two salvage lots of 2,376 trees containing 8,950.924 cubic metres standing volume of timber were marked in Sarahan range and handed over (May -June 1998) to the Corporation for exploitation during the years 1998-2002. In compliance to the direction of (September 1998) of the Conservator of Forests Rampur for checking the exploitation work of the lots, the Divisional Officer reported (October 1998) that 708 green trees containing 2800.109 cubic metres of standing volume of timber had been found marked for felling alongwith salvage marking by the Block Officers incharge.

Scrutiny of the records in audit revealed (November 1999) that un-authorized marking of green trees could not be detected because of department's failure to adhere to the prescribed checking of marking of trees and their exploitation thereafter though the ban on green felling, imposed by the Supreme Court, was endorsed to the Corporation even then it resorted to green felling of trees marked by the department and thus the Corporation cannot be absolved of the responsibility for violation. It was further noticed that for these lots, though the royalty (including sales tax) amounting to Rs. 176.31 lakh was charged (August 1999) from the Corporation, no penalty amounting to Rs. 135.63 lakh was levied.

On this being pointed out (November 1999) in audit, the department admitted (July 2000) the felling of green trees and stated that the Divisional Forest Officer Rampur, was being directed to realise amount of 100 per cent penalty. Further progress has not been received (September 2001).

The above matter was referred to the Government on 31 December 1999. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, in spite of such efforts, no reply was received from the Government.

(b) During audit of the records of the Divisional Forest Officer, Rohroo, it was noticed (May 2000) that two salvage lots of 536 trees containing 973.96 cubic metres of standing volume of timber were handed over (February 1998) to the Corporation for exploitation during 1998-99 in Shrontha and Tangri forests. While investigating some cases of fire incidence in the above forests, the Assistant Conservator of Forests found (March 1999) that 56 trees

containing 85.61 cubic metres of standing volume of timber were felled illicitly by the Corporation during the working of the lots. The department raised (July 1999) the demand of damages of Rs. 12.59 lakh against the Corporation and penalty of Rs. 9.69 lakh was not demanded. The Corporation did not accept the claim of the department as the damages were neither got verified/ accepted or acknowledged from the Corporation nor any timber was seized by the department during exploitation of lots. This resulted in loss of revenue of Rs. 22.28 lakh.

The above matter was referred to the department/ Government on 21 June 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, in spite of such efforts, no reply was received from the Government.

5.4. Short realisation of revenue due to less conversion 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 lots marked for the supply of timber to the various sale depots run by the Forest Department to meet the bonafide requirements of the right holders. The outturn percentages (including sawn timber, hakaries*, pulpwood and fuel-wood etc.) have been fixed (February 1986) by the department as 65 percent of the standing volume of deodar, kail and chil trees and 50 per cent for fir and spruce trees.

During audit of the records of the Divisional Forest Officers, Chamba, Lahaul at Keylong and Mandi it was noticed (between February 2000 and September 2000) that 4,878 trees of deodar, kail, fir and spruce species, containing 9,070.21 cubic metres of standing volume of timber included in seven salvage lots, were handed over to the Corporation for exploitation between the years 1993-94 and 1999-2000 for supply of converted timber to various sale depots run by these divisions for sale of timber at concessional rates to the right holders. Against 9,070.21 cubic metres standing volume of timber, a minimum quantity of 5,649.38 cubic metres of converted timber was required as per norms. However, the Corporation had extracted only 4362.948 cubic meters with less conversion of 1,286.432 cubic metres of timber. Further in Lahaul division, the Corporation in another lots had extracted 514.438 cubic metres of converted timber during 1995-98, against which only 501.584 cubic metres of timber was supplied till September 2000. Thus, less conversion and short supply of converted timber resulted in less receipt of timber 1299.286 cubic metres valued at Rs. 74.91 lakh (including sales tax).

On this being pointed out in audit, the Divisional Forest Officer, Chamba, stated (February 2000) that matter regarding less conversion of timber was being taken up with the Corporation, whereas the Divisional Forest Officer, Mandi admitted less conversion and stated (September 2000) that the matter

* Hakaries are pieces of logs, golas etc. cut into two from centre.

would be taken up with the concerned authorities. Further progress and reply in respect of Lahaul division had not been received (September 2001).

The above matter was referred to the department/ Government on 3 March 2000 and 3 October 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

5.5. Non-levy of extension fee

Clause 3 of the standard agreement deed provide 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. 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 records of 6* Divisional Forest Officers, it was noticed (between June 2000 and December 2000) that 30 lots with lease periods between 31 March 1998 and 31 March 2000 were handed over to the 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 these lots. Although the Corporation continued to work all the 30 lots after the expiry of the lease periods, the department neither asked the Corporation to seek extension of working period in one lot in which extension already granted expired on 30 June 2000 nor the department had granted extension of the working periods in respect of 28 lots. Besides, no action was taken to forfeit the forest produce (29 lots) and demand/ recover extension fee amounting to Rs. 67.40 lakh as detailed in the Appendix-'A'.

The above matter was referred to the Government between 30 June 2000 and 11 January 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

5.6. Loss of revenue due to administrative failure

Any act of causing damage by negligence or deliberately felling a tree or clearing of land for cultivation or for any other purpose in any protected forest etc., is a offence under the Indian Forest Act, 1927 and is punishable with imprisonment for a term which may extend to six months or with fine which may extend to five hundred rupees, or with both. As these cases are required

* *Bharmour, Chamba, Chopal, Churah, Karsog and Kullu.*

to be either compounded or challaned in the Court of Law within one year under the provisions of Criminal Procedure Code, the department further directed (February 1985) all the Divisional Forest Officers to ensure that no case becomes time-barred for challaning and taking prompt action for their disposal. In order to curb the menace of illicit fellings and organized timber smuggling, flying squads have been formed.

During audit of the records of the Divisional Forest Officers, Chamba and Theog, it was noticed (July 2000) that in 4 cases 70 trees containing 126.063 cubic metres of standing volume of timber were felled illicitly by offenders. Scrutiny of records revealed that damage reports were issued by the department in respect of only 41 trees. Besides, 8.759 cubic metres of timber could be seized by the department. Lack of vigil on the part of the department to take timely cognizance of offences resulted in loss of revenue to the tune of Rs. 23.50 lakh (including sales tax) being the cost of timber (117.304 cubic metres) not seized as given in Appendix-'B'.

The above matter was referred to the department/ Government on 1 and 10 August 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, in spite of such efforts, no reply was received from the Government.

5.7. Loss of revenue due to lacuna in the agreement deed/ subsequent decisions

In the standard agreement deed, no time limit for the payment of extension fee and provision to levy interest on belated payment thereof have been prescribed by the department/ Government.

During audit of records of 9* Divisional Forest Officers, it was noticed (between February 2000 and February 2001) that in the absence of a provision to exercise departmental control over the export of timber out of the leased forest before recovery of extension fee or to charge interest on its belated payments, there was a tendency on the part of the Corporation to delay payments in this regard and accordingly extension fee amounting to Rs. 62.24 lakh, pertaining to the lots exploited between the years 1987-88 and 1998-99, had been paid by the Corporation between November 1998 and December 1999 (the delay ranged between 152 days and 3776 days) without interest on it. This lacuna had benefitted the Corporation by way of utilizing Government money. The failure of the department/ Government in curbing aforesaid practice on the part of the Corporation and also not making appropriate provisions to levy interest on belated payment of extension fee had resulted in loss of revenue to Government exchequer to the tune of Rs. 33.32 lakh (worked out at the interest rates applicable on the belated payments of royalty of the lots) as detailed in the Appendix-'C'.

* Bharmour, Chopal, Churah, Dalhousie, Dharamsala, Karsog, Nurpur, Rajgarh and Theog

The above matter was referred to the Government between 15 March 2000 and 12 February 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

5.8. Blockage of revenue due to non-disposal of trees

Consequent upon the nationalisation of forest exploitation work, the State Government decided (October 1980) that all trees listed in lots would be handed over to the Himachal Pradesh State Forest Corporation to work all such lots. The Corporation was required to pay royalty on trees handed over for exploitation as per the rates approved by the State Government.

During audit of the records of the Divisional Forest Officer, Parbati, it was noticed (August 2000) that enumeration lists of 569 salvage trees containing 1186.20 cubic metres were sent in November 1999 to the Conservator of Forests, Kullu, for approval so that the trees could be handed over to the Corporation for exploitation during 1999-2000. The trees, however, could not be handed over till August 2000 and the reasons thereof were not forthcoming from the records. The failure of the department in handing over the trees to the Corporation for exploitation during 1999-2000 resulted in blockage of revenue amounting to Rs. 15.62 lakh (including sales tax).

The above matter was referred to the department/ Government on 7 September 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

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

According to the "Resin Tapping Instructions and Rules" regulating the work of handing over resin blazes to the Forest Corporation for tapping in each tapping season, enumeration work is to be taken up by the department in the month of November and lists of blazes are to be supplied to the Corporation by the end of January each year. Setting up of the crop is to be done by the Corporation during the period from 15 February to 15 March each year. Tapping of resin from chil trees can be done continuously for more than 20 years under "Rill Method". As per decision (October 1980) of the Government the Corporation was required to work all the lots in a division and would not pick and choose them. Royalty on resin blazes handed over to the Corporation for tapping during each tapping season is to be charged by the department at the rate fixed by the State Government for the respective tapping season.

During audit of the records of 7^s Divisional Forest Officers, it was noticed (between May 1999 and December 2000) that 1,46,865 resin blazes were not handed over to the Corporation for resin tapping between the tapping seasons of 1996 and 2000 due to deletion of blazes from the marking lists/ non-enumeration of blazes and refusal of the Corporation to tap the blazes from eligible trees which resulted in depriving the Government of revenue amounting to Rs. 39.75 lakh on account of royalty as given in Appendix 'D'.

The above matter was referred to the department/ Government between 29 June 1999 and 16 January 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

5.10. Non deposit of transportation charges into the Government account

To meet the bonafide domestic and agricultural requirement of the people residing in tribal areas of Lahaul and Spiti district, fuel wood and timber is sold at the depots managed by the Forest Department. For this purpose, timber and fuel-wood is supplied by the Himachal Pradesh State Forest Corporation. As per departmental instructions (August 1992), transportation charges of such timber and fuel wood from Forest Corporation roadside depots to sale depots in tribal areas were fully subsidized by the Government. The transportation expenses were to be added to the sale price if sold to Government departments and commercial organisations and recovery so made was to be credited to the account of the Forest Department.

During audit of the records of the Divisional Forest Officers, Kaza and Lahaul at Keylong, it was noticed (August-September 2000) that 45,909.78 quintals of fuel-wood was sold at various sale depots managed by the Forest Department between 1993-94 and 1999-2000 to Government departments and commercial organisations. Scrutiny of the records revealed that transportation expenses amounting to Rs. 64.51 lakh charged on the sale of fuel-wood was either deposited into the account of the Corporation or kept in the saving account instead of depositing the amount in Government accounts. This resulted in non-receipt of Rs. 64.51 lakh by the department.

On this being pointed out in audit, the Divisional Forest Officer Kaza, stated (August 2000) that amount would be deposited into the treasury. Further progress and reply from Lahaul division have not been received (September 2001).

The above matter was referred to the Department/ Government on 27 September and 3 October 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and

^s Bilaspur, Kotgarh, Nahan, Nachan, Palampur, Parbati and Rampur.

26 June 2001. However, inspite of such efforts, no reply was received from the Government.

5.11. Non-levy of entry fee

Under the Wild Life (Protection) Rules 1975, a fee at the rate of Rs. 2 per day was leviable on the entry of a citizen of India and Rs. 4 per day in the case of a foreigner into a wild life sanctuary for (a) investigation or study of wild life and purposes ancillary or incidental thereto (b) photography and (c) tourism. Besides, an additional fee of Rs.10 and Rs. 5 per day per heavy vehicle and light vehicle respectively was also leviable for entry in the sanctuary.

During audit of the records of the Divisional Forest Officer (Wild Life), Chamba, it was noticed (November 2000) that during the years 1995-96 to 1999-2000, 1,26,822 vehicles had entered "Kala-Top Khajjiar" wild life sanctuary. Scrutiny of the records revealed that the department had charged an additional fee of Rs. 6.41 lakh, against the chargeable fee amounting to Rs. 6.55 lakh, (4,665 light vehicles were charged at the rate of Rs. 2 per vehicle instead of Rs. 5) on the entry of these vehicles in the sanctuary. Besides, neither prescribed entrance fee amounting to Rs. 15.29 lakh (calculated at the rate of Rs. 2 per visitor) in respect of 7,64,735 visitors (estimated by the department keeping in view the seating capacity of the vehicles entered the sanctuary) was levied/ recovered nor record of number of the visitors was maintained. This resulted in non-realisation of Rs. 15.43 lakh (visitors fee: Rs. 15.29 lakh; vehicles fee: Rs. 0.14 lakh) and consequent loss of revenue to the State exchequer.

On this being pointed out in audit, the Divisional Forest Officer, stated (November 2000) that it was practically impossible for the skeleton staff deployed for the purpose to count the occupants of incoming vehicles and that a more practicable approach would be to rationalise the entry charges so that it could be included in the vehicles charges and that such a proposal was under consideration. Further report has not been received (September 2001).

The above matter was referred to the Department/ Government on 1 December 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

5.12. Non-recovery of registration fee from resin tappers

According to the Himachal Pradesh Resin and Resin Products (Regulation of Trade) Rules 1981 every tapper of resin, whether the Himachal Pradesh State Forest Corporation (Corporation) or private tapper is to be registered with the division concerned on payment of registration fee of 10 paise per blaze.

During audit of the records of 8* Divisional Forest Officers, it was noticed (between May 2000 and February 2001) that although 61,79,120 blazes were tapped by the Corporation (the tapper) during the period falling between 1995-2000, the department did not recover tapping fee amounting to Rs. 6.18 lakh from it. This resulted in loss of revenue to the tune of Rs.6.18 lakh.

On this being pointed out (between May 2000 and February 2001) in audit, the department stated (between May 2000 and May 2001) that bills on account of tapping fee had been raised in respect of Dalhousie Suket and Rajgarh divisions whereas demand was being raised by the Hamirpur and Palampur divisions. Replies relating to remaining divisions had not been received (September 2001).

The above matter was referred to the department/ Government between 20 June 2000 and 20 March 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

5.13. Short 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 the departmental instructions issued in June 1985, demand on account of royalty is to be raised by the department immediately after the lots are handed over to the Corporation for exploitation.

During audit of records of the Divisional Forest Officer, Lahaul, it was noticed (September 1999) that 5 salvage forest lots, containing 4332.07 cubic metres of standing volume of timber were handed over to the Corporation for exploitation during the years 1998-99 and 2000-2001. Scrutiny of records revealed that royalty on the above volume was incorrectly charged as Rs. 94.74 lakh (including sales tax) against the chargeable royalty and sales tax amounting to Rs. 104.20 lakh which resulted in short recovery of royalty to the tune of Rs. 9.46 lakh (including sales tax).

On this being pointed out in audit the Department stated (August 2001) that revised demand had been raised against the Corporation. Report of recovery had not been received (September 2001).

The above matter was referred to the Government on 7 October 1999. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

* Dalhousie, Dharamshala, Hamirpur, Karsog, Nachan, Rajgarh, Suket (Sundernagar) and Palampur.

5.14. Non-disposal of bamboo crop

Bamboo forests are required to be handed over to the Corporation for exploitation as per the felling programme prescribed in the relevant working plans of the respective forest division. The crop is prone to rapid deterioration/ decay if not exploited when due and also prevents the 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 approved by the Inspector General of Forests, Working Plan Cell of the Government of India.

During audit of the records of the Divisional Forest Officers, Bilaspur and Nahan, it was noticed (January and October 2000) that 452.38 hectares of bamboo forests were due for exploitation during 1998-99 (144.86 hectares) and 1999-2000 (307.52 hectares) as per approved working plans applicable to the divisions respectively. Scrutiny of the divisional records, however, revealed that in Bilaspur division 144.86 hectares of bamboo crop could not be handed over to the Corporation for exploitation during 1998-99 as the permission for felling was received only on 15 July 1999 from the Conservator of Forests Bilaspur. The Corporation refused to exploit the same as it was not economical. In case of Nahan, division as against 307.52 hectares of bamboo forests approved by the Conservator of Forests (Working Plan), for exploitation during 1999-2000 only 50 hectares could be handed over to the Corporation for which reasons were not on divisional records. Therefore, the Divisional Forest Officer either failed to hand over the remaining 257.52 hectares of bamboo forests to Corporation during 1999-2000 or to get the deviation in the prescriptions of the working plan approved from the competent authority for handing over the bamboo in 2000-2001 year. This resulted in blockage of revenue to the tune of Rs. 3.79 lakh (including sales tax).

The above matter was referred to the department/Government on 25 February and 22 November 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

5.15 Non-recovery of export fee

According to notification of August 1993 issued under the Indian Forest Act, 1927 export permit fee at the rate of Rs.300 per quintal is leviable on the export of 'Kuth' (Botanical name: *Seussurea Lappa*).

During audit of records of the Divisional Forest Officer, Kullu, it was noticed (November 2000) that between November 1993 and January 2000, the department had issued export permits involving 814.20 quintals of Kuth to various firms but did not recover export fee amounting to Rs.2.44 lakh.

The above matter was referred to the department/ Government on 11 January 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

5.16. Short recovery of royalty due to incorrect determination of intensity of trees

According to a decision (April 1983) of the State Government, royalty for coniferous trees marked and handed over to the Corporation for exploitation in salvage lots is chargeable at 60 per cent, 50 per cent and 30 per cent of the rates of royalty fixed for standing green trees, if the intensity of the trees so marked is 15 cubic metres and above, 5 cubic metres to below 15 cubic metres and below 5 cubic metres respectively per hectare of the total area of the forest or compartment thereof.

During audit of records of Divisional Forest Officer, Bharmour, it was noticed (June 2000) that a lot involving 1750 salvage logs of kail containing 213.589 cubic metres standing volume of timber were marked and handed over to the Corporation for exploitation during the year 1999-2000. Scrutiny of records revealed that the department had incorrectly worked out intensity of trees as 2.15 cubic metres per hectare based on whole forest against 10.68 cubic metres per hectare for the compartment over which lots were actually marked. Consequently, the demand of royalty of Rs. 4.66 lakh was raised at 30 per cent instead of Rs. 7.77 lakh being 50 per cent of the full rates fixed for standing green trees which resulted in short recovery of royalty amounting to Rs. 3.11 lakh (including sales tax).

On this being pointed out (June 2000), the department stated (February 2001) that against the demand of Rs. 7.77 lakh, a sum of Rs. 2.87 lakh, on account of royalty and sales tax had been recovered/ adjusted. Report of recovery of balance royalty and sales tax had not been received (September 2001).

The above matter was referred to the Government on 30 June 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts no reply was received from the Government.

5.17. Non-levy of interest and penalty

The Himachal Pradesh State Forest Corporation entrusted with the responsibility of exploitation of forest lots is required to deposit instalments of royalty in respect of different 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, the interest at the rate of 15 per cent which was enhanced to 16.5 per cent per annum from 1991-92 onwards was chargeable.

Further, as per clause 18 (G) of the standard agreement deed, sales tax as leviable on the sale value of the lot would be payable along with royalty instalment. Failure to do so, the Corporation would have to pay penalty at the rate of 18 per cent per annum for the belated payment of sales tax.

During audit of records of 12* Divisional Forest Officers, it was noticed (between May 2000 and February 2001) that in respect of forest lots, handed over to the Corporation for exploitation during the years 1986-87 to 1999-2000, either the instalments of royalty were not paid within 90 days or the amount of sales tax leviable on royalty instalments had been paid after the due dates. For delays in payments of royalty and sales tax ranging between 14 days and 4387 days (paid between November 1997 and July 2000) interest and penalty at the above rates amounting to Rs. 88.27 lakh (interest: Rs. 56.80 lakh and penalty: Rs. 31.47 lakh) was leviable but was not demanded by the department as per details given in Appendix-'E'.

On this being pointed out in audit, the department stated (February-July 2001) that bills amounting to Rs. 7.65 lakh (interest Rs. 6.48 lakh and penalty Rs. 1.17 lakh) had been raised by the Nalagarh, Nachan and Poanta Sahib divisions whereas bill for Rs.2.42 lakh was being issued by Bharmour division to the Corporation. Report of recovery and reply in the case of remaining divisions had not been received (September 2001).

The above matter was referred to the Government between 26 June 2000 and 28 February 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, in spite of such efforts, no reply was received from the Government.

5.18. Non-levy of interest on belated payments of damage money

As per clause 16 (c) of the agreement, the lessee (now the Himachal Pradesh State Forest Corporation) who has been entrusted with the responsibility of exploitation of forest lots was required to pay price/ penalty for illicit felling or damages caused to unsold/ unmarked trees within 30 days of the communication issued by the Forest Officer which can be extended up to one year by the Conservator of Forests on receipt of request from the lessee on

* *Bharmour, Chopal, Dalhousie, Dharamshala, Hamirpur, Kullu, Mandi, Nachan, Nalagarh, Nichar, Pangi and Paonta Sahib.*

payment of interest at the rate of 10 per cent per annum, failing which he would be liable to pay interest at the rate of 15 per cent per annum. The rate was enhanced to 16.5 per cent per annum from 1991-92 onwards.

During audit of the records of four* Divisional Forest Offices, it was noticed (between February 2000 and October 2000) that in respect of forest lots exploited between the years 1987-88 and 1999-2000, damage bills amounting to Rs. 15.56 lakh were paid by the Corporation after the delay ranging between 91 days and 2465 days (paid between July 1996 and July 2000). For delayed payments of damages, interest amounting to Rs. 5.86 lakh had not been demanded by the department as per details given in Appendix-'F'.

The above matter was referred to the Government between 15 March 2000 and 11 January 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

* Dharamshala, Nalagarh, Nurpur and Theog.

CHAPTER 6: OTHER TAX AND NON-TAX RECEIPTS

A-FINANCE DEPARTMENT

6.1. Receipts from lotteries

6.1.1. Introduction

As a measure for mobilising additional resources, the Government of Himachal Pradesh introduced the scheme of State lotteries with effect from 1st January 1979. The Supreme Court of India in their ruling of April, 1994 prescribed the following five essential characteristics of a lottery which can be claimed to be organised by the State Government:

- (i) the tickets must bear the imprint and logo of the State and must be printed by or directly at the instance of the State Government;
- (ii) the State must sell the tickets though if it thinks necessary or proper to do so through a Sole Distributor or Selling Agent or several Agents or distributors under terms and conditions regulated by the agreement reached between the parties;
- (iii) the sale proceeds of the tickets either sold in retail or wholesale shall be credited to the funds of the Government;
- (iv) the draws for selecting the prize winning tickets must be conducted by the State itself irrespective of the size of the prize money; and
- (v) if any prize money is unclaimed or is otherwise not distributed by way of prize it must revert to and must become the property of the State Government.

6.1.2. Organisational set up

The Director of State Lotteries is under the control of the Finance department, Government of Himachal Pradesh. The Additional Secretary (Finance) to the Government of Himachal Pradesh is *ex-officio* Director of State Lotteries and is assisted by a Deputy Director. There is a High Powered Committee consisting of Chief Secretary as Chairman and Secretary (Finance), Secretary (Home) and Secretary (Law) and Director Himachal Pradesh State Lotteries as members to consider and recommend the offers of various tenderers.

6.1.3. Scope of audit

The working of the Director State Lotteries, Government of Himachal Pradesh was reviewed in audit from April to June 2000 by test check of the records for the period from December 1994 to June 1999. The work of organising the State Lotteries was stopped with effect from 4 November 1999. The important points noticed during test check are mentioned in the succeeding paragraphs.

6.1.4. Highlights

(i) Unviable conditions of the Notices Inviting Tenders were subsequently relaxed in favour of a particular firm debarring other tenderers to quote their rates on relaxed conditions.

(Paragraph 6.1.6)

(ii) The SSA[@] in his offer had agreed to pay pro rata increase in Government profits on lotteries exceeding Rs. 50 lakh and additional Government profit of Rs. 50,000 per bumper draw. Neither the conditions were incorporated in the agreement nor additional demand of Rs. 30.73 lakh on this account was raised against the SSA.

(Paragraph 6.1.8)

(iii) A draw for Rs. 11.80 lakh of ten thousand special tickets was never held and as such prize amount required to be deposited into the government account was not deposited by the SSA.

[Paragraph 6.1.9(b)]

(iv) Unauthorised deductions of Rs. 10.60 lakh from the declared prizes was allowed to be retained by the SSA.

(Paragraph 6.1.10)

(v) Seventy four draws involving turnover of Rs. 9.68 crore were cancelled after the release of tickets without ascertaining that the tickets had not been sold. The cancellation thus resulted in loss of Government revenue to the extent of Rs. 7.43 lakh.

(Paragraph 6.1.11)

[@] M/s Sugai and Damani

6.1.5. Trend of revenue

(i) The variations between budget estimate and actual receipts from lotteries for the last five years ending 31st March 2000 are detailed below:

(Rupees in crore)

Period	Budget Estimates	Gross Receipt	Variation	Net receipts after payment of prize money	Reasons for variation
1995-96	23.00	10.56	(-)12.44	9.89	Cost of tickets required to be deposited in Government accounts were directly paid to the printers by the SSA. Prize money not received due to non floating of lotteries with higher prizes due to stiff competition in the market from other lotteries.
1996-97	13.00	8.83	(-)4.17	8.09	Ban on single digit lotteries in Himachal Pradesh State by Hon'ble High Court of Himachal Pradesh. Decrease in sale due to imposition of Sales Tax on lotteries by Uttar Pradesh Government. Non floating of lotteries with higher prizes due to stiff competition.
1997-98	11.00	9.24	(-)1.76	9.24	Daily and Instant Lotteries were banned under the Lotteries (Regulation) Ordinance, 1997. Prize money not received due to non floating of lotteries with higher prizes.
1998-99	11.00	11.89	(+)0.89	11.89	
1999-2000 (upto June 1999)	12.00	3.62	(-)8.38	3.62	SSA stopped the work with effect from 13.06.99.

From the above variations it is clear that the budget estimates prepared were unrealistic.

The position with regard to gross profits earned by the Government vis-à-vis by Sole Selling Agent during the period of operation of lottery from 26

December 1994 to 13 June 1999 was as under:-

(Rupees in crore)

No. of draws held	Total turnover	Prize money paid against prize winning tickets	Printing charges of tickets paid	Guaranteed money paid to Government	Unclaimed prizes refunded to Government	Total payments made by SSA (col 3 to 6)	Gross receipt of SSA (col. 2 minus 7)
1.	2.	3.	4.	5.	6.	7.	8.
28595	7492.38	6729.41	26.00	37.60	0.25	6793.26	699.12

It would be seen that the S.S.A. had earned Rs.699.12 crore whereas the Government received merely Rs.37.60 crore which is 5.38 per cent of the profit earned by the S.S.A. which shows that the S.S.A. was benefited from the State Lotteries more than the Government.

6.1.6. Irregular appointment of Sole Selling Agent

Under the Himachal Pradesh State Lottery Rules, 1994, the sale of lottery tickets could be made through agent(s) after inviting open tenders by awarding the contract to the highest bidder. Tenders to run four daily lotteries for a period of two years were floated by the Director State Lotteries on 31 May 1994. The tenderers were required to submit their offers above Rs. 60,000 as minimum guaranteed profit to the State for each lottery. The notice inviting tenders (N.I.T) also specified that the conditional tenders would not be accepted. No tenders were received and fresh tenders were re-invited on 1 July 1994 and 22 September 1994 on the same terms and conditions. Again no offer was received in response to these tenders. However an offer (out of purview of N.I.T.) of M/S Sugul and Damani was received on 2 September 1994 and 19 October 1994 wherein the firm had offered to pay Rs. 9,133 only against Rs. 60,000 as guaranteed profit per lottery to the Government, and demanded operation of 15 lotteries instead of 4 daily lotteries. The department accepted the offer of M/S Sugul and Damani and appointed them as sole selling agent (S.S.A.) on 1 December 1994 to operate 15 lotteries instead of four lotteries and to pay a meagre amount of Rs. 9,133 per draw instead of Rs. 60,000 per lottery as stipulated in the N.I.T. The agreement was entered with S.S.A. for three years instead of two years as per stipulation of N.I.T. Floating of tenders by imposing the condition that conditional tenders would not be accepted and keeping the minimum guaranteed profit at an exorbitant amount of Rs. 60,000 when even a meagre amount of Rs. 9,133 per lottery was acceptable to the Government was mere formality to fulfil the codal requirements and to restrict the other tenderers to quote their rates which would have been in larger interests of the Government revenue.

In reply to audit observations the department stated (January 2001) that when no offer was received after inviting tenders thrice, the offer of M/s Sugul and Damani was considered. The reply is not tenable as other parties in the lottery business were not afforded opportunity to quote their rate on same terms and conditions which were relaxed in favour of M/s Sugul and Damani.

6.1.7. Irregular extension of contract without inviting tenders

The rules require that open tenders were to be invited and thereafter the contract was to be awarded to the firm, which offers the highest percentage of discounted sale price of tickets and abide by the conditions laid down in the notice inviting tenders. The existing contract for three years with the SSA (M/s Sugal and Damani) was to expire on 25 December 1997. During audit it was noticed that although the department had sufficient time to ensure compliance of the provisions of the rules yet neither the tenders were floated nor opportunities afforded to the other interested parties in the lottery trade to quote their rates. The benefit of obtaining highest bid as required under the rules was not availed of and existing agreement was extended for another period of three years on 24 July 1997 i.e., five months ahead of the expiry of the current agreement.

6.1.8. Non-recovery of additional revenue

M/S Sugal & Damani, SSA had offered (September 1994) that the maximum turnover of each lottery would not be more than Rs. 50 lakh. In case of higher turnover the profit to Government would also increase on pro-rata basis. This condition was, however, not incorporated in the agreement made with the SSA.

During audit it was noticed that although 198 instant draws, involving turnover of more than Rs. 50 lakh were held between 26 December 1994 and 02 October 1997, yet claims for pro rata profit increase on turnover were not lodged with the SSA. This resulted in a loss of revenue amounting to Rs. 26.23 lakh.

Besides, the SSA had also offered that for holding Bumper draws he would pay additional profit of Rs. 50,000 to Government. It was noticed in audit that nine Bumper draws were held between 31 December 1995 to 29 June 1996 but the additional profit on this account amounting to Rs. 4.50 lakh was neither demanded nor paid by the SSA.

The department stated that the condition for payment of additional revenue stood withdrawn by M/s Sugal and Damani as per their letter dated 7 November 1994. The contention of the department was not tenable as the firm had not withdrawn this condition in their letter dated 7 November 1994 and had agreed to abide by all other usual terms and conditions.

The department also stated that conditions like 10 per cent and 20 per cent increase in second and third year respectively were included and that the Government earned more profit. It was, however, seen that as per minutes of High Powered Committee dated 25 November 1994, this increase was to cover inflation and was thus not in lieu of pro-rata increase as offered by the S.S.A.

6.1.9. Irregularities in the accounts of unclaimed prizes

Under the agreement the Sole Selling Agent was to disburse prizes upto the value of Rs. 5,000 on behalf of the Government out of the sale proceeds of the

Lotteries and if any prize remained unclaimed or otherwise not disbursed by way of prize, it was to revert to and become the property of the State Government. Unclaimed prizes were to be sorted out on the basis of the bi-monthly statements of unclaimed prizes duly verified by the Chartered Accountant and verification made by the Director State Lotteries or his authorised nominees.

The Himachal Pradesh State Lottery Rules, 1994 provides that the accounts of each draw shall be settled with the agent within 90 days of holding of each draw, but the department failed to incorporate this condition in the agreement and consequently the accounts could not be settled within the stipulated period.

(a) Non payment of unclaimed prizes

The H.P. State Lottery Rules, 1994 provides that one ticket will be entitled to win only one prize which was on higher side. When more than one prize of different denominations are declared on one ticket, the lower amount of prize money would not be disbursed and reverted to the government. It was noticed in audit (May-June 2000) that in respect of five draws held between August 1995 and January 1997, two prizes were declared on one ticket. In some cases, the prize winning number of two digits were covered by the prize winning number of the same ticket in three digits. In other cases, two prizes were declared on one ticket during draws held on different dates. All such prizes were less than Rs. 5000/- and the S.S.A. was required to deposit Rs.6.04 lakhs into the Government accounts being the amount of prizes which happened to be on lower side. Neither this amount was disclosed by the S.S.A in his bi-monthly statements as undisbursed prize money, nor the omission was detected by the department during periodical verification. On this being pointed out in audit the department stated in June 2001 that on verification an amount of Rs.4 lakh was found to be recoverable and the S.S.A. has been asked to deposit the same.

(b) Non-recovery of unpaid prize money

Prize money of Summer Bumper Draw held on 20 May 1996 was fixed at Rs. 50 lakh as under:

- | | | |
|-----|-------------------------------------|----------------|
| i) | Prize Scheme for public: | Rs. 38.20 lakh |
| ii) | Prizes to Agents/Stockists/Sellers: | Rs. 11.80 lakh |

The draw involving prize money of Rs. 11.80 lakh in respect of 10,000 special tickets scheduled to be held on 20 May 1996 was never held. As such, the prize amount of Rs. 11.80 lakh was to revert to the Government. It was noticed in audit that neither the amount was deposited in the Government account nor demanded by the department. Consequently, it resulted in loss of revenue amounting to Rs. 11.80 lakh to the Government.

The department stated that out of Rs. 11.80 lakh an amount of Rs. 5 lakh represented commission payable to the sellers. The reply of the department is

not tenable in view of the provision of the agreement that the prize money above Rs.5000 was to be paid by the Government.

(c) Periodical verification of unclaimed prizes not conducted

Clause 9 of the agreement provides that unclaimed prizes will be sorted out on the basis of bi-monthly statements of unclaimed prizes duly verified by the Chartered Accountants and periodical verification made by the Director State Lotteries or his authorised nominee. It was, however, noticed during audit that periodical verification of unclaimed prizes as required to be made by the Director State Lotteries or his authorised nominee was not complete and instead verification of only 22,749 draws out of total 28,595 draws was conducted by the Director State Lotteries or his authorised nominees during periodical verifications.

During the periodical verification of 22,749 draws conducted by the Director, State Lotteries non-disclosure of unclaimed prizes amounting to Rs.11.45 lakh was detected. It was noticed in audit that periodical verification of 5,846 draws out of total 28,595 draws was not conducted and destruction certificate of tickets was issued without verification.

In their reply the department stated that it was not possible to verify all the prize winning tickets. Sample checking was done. But the department failed to justify as to why sample checking of 5,846 draws was not conducted.

6.1.10. Irregular deductions from prize money

There was no provision in the Himachal Pradesh State Lottery Rules, 1994 to deduct any amount from declared prizes except income tax. No such provision was also provided in the agreement with the SSA. It was noticed (May 2000) in audit that in respect of 9 Bumper draws held between December 1995 and September 1996 the SSA was allowed by the department to deduct from prizes at the rates ranging between 10 per cent and 25 per cent of the total prize money without specifying any reasons. The irregular deductions which amounted to Rs. 10.60 lakh were retained by the SSA, which otherwise should have been deposited in the accounts of the Government as the lottery was run by the State Government.

The department stated that similar deductions were being made by other States as well. The department failed to justify the retention of Rs. 10.60 lakh by the S.S.A. out of the purview of the Agreement/Rules. More over the prize money was required to be deposited before 7 days in advance of the draw but the S.S.A. deposited the same after the draws were held, making irregular deductions ranging between 10 per cent to 25 per cent of the total prize money.

6.1.11. Loss of revenue

The Himachal Pradesh State Lottery Rules, 1994 provides that in the event of cancellation of any draw(s), the government shall have to intimate the agent at least 21 days in advance but the time factor could be relaxed in unavoidable circumstances.

Test check of records revealed that a request dated 30 August 1996 from S.S.A. was received by the Director State Lotteries on 1st September 1996 for cancellation of four draws on 1st September 1996 and another six draws from 2 September 1996 on the plea that a particular State had imposed sales tax on lotteries and it would not be possible for him to continue these draws. On the basis of this request, 74 draws involving turnover of Rs. 9.68 crore were cancelled on 2 September 1996 for which print and release orders had already been issued to the printer. Out of these 74 draws, 4 draws were cancelled after the scheduled date of draw and another six draws were cancelled on the date of draw itself. Instead of verifying the whereabouts of the tickets pertaining to these 74 draws, destruction certificates of tickets for this period was issued by the Director State Lotteries on 18 June 1997. The Director State Lotteries could not produce the documents to the effect that the tickets of these draws had not been sold. This arbitrary and un-authorised cancellation of draws after printing and marketing of tickets allowed the S.S.A. to illegally earn Rs. 9.68 crore. Such cancellation resulted in loss of revenue of Rs. 7.43 lakh to the State by way of guaranteed revenue. The cancellation of draw at the behest of S.S.A. was not covered under rule since the Government had neither intimated the agent atleast 21 days in advance about the cancellation nor the reasons for cancellation were tenable as the lotteries of which draws were cancelled could be sold in other states also.

The department stated that the draws were cancelled at the behest of the S.S.A. and accordingly the matter regarding recovery of government profit and printing charges in terms of rule was considered. Although the recovery of printing charges was made but no decision regarding recovery of government profits was arrived at and whereabouts of the printed tickets were also not ascertained.

3.1.12. Delayed deposits of prize money by the SSA

As per clause 3 of the agreement, prizes above Rs. 5000 were to be disbursed by the Department. Clause 8 of the agreement stipulated that prize amounts to be disbursed by the Department would be deposited into the Government account at least 7 days in advance in respect of each draw by the S.S.A.

During audit it was noticed that the payment of prizes above Rs. 5000 amounting to Rs. 110.98 lakh were not deposited in advance by the S.S.A and retained the same for periods ranging between 26 days to 239 days. The Department could disburse the same to prize winner after this delayed deposits. There was, however, no provision for the levy of penalty/ interest in the agreement for belated deposits in Government accounts. The department stated that the prizes were paid after receipt of prize amount from the S.S.A. The reply is not tenable as there was violation of clause 8 of the agreement for not recovering the prize amount at least seven days in advance of the date of draw.

The above matter was referred to the Government on 23 April 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 28 May 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

B COOPERATION, INDUSTRIES AND AGRICULTURE DEPARTMENTS

6.2. Interest Receipts from Loans

6.2.1. Introduction

With a view to promoting development and welfare activities and achievement of various State policies, the State Government advanced interest bearing loans to various Cooperative Societies, Industries and Agriculturists under the provisions of Himachal Pradesh Co-operative Societies Act 1968, Himachal Pradesh State Aid to Industries Act, 1971, and Himachal Pradesh Land Development Act 1973, respectively and rules made thereunder. The terms and conditions of each category were specified in the sanctions/agreements granting loans to the loanees which, inter alia, indicate the mode and manner of repayment of the principal and interest. The loans were recoverable within the stipulated period in equal periodical instalments alongwith interest at the fixed rate. In all cases where instalments of repayment of loans or interest are not repaid in time, penal interest at the rate of 3 per cent per annum was also chargeable from the loanees. Grant of loans in respect of Industries and Agriculture departments was discontinued from April 1981 and April 1995 respectively.

6.2.2. Scope of audit

With a view to evaluate the efficiency of the department in ensuring the levy and collection of interest in accordance with the prescribed procedure, a test check of records relating to recoveries of interest on loans sanctioned by 3 out of 12 departments (Co-operation: 5 out of 13 offices, Industries: 8 out of 12 offices, Agriculture: 10 out of 21 offices) for the years 1996-97 to 1999-2000 was conducted between April and November 2000.

6.2.3. Organisational set up

The proposal for grant of loans is processed by the departmental officers responsible for implementation of the schemes/ policies and maintenance of relevant records and is then recommended to the heads of the departments for issue of sanctions under powers delegated. In case of Cooperation department, the proposal, for grant of loans are processed by the Registrar Co-operative Societies and then recommended to Administrative department which issue sanctions with the approval of Finance department. Recoveries of loans alongwith interest are watched by the Departmental officers under the overall control of Administrative Heads of the Department under overall check of

Finance Department. Department wise position of organisational set up is as under:

Department	Head of the Department	Departmental officer responsible for implementation/maintenance of relevant records
Co-operation	Registrar, Cooperative Societies	Assistant Registrars, Cooperative Societies at District level
Industries	Director, Industries	General Managers, District Industries Centres
Agriculture	Director, Agriculture	Sub Divisional Soil Conservation Officers

6.2.4. Highlights

(i) In 8488 cases, not even a single loan during the period from 1957-58 to 1999-2000 was recovered on which interest due worked out to Rs. 164.52 lakh.

[Paragraph 6.2.6(a)]

(ii) In 594 cases, due to default in the re-payment of instalments of loans and interest, penal interest amounting to Rs. 35.40 lakhs relating to the period falling between 1961-62 and 1999-2000 was leviable but was not levied.

(Paragraph 6.2.8.)

(iii) Interest amounting to Rs.26.92 lakh was not charged on the loans not utilised for the purpose for which loans had been sanctioned.

(Paragraph 6.2.9.)

(iv) 20 Cooperative Societies went under liquidation and consequently interest aggregating Rs. 19.02 lakh for the period 1973-74 to 1992-93 besides principal of Rs. 19 lakh could not be recovered despite appointment of liquidators.

(Paragraph 6.2.11.)

6.2.5. Trend of revenue

The estimated collection of interest receipts, actual receipts and total non-tax revenue of the State during the years 1996-97 to 1999-2000 was as under:

(Rupees in crore)

Year	Budget estimates	Actuals	Variations (+) excess (-) shortfall	Percentage of variation
1996-97	2.78	24.35	(+) 21.57	(+)775.89
1997-98	3.25	13.01	(+)9.76	(+)300.31
1998-99	4.00	9.40	(+)5.40	(+)135.00
1999-2000	10.00	159.51	(+)149.51	(+)1495.10

It would be seen that the Budget estimates prepared by the Government were not realistic. Even the actual receipts of the previous year was not kept in view while formulating the Budget estimates of next year. The Government attributed reasons for variations between budget estimates and actual receipts during 1996-97, 1997-98 and 1999-2000 due to receipt of more interest on cash balances than anticipated, realisation of money kept in PLA where no interest was assumed in budget estimates realisation of more interest on treasury bills and receipt of interest on loans from Himachal Pradesh State Electricity Board.

6.2.6(a). Non-recovery of single instalment of interest

The Himachal Pradesh Co-operative Societies Act, 1968, and the State Aid to Industries Act, 1971, provide that when any instalment of loan or interest falls due and is not paid on time or if the Government dues cannot be recovered by any means available with the department, such arrears are certified for recovery as arrears of land revenue.

It was noticed in audit that out of 18479 cases, 8488 cases, not even a single instalment of loan had been recovered during the period from 1957-58 to 1999-2000 and the interest due there on worked out to Rs. 164.52 lakh as detailed below:-

(Rupees in lakh)

Sr. No.	Department	No. of cases	Total amount of arrears of interest as on 31.03.2000	Cases where no instalment of loan and interest had been recovered			Period to which arrears relate
				No. of cases	Amount of loan outstanding	Amount of interest due thereon	
1	Co-operation	181	143.73	26	63.30	34.41	1976-77 to 1996-97
2	Industries	2442	160.27	523	39.65	52.45	1957-58 to 1998-99
3	Agriculture	15856	105.23	7939	78.50	77.66	1962-63 to 1999-2000
	Total	18479	409.23	8488	181.45	164.52	

Except issuance of routine notices to loanees, no case was recommended for effecting recoveries as arrears of land revenue, though in case of Industries

department, the powers of Collector/Assistant Collectors were conferred upon the Additional Director of Industries and all the General Managers, District Industries Centres, Himachal Pradesh in August 1980 and August 1981 respectively. Inadequate action of the departments resulted in non recovery of loan amounting to Rs.181.45 lakh and interest due thereon to the extent of Rs. 164.52 lakh.

On this being pointed out , the departments stated that action would be taken to recover the outstanding dues as arrears of land revenue. Further report have not been received (September 2001).

6.2.6(b). Cases of partial recovery of loans and interest

During test check of records, it was further noticed that in 394 cases, (Co-operation: 22; Industries: 133; Agriculture: 239) partial recovery of loans and interest amounting to Rs.48.96 lakh (Principal Rs. 11.10 lakh; Interest Rs. 37.86 lakh) in respect of the loans disbursed between the period 1953-54 to 1998-99 was made. Department wise position of recovery was made as under:-

(Rupees in lakh)

Sr.No.	Department	No.of cases	Principal	Interest	Total
1.	Co-operation	22	5.23	35.27	40.50
2.	Industries	133	4.84	2.04	6.88
3.	Agriculture	239	1.03	0.55	1.58
	Total	394	11.10	37.86	48.96

It was also noticed that except issuance of routine notices, no effective measures were taken by the department for effecting recoveries under the provisions of Acts and Rules.

6.2.7. Non-recovery of interest as arrears of land revenue

Test check of records revealed that out of 18479 cases pertaining to the period from 1952-53 to 1989-90 amounting to Rs.409.23 lakh relating to arrears of interest, the departments merely processed 1274 cases for Rs.81.57 lakh as arrears of land revenue (ranged between 2 to 40 per cent) out of which

recovery of Rs.8.36 lakh only was effected as per details given below:

(Rupees in lakh)

Department	No. of cases	Total amount of arrears of interest as on 31 March 2000	Cases processed for recovery as arrears of land revenue (ALR)		Period during which cases processed	Recovery made	Balance as on 31 March 2000	Period to which arrears relate	Percentage of cases processed for recovery as A.L.R.
			No. of cases	Amount					
Co-operation	181	143.73	31	12.05	1994-95	Nil	12.05	1962-63 to 1989-90	17
Industries	2442	160.27	969	66.69	Between 1959-60 and 1998-99	7.24	59.45	1952-53 to 1980-81	40
Agriculture	15856	105.23	274	2.83	Between 1983-84 and 1998-99	1.12	1.71	1962-63 to 1989-90	2
Total	18479	409.23	1274	81.57		8.36	73.21		

It would be observed that the progress of recovery in the case of Cooperation department was nil and in respect of Industries and Agriculture departments, the progress of recovery was far from satisfactory, particularly the Industries department where the departmental officers had been vested with the powers of Collector/Assistant Collectors to recover the arrears.

Mention was also made in Paragraphs 7.2 (i) and 8.3 (i) of the Report of the Comptroller and Auditor General of India (Revenue-Receipts) for the year 1983-84 and 1984-85 respectively about non-recovery of overdue arrears of interest etc.

The Public Accounts Committee in their recommendations in the 59th Report (Sixth Vidhan Sabha) relating to the Co-operation department 133rd report (6th Vidhan Sabha) pertaining to the Industries department had desired for fixing responsibility of the officials/officers of both Co-operation and Industries departments for negligence in the recovery of loans /interest. The Committee in the case of Co-operation department had also stressed that recovery be effected through Collectors as arrears of land revenue. The Co-operation department had assured the Committee that directions under Section 67 of the Himachal Pradesh Cooperative Societies Act, 1968 had been issued to the concerned officers whereas the Industries department had been instructed to recover the arrears as early as possible. In 185th Report (Sixth Vidhan Sabha) relating to Agriculture department, the Public Accounts Committee had desired the comments of the Finance department with regard to the facts regarding staff claimed by the Agriculture department for the recovery of outstanding dues but not sanctioned by Finance department. The desired comments had not been made available to the Committee till presentation (February 1991) of 25th Report (Seventh Vidhan Sabha).

During review, it was noticed in audit that despite assurance given by the Co-operation department to the Public Accounts Committee, the progress of recovery of loan / interest was almost negligible.

In reply to audit observations, the departments stated that the remaining cases would be initiated for recovery as arrears of land revenue. Further reports had not been received (September 2001).

6.2.8. Non-levy of penal interest

According to instructions issued (September 1984) by the Finance Department, in all cases where instalments of repayment of loans or interest are not paid in time, penal interest at the rate of 3 per cent *per annum* shall be leviable.

It was noticed that in 594 cases test checked, the department had not demanded the penal interest of Rs. 35.40 lakh leviable up to March 2000 where the loanees have defaulted in repayment of loans and interest as per details given below:-

(Rupees in lakh)

Sr. No.	Department	No. of cases	Amount of penal interest chargeable	Period of default
1.	Co-operation	37	29.77	1988-89 to 1999-2000
2.	Industries	104	1.37	1961-62 to 1999-2000
3.	Agriculture	453	4.26	1972-73 to 1999-2000
	Total	594	35.40	

On this being pointed out, the departments stated that necessary action would be taken to levy/ charge the penal interest. Further reports had not been received (September 2001).

6.2.9. Non levy of interest on loans misutilised

According to of the Himachal Pradesh State Aid to Industries Act 1968, if the Director, after an inspection found that the money lent was not being used for the purpose for which the loan was granted or that the conditions on which the loan was granted were not fulfilled, he may declare that the loan is immediately repayable in lump sum together with interest due thereon.

Test check of records of Industries department revealed that in 223 cases, loans amounting to Rs.9.75 lakh were disbursed (between 1951-52 and 1981-82) but were not utilised for the purpose for which the loans had been sanctioned. It was, however, noticed that in these cases, loans had been

recovered (partly) by the department in instalments instead of lump sum recovery and an amount of Rs.4.64 lakh was still pending for recovery as on 31st March 2000. On these loans, interest amounting to Rs.26.92 lakh was leviable/chargeable from the loanees but was not charged by the department.

On this being pointed out in audit, the department stated that these cases would be initiated for recovery as arrears of land revenue. Further reports had not been received (September 2001).

6.2.10. Non -recovery of interest for want of whereabouts of loanees

Under the Himachal Pradesh State Aid to Industries Act 1968, and Himachal Pradesh Land Development Act, 1973 read with agreements executed thereunder, in case of non-payment of loan by the loanees, the principal alongwith interest thereon shall be payable in lump sum or by instalments by sureties as provided in the deed. Whereas Himachal Pradesh Land Development Act 1973 provides that in case of non-payment of loan or any instalment or interest thereon shall be recovered as arrears of land revenue. During test check, it was noticed that in 184 cases, loans amounting to Rs. 5.47 lakh were disbursed between 1950-51 and 1992-93 to the loanees by the Industries and Agriculture departments. It was, however, observed that an amount of Rs.4.66 lakh on account of principal and Rs. 6.87 lakh as interest was pending for recovery as on 31st March 2000 for want of whereabouts of loanees as detailed below:-

(Rupees in lakh)

Department	Number of cases	Amount of loan disbursed	Period of disbursement	Amount pending for recovery as on 31.03.2000	
				Principal	Interest
(i) Industries	101	5.03	1950-51 to 1992-93	4.22	6.51
(ii) Agriculture	83	0.44	1962-63 to 1984-85	0.44	0.36
Total	184	5.47		4.66	6.87

On this being pointed out, the General Manager, District Industries Centre, Dharamsala stated that the cases would be initiated for recovery as arrears of land revenue whereas the General Managers, District Industries Centres Nahan and Bilaspur stated that efforts were under way to trace out the defaulting loanees. Further reports had not been received (September 2001).

6.2.11. Non- recovery of interest in respect of cases under liquidation

The Himachal Pradesh Cooperative Societies, Act, 1968 provide that where the Registrar has made an order for the winding up of a Society, he may, appoint a liquidator to take under his control all the property effects and auctionable claims to which the society is or appears to be entitled and shall take such steps, to prevent loss or deterioration, damage to such property effects and claims and the liquidator shall have power to realise such assets by

sale or otherwise. Further, under the Himachal Pradesh Cooperative Societies Rules, 1971, the liquidation proceedings must be completed within five years from the date on which the order for winding up takes effect.

During test check of records of Co-operation department, it was noticed in audit that in 20 cases, loans amounting to Rs.19 lakh were disbursed to 16 Co-operative Societies during the period 1973-74 to 1992-93. These societies went into liquidation and the department appointed liquidators during the period between June 1979 and November 1998 for recovery of loans and interest. It was, however, observed that besides loans, interest amounting to Rs.19.09 lakh pending for recovery as on 31st March, 2000, the liquidators could recover only Rs.0.07 lakh in two cases.

On this being pointed out in audit, the department stated that the liquidators were being directed to finalise the liquidation proceedings. Further progress had not been received (September 2001).

6.2.12. Improper maintenance of loan ledgers

The particulars of loans sanctioned and paid are required to be noted in a register in prescribed form and the recovery particulars of principal of loans, interest and penal interest are also required to be assessed and watched through this register under proper attestation.

Test check of departmental records revealed that four units of Co-operation department, six units of Industries department and four units of Agriculture department had not maintained the loan ledgers in the prescribed form with the result that the complete information was not flowing from the records. In reply to audit observations the departments stated that the needful would be done. Further reports had not been received (September 2001).

6.2.13. Non reconciliation of figures of departmental receipts

According to the Himachal Pradesh Financial Rules, 1971, Volume I, at the end of the each month, the drawing and disbursing officers are required to prepare a statement of amounts credited into treasury both by the departmental offices and others and get it verified by the Treasury Officer concerned and difference noticed, if any, are to be got reconciled.

The above statements had not been prepared and reconciliation carried out in respect of interest receipts credited into the treasury during the period between 1989-90 and 1999-2000 by the Assistant Registrars, Cooperative Societies, Shimla, Palampur and Dharamshala and General Managers, District Industries Centres, Chamba, Solan, Nahan and Bilaspur and Sub Divisional Soil Conservation Officer, Rajgarh.

On this being pointed out in audit, the departmental officers stated that needful would be done. Further report had not been received.

6.2.14. Conclusion

During test check of records of Industries, Co-operation and Agricultural departments, it was observed that the budget estimated in respect of Industries and Agriculture departments do not depict true/realistic picture of the interest accrued and recovered as the budget estimates had been prepared on almost uniform basis and no weightage was given to the actual collection of interest receipts in the earlier years. The departments had also failed to ensure timely recovery of interest, thereby affecting the ways and means position of the State exchequer. There was system failure with regard to monitoring of overdue loans and recovery of interest/penal interest as only routine reports/periodical returns viz, quarterly and yearly returns indicating the amount of loans and interest outstanding at the beginning, demand raised, recovery made and the balance outstanding at the close of the year had been received at the headquarters. In order to have a detailed check on the overdue amounts of principal and interest and to ensure adequacy of action taken regarding prompt recovery of loans and interest thereon, no critical examination of reports/periodical returns was made by the heads of departments so as to find out workable strategy to arrest the trend of accumulation of arrears.

The above matter was referred to the Departments/ Government on 25 April 2001. The matter was followed up with reminders to the Secretary on 1 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

REVENUE DEPARTMENT

C-LAND REVENUE

6.3. Results of audit

Test check of records relating to land revenue, conducted in audit during the year 2000-2001, revealed non-recovery/ short recovery of revenue amounting to Rs.390.72 lakh in 20 cases which fall under the following categories:-

(Rupees in lakh)

Sr.No.		Number of cases	Amount
1.	Non-recovery/ short recovery of land revenue, local rate etc.	11	343.02
2.	Non-realisation or short realisation of lease money	9	47.70
Total		20	390.72

During 2000-2001, the department accepted under-assessments etc., of Rs.401.10 lakh involved in 75 cases, of which 55 cases involving Rs. 10.38 lakh had been pointed out in audit during the year and the rest in earlier years.

A few illustrative cases highlighting important observations involving financial effect of Rs. 378.37 lakh are given in the following paragraphs.

6.4. Non-deposit of revenue into the Government treasury

The Himachal Pradesh Financial Rules, 1971 Vol. I, provides that money received/collected should be deposited into the Government treasury on the same day or on the following day.

During audit of Collector, Chamba it was noticed (September 2000) that compensation amounting to Rs. 302.44 lakh on account of Government land acquired by the National Hydro-electric Power Corporation Limited, Chemera paid by cheques (March 1999: Rs. 66.75 lakh and March 2000: Rs. 219.00 lakh) and bank draft (March 2000: Rs. 16.69 lakh) was not deposited into the Government treasury under the receipt head of land revenue and instead the amounts were deposited in the Post Office Saving Bank Account. This resulted in keeping the Government revenue outside the Government account contrary to the provisions of rules.

On the matter being pointed out (September 2000) in audit, the Deputy Commissioner, Chamba stated (June 2001) that amounts aggregating Rs.316.29 lakh had been deposited into the treasury on 10 October 2000 (compensation money: Rs.219.00 lakh; interest accrued thereon: Rs.7.56 lakh) and on 1 June 2001 (compensation money: Rs.83.44 lakh; interest accrued thereon: Rs.6.29 lakh) under the land revenue and interest receipts heads of account.

The above matter was referred to the Department/Government on 6 October 2000. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

6.5. Lease money

(a) Short realisation of lease money

Government decided (July 1988) that the rate of lease money to be charged from the lessees shall be 18 per cent of the latest highest market value of the land of the same classification in the same locality.

Test check of records of five Collectorate offices (Bilaspur, Kullu, Lahaul & Spiti, Shimla and Solan) revealed (between May and October 2000) that in seven cases, Government land involving 750-13-10 bighas was given on lease to the eligible institutions/ persons during the years 1978-79 and 1998-99 for a period ranging between 30 years and 99 years. The total lease money due to

Government for the period falling between 1989-90 and 1999-2000 worked out to Rs. 40.27 lakh out of which the concerned Collectorate offices had collected only Rs. 5.32 lakh at incorrect rates which resulted in short realisation of lease money to the tune of Rs.34.95 lakh.

On this being pointed in audit, the Collectorate Lahaul & Spiti stated (May 2001) that lease money amounting to Rs.2.42 lakh had been realised whereas Collectorate Bilaspur, Kullu and Solan stated (between May 2000 and March 2001) that appropriate action would be taken. Further progress and reply of Collectorate, Shimla has not been received (September 2001).

(b) Non-renewal of leases

The Himachal Pradesh Lease Rules, 1993 provides that the lease amount (fresh or renewal of existing lease) shall be charged from the lessees per annum at the rates of 18 per cent, 8 per cent and 5 per cent or the competent authority may charge the latest highest market value or double the market value of five years which ever is less of the demised land in lump sum and charge Rupee one as token lease money for the period for which the land is granted on lease.

A test check of records of five Collectorate offices (Bilaspur, Kullu, Mandi, Shimla and Solan) revealed (between May 2000 and October 2000) that Government land measuring 51-00-19 bighas was given on lease to nine eligible institutions and persons during the years falling between 1978-79 and 1990-91 for a period ranging between 25 years and 99 years. Though, the lease amounts were renewable after the expiry of every three/five/ten years during the years falling between 1984-85 and 1999-2000 but the concerned authorities had failed to renew the rates which led to non-realisation of revenue amounting to Rs. 38.10 lakh.

On this being pointed out in audit, the concerned Collectorates (except Shimla) stated that the lease money would be reassessed. Further progress and reply of Collectorate, Shimla have not been received (September 2001).

(c) Non-raising of demands

According to instructions contained under para 29 of the standing order No 31 of Financial Commissioner of Himachal Pradesh, the demands assessed by the Collector relating to Government land, leases, sale of Government estate etc; were to be noted in the prescribed Register (Running Register) maintained in the District Revenue Section for each Tehsil. A statement of such demands was to be sent to the Tehsildars concerned for effective recovery. The demands were required to be noted by the Tehsildars in the Running Register to be maintained by them for effecting recoveries.

A test check of four Collectorate offices, (Bilaspur, Kullu, Shimla and Solan) revealed (between May 2000 and October 2000) that in four cases the details of lease money were not entered in the Running Register maintained by the respective District Revenue Account Section. Consequently, the demand

statements were not sent to the Tehsildars concerned for recovery pertaining to the period falling between 1995-96 and 2000-2001 which resulted in non-raising of demands of lease money amounting to Rs.2.88 lakh.

The above matter was referred to the Department/ Government on 26 April 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

D-STAMP DUTY AND REGISTRATION FEE

6.6. Results of audit

Test check of records relating to stamp duty and registration fee, conducted in audit during the year 2000-2001, revealed non-levy / short levy of stamp duty and registration fee and other irregularities amounting to Rs. 127.44 lakh in 230 cases which broadly fall under the following categories:

(Rupees in lakh)			
		Number of cases	Amount
1.	Non-levy /short levy of stamp duty and registration fee	214	121.57
2.	Other irregularities	16	5.87
Total		230	127.44

During 2000-2001, the department accepted under-assessments etc., of Rs 139.20 lakh involved in 377 cases, of which 147 cases involving Rs. 11.76 lakh had been pointed out in audit during the year and the rest in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 46.67 lakh are given in the following paragraphs.

6.7. Non-levy of stamp duty and registration fee

The Himachal Pradesh Co-operative Agricultural and Rural Development Bank Act, 1979, provides that loans except short term loans may be advanced by the banks for different specific agricultural purposes and no fee is chargeable for the registration of any instrument executed in favour of the Agricultural and Rural Development Bank by any of its officers or members under any law for the time being in force. The Government clarified (November 1997) that the stamp duty and registration fee was leviable where loans had been secured for the purposes other than agricultural purposes. Mention was also made in paragraph 6.7 (b) of the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31st March 1999 regarding non-realisation of stamp duty and registration fee in respect of mortgage deeds executed by individuals by having obtained loans

from the Agricultural and Rural Development Banks for the purposes not specified for exemption.

The Registrar, Co-operative Societies, through a letter dated 14 December 1998 included the purposes relating to purchase of all types of public goods/passengers vehicles, i.e. trucks, mini trucks, pick up vans, mini bus, light motor vehicles and auto rickshaw etc., as "land improvement or productive purposes" under section 3, explanation 2 of the Act *ibid* so as to secure exemption from the levy of stamp duty and registration fee in such cases.

The matter was taken up by audit (January 2000) with the Revenue department to intimate safeguards by which it could be ensured that all type of public goods/passengers vehicles purchased through loans from the banks *ibid* would solely be used for bonafide agricultural purpose not as commercial vehicles. The Revenue Department after obtaining opinion of the Law Department concluded that by including the purposes by the Co-operation Department in the Himachal Pradesh State Co-operative Agricultural and Rural Development Bank Act, 1979 through letter dated 14 December 1998 gave undeserved benefits to operators which led to substantial loss of revenue. Consequently, letter dated 14th December 1998 was withdrawn on 2nd August 2001 by the Co-operation Department.

During audit of 16[@] Sub Registrars, it was noticed (between May 1999 and January 2001) that 324 instruments were executed during the years 1998 and 1999 in the name of an individuals for obtaining loans for the purposes other than prescribed for exemption viz for the purpose of trucks/ mini trucks/ buses/ mini buses/ jeeps/ taxis/ construction of guest houses/ opening of dhabas readymade garments shops etc. Though the loans secured through these documents were meant for commercial purposes, the Sub-registrars while registering the documents did not levy any stamp duty and registration fee thereon. This resulted in non-realisation of stamp duty and registration fee and consequent loss of revenue amounting to Rs.31.45 lakh.

The above matter was referred to the Department/ Government between 9 June 1999 to 6 February 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, in spite of such efforts, no reply was received from the Government.

6.8. 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

[@] *Arki, Bangana, Barsar, Bhoranj, Bilaspur, Chopal, Hamirpur, Keylong, Kotkhai, Kullu, Nadaun, Shimla, Solan Sunderangar, Sarkaghat and Theog.

instrument with duty with which it is chargeable, 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.

During audit of records of 3* Sub Registrars, it was noticed (between July 2000 and September 2000) that during the year 1999 the consideration of the properties set forth in 68 documents was much below the average price (market value) certified by the concerned Patwaris of the locality. The Registering Officer, after registering these instruments did not refer these cases to the Collector for determination of the market value. This resulted in short levy of stamp duty and Registration fee amounting to Rs.11.99 lakh.

On this being pointed out in audit (between July and September 2000), an amount of Rs.0.23 lakh had been recovered by Sub Registrar, Dharamsala. Full amount under objection was recovered in respect of four documents whereas in the case of two documents amount was partly recovered. Efforts were reportedly being made to recover the balance amount. The other two Sub Registrars stated that cases would be re-examined. Further reports have not been received (September 2001).

The above matter was referred to the Department/ Government between 22 August 2000 and 10 October 2000. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

6.9. Short realisation of registration fee on compulsorily registrable documents

Registration fee for all compulsorily registerable documents (other than leases of immovable property) was chargeable at the rate of two per cent on the value or consideration subject to a minimum of Rs. 5 and maximum of Rs. 25000 with effect from 8 May 1999. Prior to this date maximum amount of registration fee was Rs.5,000.

During audit of records of Sub Registrars, Shimla (Urban) and Shimla (Rural), it was noticed (between June-July 2000) that while registering 70 documents during the period falling between 10 May 1999 and December 1999, registration fee involving Rs. 3.23 lakh was short realised.

On this being pointed out (June 2000) in audit, the Deputy Commissioner, Shimla stated (June 2001) that Rs.0.49 lakh had been recovered by the Sub Registrar (Urban) Shimla in 7 cases and that he has been instructed to take effective steps to recover the remaining amounts. Further report of recovery has not been received (September 2001).

* Dharamsala, Hamirpur and Shimla (Rural)

The above matter was referred to the Department/ Government on 3 July 2000 and 29 August 2000. No response was received from them. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

E-PUBLIC WORKS AND IRRIGATION-CUM-PUBLIC HEALTH DEPARTMENTS

6.10. Non-deposit of sales tax

Himachal Pradesh General Sales Tax Rules, 1970, provides for deduction of sales tax at the rate of two per cent at source from the bills of works contractor and the person making tax deduction is responsible to pay into Government treasury all the amounts deducted by him during a month on or before the 15th day of the month following the month to which the deduction relates. According to the information collected in audit from four[&] divisions of Himachal Pradesh Public Works Department/ Irrigation cum Public Health, it was noticed (between July and December 2000) that sales tax amounting to Rs. 37.95 lakh was deducted at source from the bills of the contractors during the period falling between 1993-94 and 2000-2001 (upto June 2000). A correlation of the information with the records of the district offices concerned of the Excise and Taxation department revealed that deducted sales tax amounts had not been deposited into Government treasury under sales tax receipts head of account.

On this being pointed out (between July and December 2000) in audit, the Chief Engineer, Irrigation-cum-Public Health Department (North Zone) stated (July 2001) that a sum of Rs. 4.02 lakh (Irrigation-cum-Public Health divisions Thural: Rs.0.12 lakh and Shahpur: Rs.3.90 lakh) had since been deposited. The Divisional Officer, Theog stated that amounts could not be deposited as adequate letter of credit was not available for which the matter had been taken up with the higher authorities whereas the Divisional Officer, Dharampur (Mandi) stated that the amount could not be paid, as urgent payments like procurement of stores, labour payments and payments to contractors were to be made. The reply of the department is not tenable as the utilisation of Government money received on behalf of other departments and Government receipts is strictly prohibited. Further report of recovery had not been received (September 2001).

[&] Dharampur (Mandi), Shahpur, Thural and Theog.

The above matter was referred to the Departments/ Government between 24 August 2000 and 31 January 2001. No response was received from them. The matter was followed up with reminders to the Secretary on 11 June 2001 and 26 June 2001. However, inspite of such efforts, no reply was received from the Government.

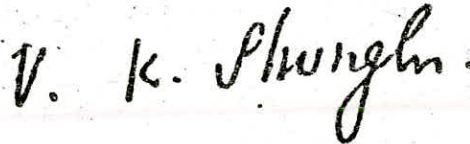


(A.K. BANERJEE)
Principal Accountant General (Audit)
Himachal Pradesh

Shimla
The

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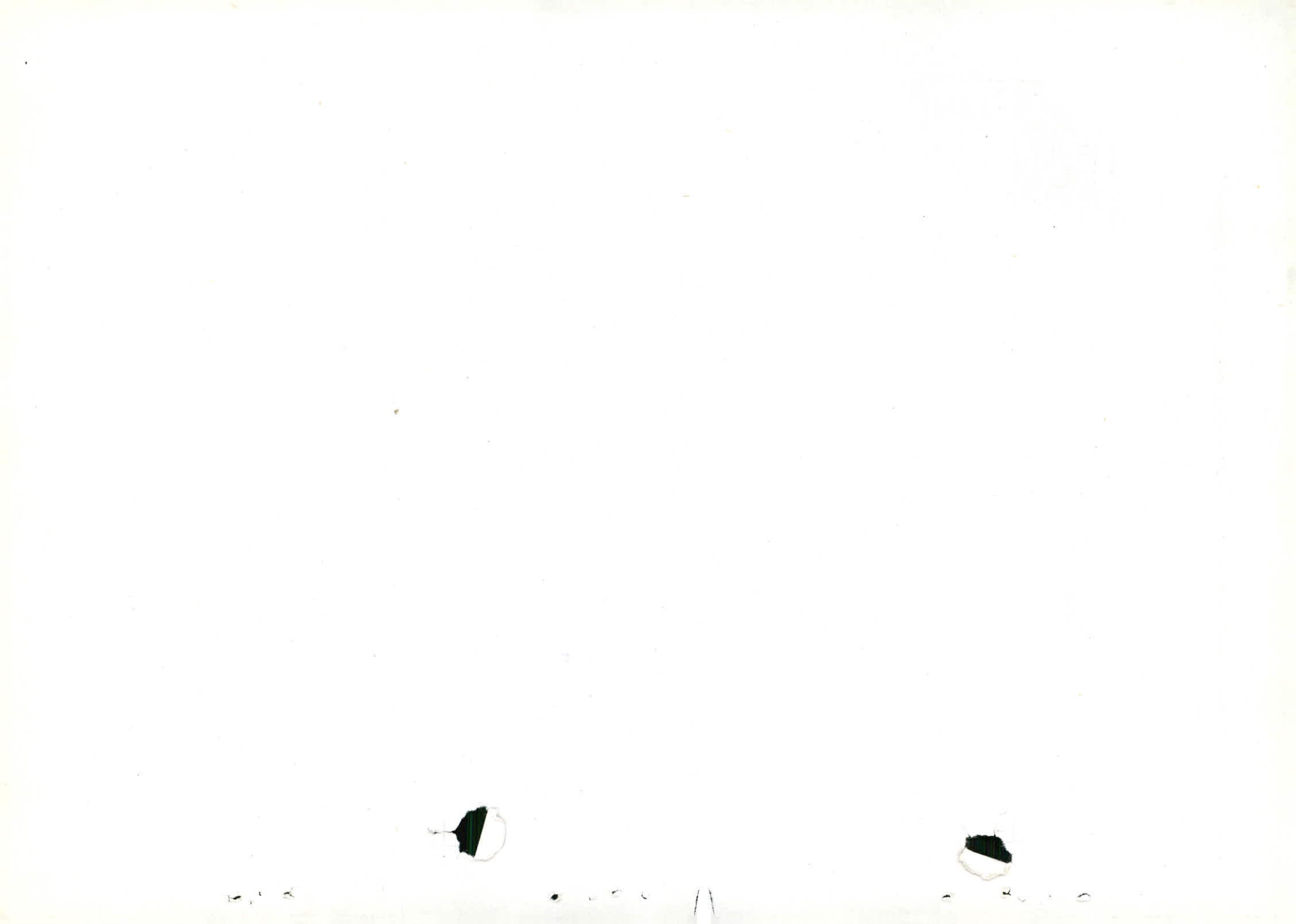
Countersigned



(V.K. SHUNGLU)
Comptroller and Auditor General of India

New Delhi
The

22 JAN 2002



APPENDIX-'A'

(Reference: Paragraph 5.5)

(Rupees in lakh)

Sl. No.	Name of Division	No. of forest lots	Year of working	Lease period up to 31 March	Extension sought for the period between	Whether extension granted	Amount of extension fee not charged	Month in which the case was pointed out	Replies of the department
1.	Bharmour	9	1999-2000	2000	31 August 2000 and 31 December 2000	No	41.01	June 2000	The department stated (February 2001) that bill of extension fee would be issued to the Corporation on receipt of approval of extension in lease periods of the lots from the competent authority.
2.	Chamba	2 5 3	1997-98 1998-99 1999-2000	1998 1999 2000	31 December 2000	No No No	8.51	July 2000	The Divisional Forest Officer stated that bill of extension fee would be issued on receipt of approval in respect of extension of the lease periods from the competent authority.
3.	Chopal	4	1999-2000	2000	1 November 2000	No	2.52	August 2000	Reply has not been received (September 2001).
4.	Churah	5	1999-2000	2000	15 April and 31 December 2000	No	9.65	July 2000	The department stated (September 2000) that extension of the working period of the lots had been granted by the committee constituted for the purpose and the Divisional Forest Officer had been directed to raise the bill of extension fee. Further progress has not been received (September 2001).
5.	Karsog	1	1999-2000	2000	31 December 2000	Yes	2.09	December 2000	Reply has not been received (September 2001).
6.	Kullu	1	1998-2000	2000	1 April and 30 June 2000	No	3.62	November 2000	The department stated (September 2001) that bill of extension fee had been raised (May 2001) against the Corporation. Report of recovery had not been received (September 2001).
Total		30					67.40		

APPENDIX-'B'
(Reference: Paragraph 5.6)

(Rupees in lakh)

Name of division	Date on which offence was noticed	Date on which damage reports were issued	Date on which case registered with Police	Specie	No. of trees	Standing volume (in cubic metres) of timber not seized	Value of trees at market rates including sales tax	Remarks
Chamba	23 March 1999	Date not known (13 trees) not issued (22 trees)	Not available	Deodar	35	69.26	14.16	Anonymous complaint addressed to the Forest Minister regarding illicit felling of trees in Trouni Forest of Upper Chamba Range was forwarded to the department in March 1999 after 9 months. As a result, the beat guard was placed under suspension. It was noticed in audit that even after the receipt of complaint, the then Range Officer, did not inspect the forest. The case was registered with the Police in 2000 and the results of investigation had not been received (July 2000). Delayed action on the part of department at various levels resulted in non seizure of timber and consequent loss of revenue to the State exchequer.
Theog	Not known	11 July 1999	4 August 1999	Deodar	21	12.64	2.64	In Balson range 21 trees were illicitly felled and forest land encroached upon by the individual of Dhalva village. During departmental investigation it was noticed (July 1999) that timber of 14 trees (Class V) was utilized for construction of shed on the encroached land whereas timber of 7 trees was not traceable. Despite the fact that offender was known, no action either to seize the timber of trees felled illicitly or to vacate the encroached forest land was taken. On 4 August 1999, the concerned Range Officer wrote to the Police authorities to register the case for investigation. Registration of the case and progress of investigation were not forthcoming from the records of the department.
-do-	21 December 1999	Not issued	Not registered	Kail	7	16.696	3.01	7 trees were found (December 1999) Range Officer illicitly felled in Shilla Gharal and U-334 forests of Theog division. Neither damage report was prepared/ issued nor report was lodged with the police in order to seize the timber and to apprehend the culprits. The department had not fixed any responsibility for this lapse till July 2000. Latest position of the case has not been received (September 2001).
-do-	Not available	22 July 1998	13 June 1998	Deodar Kail	7	18.708	3.69	Damage reports of illicit felling of 7 trees (containing 27.467 cubic metres standing volume of timber) were issued on 13 June 1998. Because 18.708 cubic metres of timber could not be seized therefore, the case was registered with the police on 22 July 1998. Delayed registration of the case with the police may result in non-seizure of timber even by the police. Latest position of the case was not known to the department.
Total					70	117.304	23.50	

APPENDIX-'C'
(Reference: Paragraph 5.8)

(Rupees in lakh)

Name of division	Years of working the lots between	Lease period (up to 31 March/30 June) between	Amount of extension fee	Extension fee paid after the delay (in days) ranged between	Amount of interest at the rate of 15 per cent up to March 1991 and 16.5 per cent thereafter.	Months in which the cases were pointed out to the department in audit	Reply of the department/ Divisional Forest Officer received up to September 2001.
Bharmour	1990-91 and 1998-99	June 1991 and 1999	12.89	152 and 3074	7.89	June 2000	The department stated (February 2001) that the bill on account of interest on belated payments of extension fee was being raised.
Chopal	1992-93 and 1996-97	March 1991 and 1997	12.13	974 and 1704	6.35	August 2000	Reply had not been received.
Churah	1995-96 and 1997-98	March 1996 and 1998	22.62	609 and 1201	9.05	July 2000	The department stated (September 2000) that since there was no provision in the agreement deed to charge interest as such matter needed decision at higher level.
Dalhousie	1994-95 and 1996-1997	March 1995 and 1997	1.87	974 and 1795	0.79	May 2000	The department stated (October 2000) that bill on account of interest had been raised in July 2000.
Dharamshala	1991-92 and 1997-98	June 1995 and 1998	1.32	517 and 2708	1.17	October 2000	Reply had not been received.
Karsog	1995-96 and 1996-97	March 1996 and 1997	2.41	807 and 1172	0.96	December 2000	Reply had not been received.
Nurpur	1987-88 and 1997-98	June 1988 and 1998	3.82	518 and 3776	4.24	February 2000	The Divisional Forest Officer stated (February 2000) that since there was a major flaw in the agreement deed for not levying interest on belated payments of extension fee the matter required to be taken up with the higher authorities.
Rajgarh	1994-95 and 1997-98	March 1995 and 1998	0.28	609 and 1705	0.16	January 2001	The department stated (May 2001) that bill on account of interest had been raised in March 2001 against the Corporation. Report of recovery has not been received.
Theog	1995-96 and 1996-97	March 1996 and 1997	4.90	974 and 1339	2.71	July 2000	Reply had not been received.
Total			62.24		33.32		

APPENDIX-'D'

(Reference: Paragraph: 5.9)

(Rupees in lakh)

Name of division	Tapping seasons during which blazes were not handed over/ enumerated/ accepted by Corporation.						Amount of royalty involved	Audit observations
	1996	1997	1998	1999	2000	Total		
Bilaspur	-	7,570	7,570	-	-	15,140	4.50	Blazes were not enumerated in Kalol Range without assigning any reasons.
Kotgarh	6,605	6,605	6,605	6,026	-	25,841	7.54	1086 blazes were deleted on the request of the Corporation being uneconomical if tapped and other blazes were not enumerated for which no reasons were on record.
Nachan	-	-	-	-	3,855	3,855	1.00	The blazes were deleted from the marking lists due to refusal of the Corporation for exploitation being uneconomical.
Nahan	-	-	36,494	36,494	6,854	79,842	20.94	72,988 blazes were not enumerated and 6,854 blazes deleted from the lists for which reasons were not on records.
Palampur	-	-	-	6,584	-	6,584	1.71	These blazes were deleted from the enumeration lists without recording any reasons.
Parbati	-	-	-	6,000	6,000	12,000	3.12	Blazes were not enumerated due to defective tapping during the past years.
Rampur	-	-	-	980	2,623	3,603	0.94	Blazes were deleted without any reason on the records.
Total	6,605	14,175	50,669	56,084	19,332	1,46,865	39.75	

APPENDIX-'E'
(Reference: Paragraph-5.17)

(Rupees in lakh)

Sl. No.	Name of division	No. of lots	Years of exploitation	Delay(in days) in payment of royalty and sales tax ranging between	Interest leviable	Penalty leviable	Total
1	Bharmour	13	1999-2000	37 and 45	-	2.42	2.42
2.	Chopal	Resin	1991-92 1999-2000	37 and 3653	1.68	12.36	14.04
3.	Dalhousie	-	Between 1989-90 and 1999-2000	14 and 3455	-	1.46	1.46
4.	Dharamshala	143	Between 1996-97 and 1999-2000	14 and 129	-	2.29	2.29
5.	Hamirpur	47	Between 1995-96 and 1999-2000	30 and 1411	-	1.06	1.06
6.	Kullu	9	Between 1995-96 and 1999-2000	31 and 406	-	3.02	3.02
7	Mandi	Auction lot	1995-96	1508 and 1536	42.46	-	42.46
8.	Nachan	Auction lot	Between 1997-98 and 1999-2000	88 and 944	1.25	-	1.25
9.	Nalagarh	-	Between 1995-96 and 1999-2000	30 and 1385	4.14	1.17	5.31
10.	Nichar	1	1994-95	1717	2.75	-	2.75
11.	Pangi	Fuel-wood lot	Between 1986 and 1997-98	37 and 4387	3.43	7.69	11.12
12.	Paonta Sahib	-	1997-98	621	1.09	-	1.09
	Total				56.80	31.47	88.27

ANNEXURE-'F'
(Reference: Paragraph: 5.18)

(Rupees in lakh)

Name of forest division	Year to which damages pertain between	Amount of damage bill(s)	Delay (in days) in payment of damage money ranging between	Amount of interest not charged	Remarks
Dharamsala	1987	3.63	153 and 2465	1.27	The matter was pointed out (October 2000) in audit but the reply has not been received (September 2001).
Nalagarh	1997 and 1999	5.00	91 and 821	1.30	On this being pointed (March 2000) in audit, the Divisional Forest Officer stated that the interest bill was being raised. Further report has not been received (September 2001).
Nurpur	1996 and 1998	1.87	178 and 428	0.23	The matter was pointed out (February 2000) in audit but reply has not been received (September 2001).
Theog	1995 and 1996	5.06	1339	3.06	The matter was pointed out (July 2000) in audit but reply has not been received (September 2001).
Total		15.56		5.86	