

**Report of the
Comptroller and Auditor General
of India**

for the year ended March 1999

**Government of Himachal Pradesh (Revenue Receipts)
No. 1 of 1999**



CONTENTS

<i>Particulars</i>	<i>Paragraph</i>	<i>Page</i>
<i>Prefatory Remarks</i>		v
<i>Overview</i>		vii
GENERAL		
Trend of revenue receipts	1.1.	1
Variations between Budget estimates and actuals	1.2.	3
Analysis of collections	1.3.	4
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
Non-registration of dealer	2.3.	14
Non-levy of tax due to suppression of purchases	2.4.	15
Inadmissible benefit of sales tax to a dealer	2.5.	16
Non-levy of interest	2.6.	17
Non-levy of tax	2.7.	18
STATE EXCISE		
Results of audit	3.1.	19
Low yield of spirit	3.2.	19
Non-recovery of licence fee and other dues	3.3.	20

Re-distillation losses	3.4.	21
Non-levy of permit fee	3.5.	22
Evasion of excise dues	3.6.	22
Short/ non-realisation of additional licence fee and interest	3.7.	24
TAXES ON VEHICLES, GOODS AND PASSENGERS		
Results of Audit	4.1.	25
Non-realisation of token tax	4.2.	25
Short realisation of goods tax	4.3.	26
Vehicles not registered with the Excise and Taxation Department	4.4.	27
FOREST RECEIPTS		
Results of audit	5.1.	29
Loss of revenue due to lacuna in the agreement deed/ subsequent decisions	5.2.(a)	29-30
Non-levy of extension fee	5.2 (b)	30
Incorrect determination of royalty on broad leaved trees	5.3.	31
Loss of revenue due to incorrect formation of lot	5.4.	32
Short recovery of royalty due to incorrect determination of intensity of trees	5.5.	33
Non/ short recovery of royalty on resin blazes	5.6.	35
Loss of revenue due to non-tapping of resin blazes	5.7.	35
Loss of revenue due to defective/ illicit tapping of resin blazes	5.8.	36
Non/short recovery of royalty	5.9.	36
Blockage of revenue due to non-disposal of trees.	5.10.	37
Short recovery of sales tax	5.11.	38

Non-recovery of sale proceeds of timber and fuelwood	5.12.	38
Non-deposit of transportation charges into the account of department	5.13.	39
Short recovery of royalty.	5.14.	40
Non-recovery of interest	5.15.	40
Administrative failure in the disposal of bamboo crop	5.16.	41
Non-recovery of royalty on bamboos	5.17.	42
Non-levy of interest on belated payment of damage money	5.18.	42
Short recovery of royalty due to incorrect determination of volume of trees	5.19.	43
Non-levy of interest and penalty	5.20.	45
Irregular adjustment of royalty	5.21.	45
OTHER TAX AND NON-TAX RECEIPTS		
REVENUE DEPARTMENT		
A-STAMP DUTY AND REGISTRATION FEE		
Results of audit	6.1.	47
Stamp duty and registration fee	6.2.	48
B-LAND REVENUE		
Results of audit	6.3.	58
Short realisation of lease money	6.4.	58
Non-realisation of lease money	6.5.	59
Non-recovery of local rate	6.6.	59
C-GENERAL ADMINISTRATION AND OTHER DEPARTMENTS		
Recovery of Rent in respect of Government Residential Buildings	6.7.	61

D-MULTIPURPOSE PROJECTS AND POWER DEPARTMENT		
Non-recovery of Government dues	6.8.	73
E-INDUSTRIES DEPARTMENT		
Results of audit	6.9.	74
Non-recovery of royalty and interest	6.10.	74
APPENDICES		
Appendix-I		76
Appendix-II		79
Appendix-III		80

PREFATORY REMARKS

This Report for the year ended 31 March 1999 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 1998-99 as well as those noticed in earlier years but could not be included in previous years' Reports.

OVERVIEW

This report contains 40 paragraphs and 2 reviews involving a tax impact of Rs. 230.47 crore. Some of the major findings are mentioned below:

[Paragraph 1.8.]

1. General

(i) The total receipts of the Government for the year 1998-99 were Rs. 2,311.86 crore. Revenue Receipts of Government during the year were Rs. 777.45 crore, of which Rs. 572.03 crore represented tax revenue and Rs. 205.42 crore non-tax revenue. Government also received Rs. 727.33 crore as State's share of divisible Union Taxes and Rs. 807.08 crore as grants-in-aid from the Government of India. Receipts under state excise (Rs. 185.55 crore), sales tax (Rs. 196.57 crore) and taxes on goods and passengers (Rs. 115.11 crore) accounted for a major portion of receipts of tax revenue and under non-tax revenue, the main receipts were from non-ferrous mining and metallurgical industries (Rs. 37.97 crore).

[Paragraph 1.1.]

(ii) The arrears of revenue under principal heads of revenue as on 31st March 1999 amounted to Rs. 223.28 crore, of which Rs. 98.84 crore pertained to forestry and wild life.

[Paragraph 1.5.]

(iii) Test check of records of the Excise and Taxation, Transport, Forest and other departmental offices conducted during 1998-99, revealed under-assessment/ short levy of revenue amounting to Rs. 52.77 crore in 649 cases. The concerned departments accepted under-assessments etc., of Rs. 18.68 crore.

[Paragraph 1.8.]

(iv) 2714 audit and inspection reports containing 7710 objections with money value of Rs. 169.27 crore issued upto 31st December 1998 were not settled upto 30th June 1999.

[Paragraph 1.9.]

2. Sales Tax

(i) Excess deductions on account of labour charges for the period 1994-95 to 1996-97 allowed by the Assessing Authority to a dealer resulted in under assessment of tax of Rs. 799.19 lakh.

[Paragraph 2.2.(a)]

(ii) In Shimla district, a dealer was liable for registration between the period 1993-94 to 1996-97 as his annual turnover had exceeded the taxable quantum, but he did not apply for registration. The department's failure to detect and register him resulted in evasion of tax amounting to Rs. 22.01 lakh.

(Paragraph 2.3.)

(iii) Non-verification of barrier chits, pertaining to the purchases made by a dealer during the year 1992-93 resulted in non-levy of tax of Rs. 8.67 lakh including interest and penalty.

[Paragraph 2.4 (a)]

3. STATE EXCISE

(i) Failure of the department to enforce the prescribed norms of production of spirit from malt and molasses in a brewery and distillery during the years 1995-96 and 1997-98 deprived the Government of excise duty amounting to Rs. 114.21 lakh.

[Paragraph 3.2.]

(ii) Non-payment of licence fee and other dues by 9 licensees resulted in non-recovery of revenue amounting to Rs. 82.96 lakh.

[Paragraph 3.3.]

(iii) In a brewery and a distillery, excise duty of Rs. 24.64 lakh leviable on spirit lost in the process of re-distillation during the years 1993-94 to 1997-98 was not levied.

[Paragraph 3.4.]

(iv) Permit fee amounting to Rs. 19.64 lakh chargeable from 2 licensees at the time of transportation of malt spirit, during the years 1996-97 and 1997-98 was not charged by the department.

[Paragraph 3.5.]

(v) Excise dues amounting to Rs. 17.27 lakh on 44,550 proof litres of foreign liquor illegally imported during the year 1996-97 were not recovered from the licensee.

[Paragraph 3.6.]

4. Taxes on Vehicles, Goods and Passengers

Goods tax amounting to Rs. 7.15 lakh recoverable in 403 cases was short realised.

[Paragraph 4.3.]

5. Forest Receipts

(a) In four forest divisions, payments of extension fee amounting to Rs. 221.83 lakh was delayed by the Corporation and the delay ranged between 242 days to 5,228 days. In the agreement there was no clause for levying of interest on delayed payment.

[Paragraph 5.2.(a)]

(b) In eighteen forest divisions, although the Corporation continued to work the forest lots after the expiry of lease periods, yet extension fee amounting to Rs. 126.54 lakh was not demanded by the department.

[Paragraph 5.2.(b)]

(c) In eight forest divisions, royalty and sales tax amounting to Rs. 179.12 lakh was charged short on broad leaved trees due to application of lower rates.

[Paragraph 5.3.]

(d) Incorrect determination of intensity of trees resulted in short recovery of royalty and sales tax amounting to Rs. 23.94 lakh in five divisions.

[Paragraph 5.5.]

(e) In nine forest divisions, royalty amounting to Rs. 131.13 lakh was either not charged or charged short on resin blazes tapped between the years 1995 and 1997.

[Paragraph 5.6.]

(f) In six forest divisions, 99,163 resin blazes could not be tapped between tapping seasons of 1995 and 1998 due to non-enumeration of blazes, delay in sending the enumeration lists which deprived the department revenue of Rs. 32.04 lakh.

[Paragraph 5.7.]

(g) Royalty and sales tax of Rs. 108.89 lakh had either not been charged or charged short in respect of 11 salvage forest lots in six divisions.

[Paragraph 5.9.]

(h) In eight forest divisions, non-disposal of 3,927 trees resulted in blocking of revenue of Rs. 108.32 lakh.

[Paragraph 5.10.]

(i) In three forest divisions, sales tax amounting to Rs. 18.68 lakh was recovered short on 42 salvage lots.

[Paragraph 5.11.]

(j) In four forest divisions, sale proceeds (including sales tax) of timber and fuel-wood valued at Rs. 15.84 lakh at market rates was not recovered.

[Paragraph 5.12.]

(k) In 29 forest divisions, interest and penalty amounting to Rs. 257.66 lakh for delays in payments of royalty and sales tax had not been demanded by the department.

[Paragraph 5.20.]

(l) Royalty amounting to Rs. 1,261.33 lakh was adjusted in 12 forest divisions, although the same had not been deposited in the relevant revenue head of account of the department.

[Paragraph 5.21.]

6. Other Tax and Non-Tax Receipts

A review on 'Stamps Duty and Registration Fee' revealed the following:-

(i) Under valuation of property in 631 cases resulted in short levy of stamps duty and registration fee amounting to Rs. 57.74 lakh (including fine).

[Paragraph 6.2.6(a) (b) (c)]

(ii) Incorrect grant of exemptions from the levy of stamp duty and registration fee in 716 cases resulted in non-realisation of duty/fee aggregating Rs. 155.93 lakh.

[Paragraph 6.2.7(a), (b), (c) & (d)]

A review on 'Recovery of Rent in respect of Government Residential Buildings' revealed the following :-

(i) An amount of Rs. 46.78 lakh as damages pertaining to the period 1985-86 to 1997-98 was pending for recovery as on 31st March 1998.

[Paragraph 6.7.6(ii)(a)]

(ii) In 67 cases, the department had not taken any action to demand and recover the damages amounting to Rs. 29.69 lakh from unauthorised occupants of Government residential accommodation for the period falling between March 1986 and November 1998.

[Paragraph 6.7.6(ii)(b)]

(iii) Rs. 13.75 lakh recoverable from the Ex-MLAs/ Ministers of the State of Himachal Pradesh on account of penal rent for unauthorised retention of Government residences relating to period falling between 1983-84 and 1998-99 were outstanding.

[Paragraph 6.7.6(iii)]

State's share of free power from 2 Hydel Projects was drawn by the Himachal Pradesh State Electricity Board during the period from 1994-95 to 1997-98 but its tentative value amounting to Rs. 186.97 crore had neither been deposited in Government account nor liabilities thereof provided in the Board's annual accounts.

[Paragraph 6.8.]

Royalty on lime stone (other grade) despatched by a lessee was charged at pre-revised rates resulting in short recovery of Rs. 150.37 lakh.

[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 1998-99, the share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below:

(In crore of rupees)

		1996-97	1997-98	1998-99
I.	Revenue raised by the State Government			
	(a) Tax revenue	412.11	476.16	572.03
	(b) Non-tax revenue	146.86 (146.05)*	222.04 (221.95)*	205.42
	Total	558.97 (558.16)*	698.20 (698.11)*	777.45
II.	Receipts from the Government of India			
	(a) State's share of divisible Union taxes	440.23 [@]	651.23 [@]	727.33 [@]
	(b) Grants-in-aid	992.82	821.02	807.08
	Total	1433.05	1472.25	1534.41
III.	Total receipts of the State Government (I and II)	1992.02 (1991.21)*	2170.45 (2170.36)*	2311.86
IV.	Percentage of I to III	28	32	34

* Lottery receipts have been accounted for net of expenditure on prize winning tickets. To make the figures comparable for the three years, receipts from prize winning tickets have been deducted from non-tax revenue for the previous two years and shown in the brackets. Its effect on other figures is also exhibited within brackets.

@ 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 respective years. 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 the tax revenue raised during the year 1998-99, along with the figures for the preceding two years, are given below:

(In crore of rupees)

		1996-97	1997-98	1998-99	Percentage of increase (+) or decrease (-) in 1998-99 over 1997-98
1.	State Excise	132.46	159.54	185.55	(+) 16
2.	Sales Tax	146.26	171.18	196.57	(+) 15
3.	Taxes on Goods and Passengers	65.26	96.80	115.11	(+) 19
4.	Taxes on Vehicles	14.47	15.83	17.48	(+) 10
5.	Stamps and Registration fee	15.44	18.77	21.61	(+) 15
6.	Taxes and Duties on Electricity	18.64	7.05	28.03	(+)298
7.	Land Revenue	5.95	1.67	1.04	(-) 38
8.	Others	13.63	5.32	6.64	(+) 25
	Total	412.11	476.16	572.03	(+) 20

(ii) The details of non-tax revenue realised during the years 1996-97 to 1998-99 are given below:

(In crore of rupees)

		1996-97	1997-98	1998-99	Percentage of increase (+) or decrease (-) in 1998-99 over 1997-98
1.	Forestry and Wild Life	41.19	41.15	9.98	(-) 76
2.	Interest Receipts	24.35	13.01	9.40	(-) 28
3.	Non-ferrous, Mining and Metallurgical Industries	13.22	30.93	37.97	(+) 23
4.	Education, Sports, Art and Culture	2.68	6.13	9.74	(+) 59
5.	Crop Husbandry (including Horticulture)	2.91	4.09	2.97	(-) 27
6.	Others	61.70	126.64	135.36	(+) 7
	Total	146.05	221.95	205.42	(-) 7

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

- (a) "Sales tax"- The increase was mainly due to general increase in prices of commodities and changes in the rate of tax of different commodities.
- (b) "Taxes on vehicles"- The increase was due to registration of more vehicles during the year and consequently more realisation of route permit fee, registration/ inspection fee, composite fee and penalty amount.

1.2. Variations between Budget estimates and actuals

The variations between budget estimates and actual receipts for the year 1998-99 under the principal heads of revenue are given below:

(In crore of rupees)

Sr. No.	Head of revenue	Budget estimates	Actual receipts	Variations increase(+) shortfall(-)	Percentage of variation
1.	State Excise	136.70	185.55	(+)48.85	36
2.	Sales Tax	178.00	196.57	(+)18.57	10
3.	Taxes on Goods and Passengers	85.00	115.11	(+)30.11	35
4.	Taxes on Vehicles	23.45	17.48	(-)5.97	-25
5.	Stamp Duty and Registration Fee	17.70	21.61	(+)3.91	22
6.	Taxes and Duties on Electricity	18.15	28.03	(+)9.88	54
7.	Land Revenue	0.92	1.04	(+)0.12	13
8.	Other Taxes and Duties on Commodities and Services	5.54	6.64	(+)1.10	20
9.	Forestry and Wild Life	50.00	9.98	(-)40.02	-80
10.	Interest Receipts	4.00	9.40	(+)5.40	135
11.	Village and Small Industries	0.15	0.31	(+)0.16	107
12.	Non-ferrous, Mining and Metallurgical Industries	10.00	37.97	(+)27.97	280
13.	Industries	10.61	55.21	(+)44.60	420
14.	Education, Sports, Arts and Culture	3.31	9.74	(+)6.43	194
15.	Crop Husbandry (including Horticulture)	2.32	2.97	(+)0.65	28

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

- (a) Under 'State Excise', the increase (36 per cent) was mainly due to realisation of higher auction money during March 1999, enhancement in the excise duty on 'Country liquor' by one rupee and Rs. 2.50 per proof litre on Indian-made foreign liquor and also due to opening of 53 new liquor shops.
- (b) Under "Taxes on Goods and Passengers", the increase (35 per cent) was mainly due to levy of additional freight tax on iron and steel, plastic goods and increase in the rate of tax on clinker.
- (c) Under "Crop Husbandry", the increase of Rs. 49.45 lakh was mainly due to more receipts on account of sale of fruits and fruit plants as a result of good crop during the year.
- (d) Under "Taxes and duties on electricity", the increase (54 per cent) was due to deposit of arrears of electricity duty pertaining to year 1997-98 by the Himachal Pradesh State Electricity Board.
- (e) Under "Non-Ferrous, Mining and Metallurgical Industries", the increase (280 per cent) was mainly due to advance receipt of royalty from the cement factories established in the State.
- (f) Under "Village and Small Industries", the increase (107 per cent) was mainly due to recovery of rent of sheds.
- (g) Under "Industries", the increase (420 per cent) was mainly due to receipt of central freight subsidy from the Government of India and more receipts from the industrial area than anticipated.

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, passengers and goods tax and other taxes and duties on commodities and services during the year 1998-99 and the corresponding figures for the preceding two years, as furnished by the Excise

and Taxation Department, is given below:

(In lakh of rupees)

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 columns 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	1996-97	13157.67	--	2.17	82.32	4.19	---	13246.35	99
	1997-98	15831.85	--	10.08	117.56	4.55	9.99	15954.05	99
	1998-99	18449.26	--	7.10	90.90	12.83	4.82	18555.27	99
Sales Tax	1996-97	13946.10	367.45	85.82	196.77	30.20	0.18	14626.16	95
	1997-98	16394.18	430.35	95.52	163.11	34.78	0.10	17117.84	96
	1998-99	19018.26	411.01	73.74	110.61	44.19	1.29	19656.52	97
Passengers and Goods Tax	1996-97	6304.48	179.55	27.66	---	14.31	--	6526.00	96
	1997-98	9471.27	150.39	15.08	---	43.23	--	9679.97	98
	1998-99	11149.99	305.28	40.64	---	14.82	--	11510.73	97
Other Taxes and Duties on Commodities and Services	1996-97	1332.15	12.40	13.28	4.98	0.03	0.57	1362.27	98
	1997-98	473.66	57.33	1.35	0.09	0.07	0.01	532.49	89
	1998-99	628.99	33.09	1.23	2.35	0.54	2.04	664.16	95

The position of revenue collected by the Excise and Taxation department as detailed above shows that the collection of revenue at the pre-assessment stage ranged between 95 and 99 *per cent* and the percentage of additional demand raised after regular assessments ranged between 1 and 5 during the year ending March 1999.

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 1996-97, 1997-98 and 1998-99 along with the relevant all India average percentage of expenditure on collections to gross

collections for 1997-98 are given below:

(In lakh of rupees)

Sr. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 1997-98
1.	State Excise	1996-97	13246.35	237.82	1.79	3.20
		1997-98	15954.05	280.62	1.76	
		1998-99	18555.27	363.25	1.96	
2.	Sales Tax	1996-97	14626.16	262.59	1.79	1.28
		1997-98	17117.84	301.08	1.76	
		1998-99	19656.52	384.81	1.96	
3.	Taxes on Vehicles, Goods and Passengers	1996-97	7972.48	157.32	1.97	2.65
		1997-98	11262.65	218.83	1.94	
		1998-99	13258.46	292.48	2.20	
4.	Stamp Duty and Registration Fee	1996-97	1544.22	47.07	3	3.14
		1997-98	1876.63	52.92	3	
		1998-99	2161.51	49.02	2	

1.5. Arrears of revenue

As on 31st March 1999, arrears of revenue under principal heads of revenue, as reported by the departments, were as under:

(In lakh of rupees)

Sr. No.	Head of revenue	Arrears pending collection	Arrears more than five years old	Remarks
1.	Forestry and Wild Life	9884.41	N.A.	Period to which this arrear pertains and specific action taken to effect the recovery by the department had not been intimated (September 1999).
2.	Sales Tax	8612.39	1377.88	Out of Rs.8612.39 lakh, specific action taken in respect of remaining arrears of Rs. 6908.37 lakh called for (April 1999) had not been intimated (September 1999). Demands for Rs.590.90 lakh had been certified for recovery as arrears of land revenue.

Report No. 1 of 1999 (Revenue Receipts)

Sr. No.	Head of revenue	Arrears pending collection	Arrears more than five years old	Remarks
				Recoveries amounting to Rs.222.32 lakh and Rs.68.00 lakh had been stayed by the Courts, judicial authorities and Government respectively. Recovery of Rs.6.65 lakh was held up due to rectification/ review of application. Demands for Rs.816.15 lakh were likely to be written off.
3.	Taxes on Goods and Passengers	1060.24	65.86	Out of the arrears of Rs.1060.24 lakh, specific action taken in respect of the remaining arrears of Rs.949.27 lakh called for (April 1999) had not been intimated (September 1999) by the department. Demands for Rs.61.62 lakh had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs.0.40 lakh had been stayed by the courts. Recovery amounting to Rs.11.50 lakh was held up due to rectification/ review of application. Demands for Rs.37.45 lakh were likely to be written off.
4.	Taxes and Duties on Electricity	580.39	---	The amount is recoverable from the Himachal Pradesh State Electricity Board in respect of electricity duty for the year 1998-99.
5.	State Excise	124.99	21.63	Out of Rs.124.99 lakh, demands amounting to Rs.82.58 lakh, had been certified for recovery as arrears of land revenue. Recoveries of Rs.10.45 lakh had been stayed by the courts/judicial authorities. Demands of Rs.9.86 lakh were likely to be written off. Specific action taken in respect of the remaining arrears of Rs.22.10 lakh called for (April 1999) had not been intimated (September 1999) by the department.
6.	Other Taxes and Duties on Commodities and Services	72.95	0.93	Out of Rs.72.95 lakh, Specific action taken in respect of the remaining arrears of Rs.72.44 lakh called for (April 1999) had not been intimated (September 1999) by the department. Demands amounting to Rs 0.51 lakh had been certified for recovery as arrears of land revenue.

Report No. 1 of 1999 (Revenue Receipts)

Sr. No.	Head of revenue	Arrears pending collection	Arrears more than five years old	Remarks
7.	Water Supply, Sanitation and Minor Irrigation	1019.28	153.69	The arrear pertain to the period from 1963-64 to 1997-98. Specific action to effect the recovery by the department had not been intimated.
8.	Industries (including village and small scale industries)	158.25	60.29	Efforts were reportedly being made to recover the outstanding revenue. The specific action taken by the department to recover these arrears called for (April 1999) had not been intimated (September 1999).
9.	Police	677.85	58.82	Out of the total arrears of Rs. 677.85 lakh, the bulk of the outstanding amount relates to Bhakra and Beas Management Board (Rs. 242.94 lakh), Civil Aviation Authority (Rs. 189.48 lakh), Railway Authorities (Rs. 85.52 lakh), National Hydro-electric Power Corporation (Rs. 77.31 lakh), Khodri Majri Hydel Project (Rs. 36.53 lakh), All India Radio Station (Rs. 22.75 lakh). The balance amount (Rs. 23.32 lakh) related to other departments/ institutions.
10.	Land Revenue	69.98	N.A.	Specific action to effect the recovery by the department had not been intimated (September 1999).
11.	Local Audit Department	26.71	--	Efforts were reportedly being made by the department to liquidate the arrears.
12.	Non-ferrous, Mining and Metallurgical Industries	23.52	20.73	The amount of Rs. 10.93 lakh, was recoverable under recovery certificate process, recovery of Rs. 4.52 lakh was stayed by the court and Rs. 4.90 lakh was likely to be written off. Efforts were reportedly being made to recover the remaining arrears of Rs. 6.17 lakh (September 1999).
13.	Public Works	17.07	N.A.	The specific action taken by the department to recover these arrears called for (April 1999) had not been intimated (September 1999).
	Total	22328.03		

1.6. Arrears in appeals

According to the information furnished (August 1999) 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 1999 were as under:

Year	Opening balance	Number of appeals filed 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
1994-95	352	275	627	404	223	64
1995-96	223	324	547	290	257	53
1996-97	257	460	717	314	403	44
1997-98	403	431	834	339	495	41
1998-99	495	530	1025	673	352	66

Out of 352 cases outstanding at the end of March 1999, the oldest case relates to May 1986. 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 1999, as supplied (August 1999) by the Excise and Taxation Department are given as under:

(In lakh of rupees)

Sr. No.	Name of tax/ duty	Cases pending as on 31st March 1998	Cases detected during 1998-99	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31st March 1999
				Number of cases	Amount of demand	
1.	Sales Tax	780	3074	3039	67.27	815
2.	State Excise	1	142	143	7.31	---
3.	Passengers and Goods Tax	2923	4412	4714	32.51	2621
4.	Other Taxes and Duties on Commodities and Services	9	45	36	0.60	18
	Total	3713	7673	7932	107.69	3454

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 1998-99 revealed under-assessments/short levy/loss of revenue amounting to Rs. 5277.16 lakh in 649 cases. During the course of the year 1998-99, the concerned departments accepted under-assessments etc., of Rs. 1868.25 lakh involved in 414 cases of which 18 cases involving Rs. 734.80 lakh had been pointed out in audit during 1998-99 and the rest in earlier years.

This Report contains 42 paragraphs (including two reviews) relating to non-levy, short levy of tax, duty, interest, penalty etc., involving Rs. 230.47 crore. The department/ Government have accepted audit observations involving Rs. 8.16 crore, of which Rs. 0.49 crore had been recovered up to September 1999. 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 upto 31st December 1998 which were pending settlement by the departments as on 30th June 1997, 30th June 1998 and 30th June 1999 is given below:

	At the end of June		
	1997	1998	1999
Number of inspection reports pending settlement	2502	2568	2714
Number of outstanding audit observations	7206	7368	7710
Amount of revenue involved (in crore of rupees)	130.76	140.37	169.27

(iii) Department-wise break-up of the inspection reports and audit observations outstanding as on 30th June 1999 is given below:

(In crore of rupees)

Sr. No.	Department	Number of outstanding		Amount of Receipts involved	Year to which observations relate	Number of inspection reports to which even first replies had not been received
		Inspection reports	audit observations			
1	2	3	4	5	6	7
1.	Revenue	537	1258	8.28	1975-76 to 1997-98	38
2.	Forest Farming and Conservation	520	1769	105.90	1970-71 to 1997-98	9
3.	Excise and Taxation	705	2418	39.38	1971-72 to 1997-98	47
4.	Transport	432	1190	4.49	1972-73 to 1997-98	15
5.	Other Departments (Public Works, Irrigation and Public Health, Agriculture and Soil Conservation, Horticulture, Co-operation, Food and Supplies and Industries)	520	1075	11.22	1976-77 to 1996-97	24
	Total	2714	7710	169.27		133

The matter was last brought to the notice of the Chief Secretary to Government in August 1999; 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 1994-95 to 1998-99, as

furnished by the department, are given below:

Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of cases finalised during the year to total number of cases
1994-95	48,910	34,610	83,520	32,396	51,124	39
1995-96	51,124	35,667	86,791	35,909	50,882	41
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

The above table shows that the number of cases pending at the beginning of 1994-95 was 48,910 which went upto 77,428 at the end of 1998-99, registering an increase of 58 *per cent* while the percentage of finalisation of assessment cases, which had gone upto 41 *per cent* during 1995-96, declined to 35 *per cent* in 1998-99.

CHAPTER 2 : SALES TAX**2.1. Results of audit**

Test check of sales tax assessments and other records conducted in audit during the year 1998-99, revealed short assessments of tax amounting to Rs. 1,070.29 lakh in 166 cases, which broadly fall under the following categories:-

(In lakh of rupees)

		Number of cases	Amount
1.	Evasion of tax as a result of suppression of purchases/sales	58	145.44
2	Non-levy/short levy of interest/penalty	14	6.94
3	Under-assessment of tax	69	834.12
4	Other irregularities	25	83.79
	Total:	166	1,070.29

During the course of the year 1998-99, the concerned department accepted the under-assessments etc., of Rs. 848.76 lakh involved in 189 cases, of which 14 cases involving Rs. 734.04 lakh had been pointed out in audit during 1998-99 and the rest in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 849.82 lakh are given in the following paragraphs.

2.2. Under assessment of sales tax

Under the Himachal Pradesh General Sales Tax Act, 1968, and rules made thereunder in case of a works contract, tax shall be assessed after deducting all sums towards labour charges as claimed by the contractor and where the labour charges are not determinable from the accounts of the works contractor or are considered un-reasonably high, the deduction towards labour charges shall be allowed by the assessing authority according to the prescribed limits.

(a) During audit of the Excise and Taxation Officer, Kinnaur, it was noticed (August 1998) that assessment of a dealer (Construction company) for the years 1994-95 to 1996-97 were finalised (May 1998) after allowing deductions on account of labour charges etc., amounting to Rs. 24,282.75 lakh. A co-relation in audit of profit and loss accounts and the assessments of the respective years revealed that during the said period, the dealer had shown direct contract expenses (labour charges) amounting to Rs. 14,292.89 lakh in

the profit and loss accounts whereas deductions to the extent of Rs. 24,282.75 lakh were allowed by the assessing authority which resulted in excess deductions of Rs. 9,989.86 lakh. The basis for which the deductions amounting to Rs. 24,282.75 lakh were allowed had not been recorded. Thus the excess deductions allowed led to under assessment of tax of Rs. 799.19 lakh.

The matter was pointed out (August 1998) to the department followed by reminders (November 1998 and April 1999) and reported to the Government (September 1998); their replies have not been received (September 1999).

(b) During audit of the Assistant Excise and Taxation Commissioners, Bilaspur and Shimla, it was noticed (July and August 1998) that assessments of three dealers for the period between 1991-92 and 1994-95 were finalised (between May 1994 and March 1998) after allowing deductions on account of labour charges amounting to Rs. 93.36 lakh. The assessment records revealed that the dealers had actually claimed deductions amounting to Rs. 15.57 lakh as labour charges. Thus, the excess deduction of Rs. 77.79 lakh allowed by the Assessing Authority resulted in under assessment of tax of Rs. 4.59 lakh.

On this being pointed out (July and August 1998) in audit, the department stated (May 1999) that cases of two dealers of Bilaspur were re-assessed and additional demands of Rs. 2.57 lakh (including interest and penalty) had been created. The department further intimated (July 1999) that out of Rs. 2.57 lakh, Rs. 1.64 lakh had been recovered and that action in the case of a dealer of Shimla district was being taken. Further report had not been received (September 1999).

The above cases were reported to the Government in August and September 1998; their replies have not been received (September 1999).

2.3. Non-registration of dealer

Under the Himachal Pradesh General Sales Tax Act, 1968, a dealer liable to pay tax, can carry on business only after he has been registered and possesses a valid registration certificate. Registration is compulsory for dealers whose gross turnover exceeds the taxable quantum (Rs. 40,000 in relation to any dealer who himself manufactures or produces any goods for sale and Rs. 3 lakh in relation to any other dealer). Sale under the Act, mean any transfer of property in goods for cash or for deferred payment or other valuable consideration and includes the transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract. Besides, 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 work contractor. However, sales tax at the rate of 8 *per cent* is chargeable under the Act.

During audit of the Assistant Excise and Taxation Commissioner, Shimla, it was noticed (August 1998) from the records filed by the Nathpa Jhakri Power Corporation, Jhakri that a contractor executed works contract worth Rs. 405.74 lakh (excluding the element of labour and value of material supplied by the Corporation) during the years 1993-94 to 1996-97 on which sales tax amounting to Rs. 10.45 lakh had been deducted at source by the Corporation. Even though the annual turnover of the contractor during these years had exceeded the 'taxable quantum', he did not apply for registration as a dealer. The department also failed to detect the case and get him registered under the Sales Tax Act. This resulted in non-levy of tax amounting to Rs. 22.01 lakh after adjusting the tax deducted at source.

The matter was pointed out (August 1998) to the department and reported to the Government in September 1998; their replies have not been received (September 1999).

2.4 Non levy of tax due to suppression of purchases

Under the Himachal Pradesh General Sales Tax Act, 1968, at the time of finalising the assessment, the assessing authority is required to check the accounts of the dealer to satisfy himself that all purchases and sales made by him have been properly accounted for. If a dealer has maintained false or incorrect accounts with a view to suppressing his sales or purchases, he is liable to pay by way of penalty (in addition to the tax to which he is assessed), an amount not less than 25 *per cent* but not be more than one and a half times the amount of tax to which he is assessed or is liable to be assessed. Besides, if a dealer fails to pay tax due by the prescribed date, he becomes liable to pay interest on the tax due at the rate of one *per cent* per month for a period of one month and at one and a half *per cent* per month thereafter, so long as the default continues.

(a) During audit of the Assistant Excise and Taxation Commissioner, Solan, it was noticed (December 1998) that assessment of a dealer for the year 1992-93 was finalised (March 1998) without obtaining the trading account. A scrutiny of assessment records and barrier chits (ST-XXVIA) placed on records, however, revealed that during the year 1992-93 the dealer had actually purchased goods amounting to Rs. 204.46 lakh instead of Rs. 160.96 lakh as shown to have been consumed in manufacturing process. Thus, the dealer had suppressed his purchases amounting to Rs. 43.50 lakh and corresponding sale of Rs. 47.86 lakh (after adding element of profit and freight etc.). The department's failure to verify the barrier chits, resulted in non-levy of tax of Rs. 8.67 lakh (including penalty and interest).

The matter was pointed out (December 1998) to the department and reported to Government (February 1999); their replies have not been received (September 1999).

(b) During audit of the Assistant Excise and Taxation Commissioner, Una, it was noticed (February 1999) that assessments of a dealer for the years 1993-94 and 1994-95 were finalised (January 1998 and November 1998) on the basis of purchases valued at Rs. 9.01 lakh as disclosed by him in the trading accounts. A scrutiny of barrier chits (ST-XXVI-A) placed on records, however, revealed that during these years the dealer had actually purchased goods amounting to Rs. 14.90 lakh. Thus, the dealer had suppressed his purchases amounting to Rs. 5.89 lakh and corresponding sale of Rs. 6.48 lakh (after adding profit and freight etc.). The department's failure to verify barrier chits, resulted in non-levy of tax of Rs. 1.05 lakh (including penalty and interest).

This was pointed out (February 1999) to the department and reported to the Government (April 1999); their replies have not been received (September 1999).

2.5. Inadmissible benefit of sales tax to a dealer

Under the Himachal Pradesh General Sales Tax Act, 1968, (Deferred payment tax) Scheme, 1992 new industrial units established in the State of Himachal Pradesh and which came into commercial production on or after 1st May 1992 were eligible for deferred payment of tax under the scheme subject to certain conditions. One of the conditions stipulated that the unit in respect of which a certificate in Form-I* has been issued by the Industries department shall within a period of 30 days from the date of issue of the certificate make an application to the prescribed authority (Excise and Taxation Officer) of sales tax department for the issue of certificate for the grant of benefit of making deferred payment of sales tax. The prescribed authority, after enquiries as may be considered necessary, shall issue tax deferment certificate after obtaining security in the form of mortgage deed or bank guarantee etc. to safeguard the Government's revenue.

During audit of the Assistant Excise and Taxation Commissioner, Shimla, it was noticed (July 1998) that a dealer (SSI Unit) was registered in May 1991 under the sales tax Act for tyre retreading with liability to pay tax with effect from 12 December 1991. A scrutiny in audit of assessment records revealed that dealer did not apply for availing the benefit under the scheme. The assessing authority while making the assessments of the dealer for the years 1991-92, 1992-93 and 1993-94, 1994-95 during May 1994 and February 1998 allowed the benefit of deferred payment of sales tax for four years on the basis of certificate issued by the Industries department in Form I. This resulted inadmissible benefit to the dealer amounting to Rs. 5.75 lakh.

* Form I.

On this being pointed out (July 1998) in audit, the department intimated (April-May 1999) that after the adjustment of tax of Rs. 2.33 lakh deposited by the dealer, an additional demand of Rs. 8.01 lakh (balance tax: Rs. 3.42 lakh, interest: Rs. 4.01 lakh and penalty: Rs. 0.58 lakh) had since been created (March 1999). Out of this, the dealer had deposited Rs. 0.75 lakh and preferred an appeal before the Additional Excise and Taxation Commissioner (SZ) Shimla against the demand. Further report have not been received (September 1999).

The matter was reported to the Government in September 1998; their reply has not been received (September 1999).

2.6. Non-levy of interest

(a) Under the Himachal Pradesh General Sales Tax Act, 1968, if a dealer fails to pay the amount of additional tax assessed or penalty imposed by the assessing authority within the period specified in the notice of demand or where no period is stipulated therein, within a period of thirty days from the service of such notice, interest is chargeable at the rate of one *per cent* per month for the first month and thereafter at the rate of one and a half *per cent* per month so long as the default continues.

During audit of the Assistant Excise and Taxation Commissioners, Hamirpur, Kangra and Mandi, it was noticed (between November 1997 and December 1998) that in seven cases interest amounting to Rs. 4.81 lakh was chargeable on belated payments of additional demands raised between March 1986 and March 1995, but it was not charged.

On this being pointed out (between November 1997 and December 1998) the department intimated (February 1999) that in the case of Hamirpur demand on account of interest amounting to Rs. 1.86 lakh had been determined (January 1999) by the assessing authority and that the Assistant Excise and Taxation Commissioner incharge was being directed to recover the amount immediately. Report of recovery and replies in respect of the cases of Kangra and Mandi districts have not been received (September 1999).

The above cases were reported to Government (between January 1998 and January 1999); their reply has not been received (September 1999).

(b) Under the Himachal Pradesh General Sales Tax Act, 1968, if a dealer fails to pay the amount of tax due from him under the Act by the stipulated date, he is, in addition to the amount of tax due, liable to pay interest at the rate of one *per cent* per month for a period of one month from the date immediately following the last date for submission of return 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, Chamba, it was noticed (June 1998) that assessments of a dealer for the years 1988-89 to 1990-91 were finalised (May 1997) after raising additional demands amounting to Rs. 59,791 on account of tax remained unpaid. The assessing authority did not levy interest of Rs. 74,777 on additional demands.

On this being pointed out (June 1998) the department intimated (November 1998) that on re-assessment an additional demand of Rs. 91,849 had been raised. The department further intimated (May 1999) that against the demand the dealer had filed an appeal with the appellate authority. Further report has not been received (September 1999).

The matter was reported to the Government (July 1998); their reply has not been received (September 1999).

2.7. Non-levy of tax

Through a notification of July 1978 issued under the Himachal Pradesh General Sales Tax Act, 1968 all classes of co-operative societies and persons in whose favour certificates of genuinness had been issued by the Commissioner, Khadi and Village Industries were exempted from the payment of sales tax subject to certain conditions. The dealer is entitled to purchase goods without payment of sales tax provided these are acquired by him for use in the manufacture/ production of goods for sale.

During audit of the Assistant Excise and Taxation Commissioner, Kangra it was noticed (October 1998) that assessments of a dealer, who was granted certificate of the genuinness for the years 1993-94 to 1996-97 were finalised (September 1997 and August 1998) after treating entire sale of Rs. 73.19 lakh as exempted from payment of sales tax under the aforesaid notification. A scrutiny of barrier chits (ST-XXVI-A) placed on record, however, revealed that during these years the dealer had purchased manufactured goods worth Rs. 17.63 lakh for re-sale, the sale value of which worked out to Rs. 19.39 lakh (after adding 10 *per cent* towards profit, freight etc.). Since the dealer had not used these goods in manufacture/production he was not liable for exemption. The Assessing Authority's failure to verify barrier chits resulted in non-levy of tax of Rs. 3 lakh (including interest).

On this being pointed out (October 1998), the department intimated (January 1999) that the Assessing Authority, Kangra had been directed to finalise the case immediately. Further report has not been received (September 1999).

The matter was reported to Government in November 1998; their reply has not been received (September 1999).

CHAPTER 3: STATE EXCISE

3.1. Results of audit

Test check of records relating to State Excise, conducted in audit during the year 1998-99, revealed non-levy of duty and other irregularities involving revenue amounting to Rs. 282.27 lakh in 33 cases which broadly fall under the following categories:-

(In lakh of rupees)			
		Number of cases	Amount
1.	Low yield of spirit from malt/molasses	2	54.35
2.	Non-levy of duty on spirit lost in redistillation	3	15.86
3.	Other irregularities	28	212.06
	Total:	33	282.27

During the course of the year 1998-99, the concerned department accepted under-assessments etc., of Rs. 2.69 lakh in 9 cases, of which two cases involving Rs. 0.59 lakh had been pointed out in audit during the year 1998-99 and rest in earlier years, the earliest year being 1996-97. A few illustrative cases highlighting important observations involving financial effect of Rs. 262.78 lakh are given in the following paragraphs.

3.2. Low yield of spirit

(a) As per the Punjab Distillery Rules, 1932, as applicable to Himachal Pradesh, each quintal of molasses should yield 36.61 proof litres of spirit.

During audit of the Assistant Excise and Taxation Commissioner, Una, it was noticed (March 1997 and January 1999) that a distillery in Una district, produced 61,13,229.6 proof litres of spirit from 1,85,190.56 quintals of molasses during the years 1995-96 and 1997-98 as against the expected yield of 67,79,826.31 proof litres of spirit, as per the norms laid down in the Punjab Distillery Rules. The shortfall of 6,66,596.71 proof litres of spirit deprived the

Government of excise duty amounting to Rs.108.04 lakh, which would have accrued if the norms had been achieved.

This was pointed out (March 1997 and January 1999) in audit to the department and reported to Government in April 1997 and February 1999; their replies have not been received (September 1999).

(b) As per a Government notification (June 1979) issued under the provisions of the Punjab Excise Act, 1914 (as applicable to Himachal Pradesh) and rules framed thereunder, 19 Kilograms of malt is expected to yield 8.200 proof litres of spirit. However, if the yield is found to be less than the prescribed norms, there is no provision in the Act/ Rules for the levy of duty or penalty on the shortfall.

During audit of the Assistant Excise and Taxation Commissioner, Solan it was noticed (May 1998) that during the year 1997-98, a unit manufacturing spirit, produced 5,39,828.900 proof litres of spirit against an expected yield of 5,56,736.840 proof litres of spirit, from 12,90,000 kilograms of malt. This resulted in short production of spirit by 16,907.94 proof litres. Had the prescribed norms been achieved/enforced, the Government would have earned additional revenue of Rs.6.17 lakh by way of excise duty.

This was pointed out in audit to the department in May 1998 and reported to the Government in July 1998; their replies have not been received (September 1999).

3.3. Non-recovery of licence fee and other dues

The Punjab Excise Act, 1914, (as applicable to Himachal Pradesh) read with the State Excise Policy announced for the year 1997-98 provide for payment of licence fee in ten equal monthly instalments by the licensee holding licence for vending Country liquor or Indian made foreign liquor. The licensee shall pay the instalment by the 25th of each month. Failure to do so, renders him liable to pay interest at the rate of 18 *per cent* per annum for a period of one month or part thereof from the date of default. In case the default in payment of licence fee exceeds one month such licensee shall pay interest at the rate of 24 *per cent* per annum from the initial date of default in payment of licence fee till the default continues. Besides, if the licensee failed to deposit the instalment or instalment plus interest upto the 24th of the next month, the vend would cease to be in operation on the 25th of the following month. The incharge of the District, or any other officer authorised or directed by him would ordinarily seal the vend on 25th day of the following month. This shall be in addition to penalty provisions as per Act *ibid*.

During audit of the Assistant Excise and Taxation Commissioner, Solan, it was noticed (May 1998) that 9 licensees of Solan district had either failed to pay the monthly instalments of licence fee by the prescribed dates (6 cases) or deposited the instalments after due dates (3 cases) during the year 1997-98. This resulted in non-recovery of revenue amounting to Rs. 82.96 lakh (Licence fee: Rs. 35.75 lakh; Interest: Rs. 45.28 lakh; Penalty: Rs. 1.93 lakh) but the department did not take any action to seal the vends.

On this being pointed out (May 1998) in audit, the department stated that had the vends been sealed, the Government would have suffered substantial loss of revenue and that the recovery proceedings had been initiated against the licensees. Further the department stated (September 1999) that an amount of Rs. 24.11 lakh had been recovered and further progress of recovery would be intimated in due course. Further report has not been received (September 1999).

The matter was reported (July 1998) to Government; their reply has not been received (September 1999).

3.4. Re-distillation losses

The Punjab Distillery Rules, 1932, as applicable to Himachal Pradesh do not provide for any norms for wastage during the process of re-distillation of spirit.

During audit of the Assistant Excise and Taxation Commissioners, Sirmour at Nahan and Una, it was noticed (between March 1995 and January 1999) that in a brewery, distillery and a bottling plant, 1,42,232.247 proof litres of country spirit was lost in the process of re-distillation between the years 1993-94 to 1997-98, whereas no wastage was permissible in the process under the rules and excise duty was leviable on this quantity also. The department thus erred in not levying excise duty amounting to Rs. 24.64 lakh in view of the decision (October 1995) of the Financial Commissioner (Excise).

On this being pointed out (between March 1995 and January 1999) in audit, the department intimated (January-July 1999) that in respect of Una units, demands amounting to Rs. 23.06 lakh relating to the period 1996-98 had been raised (May 1999) by the Collector (Excise) North Zone and efforts were afoot to realise the same whereas in the case of unit of Sirmour district the Collector (Excise) South Zone was requested to create (September 1998) demand on wastage of spirit lost in re-distillation process during the year 1996-97 but further reports had not been received (September 1999). Action taken in respect of cases of Sirmour, for the years 1993-94 to 1995-96 had not been intimated (September 1999).

This matter was reported to the Government between April 1995 and February 1999 ; their reply has not been received (September 1999).

3.5. Non-levy of permit fee

According to the Excise announcement for the year 1996-97 and 1997-98, permit fee at the rate of Rs. 2 per proof litre and Rs. 2.50 per proof litres respectively on Indian made foreign spirit were payable by the licensee at the time of grant of permits for the transport of spirit.

During audit of the Assistant Excise and Taxation Commissioner, Solan, it was noticed (July 1997 and June 1998) that in respect of excise permits issued during 1996-97 and 1997-98 for the transportation of 8,79,333.795 proof litres of malt spirit, permit fees amounting to Rs. 19.64 lakh from 2 licensees was not charged by the department at the time of issue of the permits.

On this being pointed out (July 1997 and June 1998) in audit, the department stated (March 1999) that out of Rs. 19.64 lakh, Rs. 4.60 lakh had since been recovered and that report of recovery of remaining amounts would be intimated in due course. Further report has not been received (September 1999).

The matter was reported to the Government (August 1997 and July 1998); their replies have not been received (September 1999).

3.6. Evasion of excise dues

According to the Excise announcement for the year 1996-97, excise duty, import fee and permit fee at the rates of Rs. 30, Rs. 5 and Rs. 2 per proof litre respectively were chargeable from the licensee on the import of foreign liquor including Indian made foreign spirit from outside the State. After import, thereof, for further distribution, additional license fee at the rate of Rupee one per quart bottle was chargeable from L-2* licensees.

During audit of the Assistant Excise and Taxation Commissioner, Solan, it was noticed (June 1998) that a case of illegal import of foreign liquor on the strength of fake passes was initiated by the Deputy Excise and Taxation Commissioner (Flying Squad) South Zone against L-1** licensee of Solan district. As a result of investigation it was found that against 8 excise permits

* L-2 : Licence for wholesale and retail vend of foreign liquor to the public only.

** L-1 : Licence for wholesale and retail vend of foreign liquor to the trade only.

issued by the Assistant Excise and Taxation Commissioner, Solan for the import of 32,400 proof litres of foreign liquor during the year 1996-97, the licensee had imported 76,950 proof litres of liquor in 19 consignments. While correlating the receipts of consignments with the licensee's records, the department noticed that only 8 consignments involving 32,400 proof litres of liquor had been found recorded therein which led to illegal import of 44,550 proof litres in 11 consignments. On the basis of investigation, an order for the suppression of sales during the year 1996-97 on account of sales tax was pronounced in March 1998. However, on illegal import of 44,550 proof litres of liquor, excise dues amounting to Rs. 17.27 lakh (excise duty : Rs. 13.36 lakh, import fee: Rs. 2.23 lakh, permit fee: Rs. 0.89 lakh, and additional licence fee: Rs. 0.79 lakh) were chargeable.

On this being pointed out (June 1998) in audit, the department intimated (December 1998) that the licensee, denied the imports and preferred an appeal before the Excise and Taxation Commissioner-cum-Financial Commissioner (Excise) against the order of the Collector (Excise) South Zone who had created (July 1998) a demand of Rs. 7.49 lakh (excise duty: Rs. 6.07 lakh; import fee: Rs. 1.01 lakh and permit fee: Rs. 0.41 lakh) in respect of 5 illegal consignments involving 20,250 proof litres of liquor. The appeal was dismissed in November 1998. It was further intimated that since the licensee had ceased to be L-1 licensee, action was being taken to recover the revenue from the sale of his moveable and immovable property and from surety, whereas additional licence fee was not chargeable as further distribution of liquor was not known. The reply of the department that further distribution of illegally imported 20,250 proof litres of liquor was not known is not tenable as the consignments had been received and further supplied. The department has been asked (February 1999) to re-examine the matter so that excise dues on account of additional licence fee of Rs. 0.79 lakh could be recovered from the defaulters. The case of remaining six consignments was under investigation with the department.

The department informed (April 1999) that the licensee had preferred an appeal in the High Court, Shimla against the demand of Rs. 7.49 lakh and the matter was under consideration in the Court of Law and that the case relating to illegal import of six consignments was being investigated by the Deputy Excise and Taxation Commissioner (North Zone) Palampur. Further report and report about re-examination of matter relating to additional licence fee has not been received (September 1999).

The matter was reported to Government in July 1998; their reply has not been received (September 1999).

3.7. Short/non-realisation of additional licence fee and interest

According to the Excise announcement for the year 1997-98, an additional licence fee at the rate of Rs. 1.50 per quart bottle shall be charged from the L-2 and L-14* licensees on the sale of foreign liquor including Indian made foreign spirit and country liquor at the vend. For delayed payments of additional licence fee, interest at the rate of 18 *per cent* per annum for a period of one month or part thereof from the date of default and in case the default in payment exceeds one month such licensee shall pay interest at the rate of 24 *per cent* per annum from the initial date of default in payment till the default continues.

During audit of the Assistant Excise and Taxation Commissioner, Solan and Excise and Taxation Officer, Kinnaur, it was noticed (June 1998 and November 1998) that additional licence fee on 2,26,398 bottles amounting to Rs. 3.40 lakh chargeable from the licensees was short realised. Besides, interest of Rs. 65,879 was also leviable.

On this being pointed out (June 1998 and November 1998) in audit, the department stated (September 1999) that out of Rs. 4.06 lakh, Rs. 2.95 lakh had since been recovered/adjusted and that recovery proceedings had also been initiated against the defaulting licensees. Further report has not been received (September 1999).

The matter was reported to the Government in July 1998 and December 1998; their reply has not been received (September 1999).

* L-14 : Retail vend of country spirit for consumption "on and off" the premises.

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 1998-99, revealed non-realisation or short realisation of tax and other irregularities amounting to Rs. 123.65 lakh in 105 cases, which broadly fall under the following categories:-

(In lakh of rupees)

		Number of cases	Amount
1.	Non-realisation or short realisation of		
	(i) Token Tax	29	21.95
	(ii) Passengers and Goods Tax	14	18.76
2.	Evasion of		
	(i) Token Tax	28	14.66
	(ii) Passengers tax	11	57.57
3.	Other irregularities		
	(i) Vehicles Tax	21	9.48
	(ii) Passengers and Goods Tax	2	1.23
	Total	105	123.65

During the course of the year 1998-99, the concerned departments accepted under-assessments etc., of Rs. 204.49 lakh, involved in 84 cases of which one case involving Rs. 0.05 lakh had been pointed out in 1998-99 and the rest in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 18.55 lakh are given in the following paragraphs.

4.2. Non-realisation of token tax

Under the Himachal Pradesh Motor Vehicles Taxation Rules, 1974, token tax levied under Section 3 of the Himachal Pradesh Motor Vehicles Taxation Act, 1972, shall be paid in advance in the prescribed manner. The Act provides that when any registered owner of the vehicle defaults in making payment of tax, the taxation authority in addition to the amount of arrears of tax may levy

penalty not exceeding the annual tax payable in respect of such vehicles or twice the amount of tax to which he is liable, whichever is higher.

During audit of the Registering and Licensing Authority (Rural), Shimla, it was noticed (May 1998) that owners of 10 buses had not deposited token tax amounting to Rs. 1.20 lakh for the period 1997-98. For non deposit of token tax, maximum penalty amounting to Rs. 2.40 lakh was also leviable.

On this being pointed out (May 1998) the department intimated (April 1999) that Rs. 0.75 lakh had since been recovered from the owners of 7 buses. Action taken to levy penalty in these cases and report of recovery in respect of remaining vehicles have not been received (September 1999).

The matter was reported to the Government (May 1998); their reply has not been received (September 1999).

4.3. 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 owners of a transport vehicle or a private carrier who delivers goods to his customers without charging freight separately may pay lump sum at the rate of Rs. 7,000 per annum per vehicle having loading capacity of more than 30 quintals with effect from 1st October 1996.

During the course of audit of the Assistant Excise and Taxation Commissioners, Hamirpur, Mandi, Nahan and Una, it was noticed (between March 1998 to April 1999) that goods tax amounting to Rs. 7.15 lakh was short realised in 403 cases during the period from October 1996 to March 1997 as per details given below:-

(In lakh of rupees)

Sr. No.	Name of Assistant Excise and Taxation Commissioner	No. of cases	Goods tax chargeable	Goods tax deposited	Goods tax short realised
1.	Hamirpur	75	2.50	1.07	1.43
2.	Mandi	35	1.22	0.51	0.71
3.	Nahan	162	4.64	2.12	2.52
4.	Una	131	4.59	2.10	2.49
	Total	403	12.95	5.80	7.15

On this being pointed out (March 1998, November 1998, January 1999 and April 1999) in audit, the department stated (February, March and April 1999) that in the case of Nahan district, Rs. 0.45 lakh had been realised in 28 cases and efforts were afoot to recover the remaining amounts. In respect of Hamirpur district, Rs. 0.42 lakh had been realised from 22 cases and action in the remaining 53 cases was under process, whereas in Mandi district, tax of Rs. 1,900 in respect of one vehicle was recovered and in remaining cases notices had been issued. Report of recovery of remaining cases and reply relating to Una district has not been received (September 1999).

The matter was reported to the Government (between April 1998 and April 1999); their reply has not been received (September 1999).

4.4. 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 and goods tax and surcharge at the prescribed rates. 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 the Assistant Excise and Taxation Commissioners, Kangra at Dharamshala, Solan and Excise and Taxation Officer, Kalpa, it was noticed (June, August and December 1998) that 179 goods vehicles (Solan:126, Kangra: 53) and 13 transport vehicles (Kalpa) registered with the Registering and Licensing Authority 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. 4.07 lakh (*at lump sum rates) and passenger tax and surcharge of Rs. 2.77 lakh (*at lump sum rates) for different periods commencing from 1996-97 and 1997-98 was payable by the owners of the vehicles to the concerned taxation authorities. A minimum penalty of Rs. 0.96 lakh was also to be levied.

On this being pointed out (June, August and December 1998) in audit, the department intimated (May 1999) that 29 goods vehicles had been registered and efforts were afoot to register remaining vehicles so as to recover balance amounts of tax of Rs. 2.89 lakh (Solan: Rs. 2.30 lakh, Kangra: Rs. 0.59 lakh). It was further intimated that eight transport vehicles had also been registered and assessed on actual basis whereas one vehicle was registered as goods vehicle and that the efforts were being made to register remaining four transport vehicles involving passengers tax of Rs. 21,335. Further report of recovery and levy of penalty in respect of cases registered had not been received (September 1999).

The matter was pointed out (July 1998, September 1998 and February 1999) in audit to the department and to Government; their replies have not been received (September 1999).

* *The financial effect brought out in the para is only illustrative and is based on lump sum tax as actual tax could not be calculated for want of information relating to actual collections. These figures may undergo change on the basis of calculations on actual basis.*

CHAPTER-5 : FOREST RECEIPTS**5.1. Results of audit**

Test check of the records of forest receipts, conducted in audit during the year 1998-99, revealed non-recoveries, short recoveries and other losses of revenue amounting to Rs. 2,924.40 lakh in 136 cases, which broadly fall under the following categories:-

(In lakh of rupees)

		Number of cases	Amount
1.	Non-recovery of royalty	10	342.50
2	Short recovery of royalty	13	122.39
3	Non-levy of extension fee	16	162.40
4	Non-levy of interest	11	139.53
5	Other irregularities	86	2157.58
	Total:	136	2924.40

During the course of the year 1998-99, the concerned department accepted under-assessments etc., of Rs. 415.59 lakh involved in 59 cases which had been pointed out in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 2,555.58 lakh are given in the following paragraphs.

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

Clause 3 of the standard agreement deed (also applicable to the Himachal Pradesh State Forest Corporation) provides 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. No time limit for the payment of extension fee and provision for the levy of

interest on belated payments thereto have been prescribed by the department/ Government.

(a) During audit of records of four* Divisional Forest Officers, it was noticed (between September 1997 and November 1998) 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. 221.83 lakh, pertaining to the lots exploited between the years 1982-83 and 1993-94, had been paid by the Corporation between November 1994 and July 1997 (the delay ranged between 242 days and 5,228 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. 237.08 lakh (worked out at the interest rates applicable on the belated payments of royalty of the lots).

The matter was reported (between September 1997 and November 1998) to the department and to Government between October 1997 and December 1998; their replies have not been received (September 1999).

Non-levy of extension fee

(b) During test check of the records of eighteen** Forest Divisions, it was noticed (between June 1996 and October 1998) that 124 forest lots, with lease periods between 1994-95 and 1997-98 were handed over to 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 122 lots only. Although the Corporation continued to work the lots after the expiry of the lease periods, the department had neither granted extension of the working periods in respect of 103 lots nor taken any action to forfeit the forest produce of these lots and to demand/ recover extension fee amounting to Rs.126.54 lakh. This resulted in non / short levy of extension fee amounting to Rs. 126.54 lakh as detailed in Appendix-I.

* *Karsog, Nichar, Suket and Theog.*

** *Bharmour, Chamba, Chopal, Churah, Dalhousie, Jogindernagar, Jubbal, Karsog, Kotgarh, Nachan, Nahan, Nurpur, Paonta Sahib, Parbati, Rampur, Rohroo, Seraj and Shimla.*

These cases were reported to Government between July 1996 and November 1998; their replies, except Chamba division, have not been received (September 1999).

5.3. Incorrect determination of royalty on broad leaved trees

According to a decision (April 1983) of the State Government, royalty for coniferous trees, marked and handed over to the Himachal Pradesh State Forest 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. The lots, other than coniferous trees marked for sawing of timber, are not covered under the aforesaid decision and full rates of royalty are required to be charged on trees included in such lots.

During audit of the records of eight* Divisional Forest Officers, it was noticed (between March 1997 and February 1999) that in 39 salvage lots of broad leaved trees containing 19,092.047 cubic metres standing volume of timber and 1,427.239 metres girth of khair were handed over to the Corporation for exploitation during the years 1994-95 to 1997-98. Scrutiny of the divisional records, however, revealed that royalty on the aforesaid timber was charged by the department at lower rates, by applying the intensity factor, instead of at full rates chargeable for broad-leaved trees. This resulted in royalty being charged short by Rs. 179.12 lakh (including sales tax) as detailed below:

(In lakh of rupees)

Sr. No	Name of division	No. of Lots	Year of working	Standing volume of Broad leaved/ Khair trees (in cubic metres/ M.G. of khair)	Amount of royalty			Sales tax charged short	Total
					Charge-able	Charged	Short charged		
1.	Paonta Sahib	8	1994-95	3,085.764 cum	87.64	24.72	62.92	18.88	81.80
		4	1995-96	129.478MG	38.78	11.46	27.32	8.20	35.52
				1,528.471 cum					
				164.379MG					
2.	Nahan	6	1996-97	1,993.565 cum	30.25	6.29	23.96	7.19	31.15
				987.442 MG					
3.	Nalagarh	2	1996-97	190.764 cum	5.90	1.91	3.99	1.20	5.19
				0.680 MG					
4.	Dharam-shala	4	1996-98	2557.812 cum	8.95	2.56	6.39	1.92	8.31
		4	1996-97	117.06 MG					
		5	1997-98	129.119 cum	2.78	0.80	1.98	0.59	2.57

* Dharamsala, Karsog, Nahan, Nalagarh, Palampur, Paonta Sahib, Rampur and Suket.

(In lakh of rupees)

Sr. No	Name of division	No. of Lots	Year of working	Standing volume of Broad leaved/ <i>Khair trees</i> (in cubic metres/ M.G. of <i>khair</i>)	Amount of royalty			Sales tax charged short	Total
					Charge-able	Charged	Short charged		
5	Suket	2	1995-97	8777.990 cum	25.28	18.04	7.24	2.17	9.41
6.	Rampur	1	1996-97	108.172 cum	2.91	0.63	2.28	0.68	2.96
7	Karsog	2	1996-97	720.390 cum	2.07	0.68	1.39	0.42	1.81
8.	Palam-pur	1	1996-97	28.200 MG	0.38	0.07	0.31	0.09	0.40
	Total	39		19,092.047 cum 1,427.239 MG	204.94	67.16	137.78	41.34	179.12

On this being pointed out (between March 1997 and February 1999) in audit, the department stated (June 1998 and May 1999) that revised demands pertaining to Nalagarh, Dharamsala, Karsog and Palampur divisions had been raised (between July 1997 and April 1999) and in respect of Suket division, the Corporation had been requested to make payment of royalty at full rates. No replies from Paonta Sahib, Nahan and Rampur divisions have been received (September 1999).

The cases were reported to Government (between April 1997 and March 1999); their replies have not been received (September 1999).

5.4. Loss of revenue due to incorrect formation of lot

According to a decision (April 1983) of the State Government, royalty for coniferous trees marked and handed over to the Himachal Pradesh State Forest 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. Further it was decided (March 1993) that working periods of lots would be fixed as one year and two years if the standing volume of timber marked is one lakh cubic feet (2832 cubic metres) and below and above one lakh cubic feet and upto 3 lakh cubic feet (8496 cubic metres) respectively.

During audit of the records of the Divisional Forest Officer, Chamba, it was noticed (August 1997) that 2, 122 trees containing 3,421.21 cubic metres of standing volume of timber, marked in seven forests, over an area of 934.86 hectares of Masroond Range, were marked and handed over (February 1996)

to the Corporation for exploitation during two working years i.e. 1996-98. The intensity of marked trees being 3.66 cubic metres per hectare, the royalty at the rate of 30 *per cent* of the royalty rates fixed for green trees were charged. Scrutiny of the records, however, revealed that in the above lot 1,341 trees containing 1,651.72 cubic metres standing volume of timber with an area of 133.60 hectares were included from Sloh* forest. Had this volume not been included in the above lot and a separate lot formed, the intensity of marking would have been 12.36 cubic metres per hectare and consequently, the royalty was chargeable at 50 *per cent* of the rates fixed for green standing trees. Besides, working period of two separate lots would have been one year each instead of two years of the lot. Thus, due to injudicious formation of this lot, by clubbing seven forests, the department had received royalty of Rs. 15.24 lakh (at 30 *per cent* of full rates) instead of Rs. 25.40 lakh (at 50 *per cent* of full rates) which resulted in loss of revenue of Rs. 10.16 lakh.

The case was pointed out (August 1997) to the department and reported to Government in September 1997; their replies have not been received (September 1999).

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

According to a decision (April 1983) of the State Government, royalty for all dry (fit) 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 per hectare of the total area of the forest or compartment thereof respectively. The Government decided in May 1989 that royalty for unfit trees, marked and handed over to the Corporation in salvage lots and having aforesaid limits of intensity of marking of trees, is chargeable at 18 *per cent*, 15 *per cent* and 9 *per cent* respectively of the rates fixed for standing green trees. Further, Government decided in March 1993 that where the exploitation work was already going on, supplementary markings of trees should be considered as a part of the original lot, irrespective of the quantity of standing volume marked.

As per the State Government's decision of May 1989, the intensity of marking of a lot is to be worked out by taking into account the total volume of the trees marked in all markings including original, additional or supplementary markings.

* Name of a forest

During audit of records of five Divisional Forest Officers, it was noticed (between June 1997 and September 1998) that 5 lots involving 3,733 salvage trees containing 5,459.38 cubic metres standing volume of timber were marked and handed over to the Corporation for exploitation during the years 1995-96 (one lot), 1996-97 (two lots) and 1997-98 (two lots). Scrutiny of records, revealed that the department had determined intensity of marking of trees incorrectly which resulted in short recovery of Rs. 23.94 lakh on account of royalty and sales tax as detailed below:-

(In lakh of rupees)

Sr. No.	Name of division	Number of lots/ year of working	Number of trees	Standing volume (in cubic metres)	Intensity of marking of trees (in cum. per hectare) Applied/ Applicable	Amount of royalty (including sales tax) charged short
1.	Nahan	1/1997-98	1,751	2,927.059	NA/7.85	11.98
Remarks : Royalty was charged at 30 per cent though chargeable at 50 per cent of the full rates.						
2.	Kunihar	1/1997-98	695	879.690	NA/5.055	4.43
Remarks: Royalty was charged at 30 per cent though chargeable at 50 per cent of the full rates.						
3.	Suket	1/1996-97	500	650.335	NA/7.50	2.79
Remarks: Royalty was charged at 30 per cent though chargeable at 50 per cent of the full rates.						
4.	Karsog	1/1995-96	529	654.976	4.96/6.09	3.19
Remarks: Working period of the lot containing 1,716.02 cubic metres of standing volume of timber was upto March 1996 and supplementary marking of 654.976 cubic metres was treated as a separate lot and not as a part of original lot. Consequently royalty was incorrectly charged at 30 per cent instead of 50 per cent of full royalty rates.						
5.	Hamirpur	1/1996-97	258	347.320	4.71/ 5.276	1.55
Remarks: Area of the forests was wrongly taken as 73.42 hectares instead of 65.826 hectares. Consequently royalty was charged at 30 per cent / 9 per cent instead of 50 per cent/ 15 per cent of full royalty rates.						
	Total	5 lots	3,733	5,459.38		23.94

On this being pointed out (between June 1997 and September 1998), the Divisional Forest Officer, Kunihar stated (August 1998) that revised bill on account of royalty had been raised (May 1998) whereas in respect of Nahan and Hamirpur Divisions, the department stated (July 1999 and November 1998) that revised bills had been raised (August 1998 and May 1998) against the Corporation and that sales tax amounting to Rs. 7.18 lakh was recovered (July 1998) from the Corporation in respect of Nahan Division. Further reports and replies in respect of Suket and Karsog divisions have not been received (September 1999).

These cases were reported to Government between July 1997 and September 1998; their replies have not been received (September 1999).

5.6. Non/short recovery of royalty on resin blazes

The Himachal Pradesh State Forest Corporation, entrusted with the work of tapping resin, is required to pay royalty on resin blazes at the rates fixed by the State Government.

During audit of the records of nine* Divisional Forest Offices, it was noticed (between December 1996 and January 1999) that in respect of 22,01,530 blazes handed over to the Corporation for resin tapping during the years 1995, 1996 and 1997, the department had either not claimed royalty or claimed at tentative rates. Even after fixation of the final rates by the Government, royalty which became due had not been recovered from the Corporation. This resulted in non/ short recovery of royalty amounting to Rs. 131.13 lakh detailed in Appendix-II.

These cases were reported to Government between January 1997 and February 1999; their replies have not been received (September 1999).

5.7. 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 Himachal Pradesh State 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 15th February to 15th March each year. 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 6* Divisional Forest Officers, it was noticed (between February 1997 and November 1998) that 99,163 resin blazes were not handed over to the Corporation for resin tapping between tapping seasons of 1995 and 1998 due to non-enumeration of blazes, delay in sending the enumeration lists which resulted in non-tapping of blazes from eligible trees and thus depriving the department of revenue of Rs. 32.04 lakh on account of royalty.

These cases were reported to Government between March 1997 and November 1998; their replies have not been received (September 1999).

* *Bilaspur, Dehra, Karsog, Kunihar, Mandi, Rampur, Renukaji, Seraj, and Suket*

* *Chamba, Chopal, Rampur, Renuka, Solan and Theog.*

5.8. Loss of revenue due to defective/ illicit tapping of resin blazes

According to the standard agreement deed, damages caused to resin blazes either through illicit tapping or tapping the blazes not in accordance with dimensions/ specifications prescribed in the 'Resin Tapping Instructions and Rules' are required to be got verified, acknowledged and accepted immediately from the Corporation. Accordingly, damage bills are to be raised by the department against the Corporation.

During audit of the records of four** Divisional Forest Offices, it was noticed (between January 1998 and February 1999) that damage bills amounting to Rs. 11.33 lakh, on account of damages caused to the blazes tapped during resin tapping seasons of 1996 and 1997, were issued to the Corporation between August 1996 and January 1999 for payment. The Corporation did not accept the bills and refused to make the payment on the ground that these damages were not got verified from their field staff and that damage bills were also not issued to them in time. Failure of the department for not getting the defective blazes accepted from the Corporation and non-raising of the bills in time has resulted in loss of revenue Rs. 11.33 lakh.

The cases were reported to Government between February 1998 and March 1999; their replies have not been received (September 1999).

5.9. Non /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 six Divisional Forest Offices, it was noticed (between December 1996 and September 1998) that 11 salvage forest lots containing 10,032.788 cubic metres of standing volume of timber and 876.83 metres girth of khair were handed over to the Corporation for exploitation between the years 1995-96 and 1997-98. Scrutiny of the records revealed that royalty amounting to Rs. 108.89 lakh had either not been charged or charged short on these trees. This resulted in non /short recovery of royalty

** *Bilaspur, Dehra, Dharamsala and Hamirpur*

amounting to Rs. 108.89 lakh (including sales tax) as per details given below:-
(In lakh of rupees)

Sr. No.	Name of division	No. of lots	Year of working	Standing volume (in cubic metres/ metres girth of <i>khair</i>)	Amount of royalty (including sales tax)		
					Chargeable	Charged	Non/ short charged
1.	Sarahan Bushehar (Wild Life)	2	1996-98	6,107.40 M3	103.08	-----	103.08
Remarks: Royalty was not claimed.							
2.	Paonta Sahib	5	1996-97	746.696 M3 212.892 MG	20.82	19.09	1.73
Remarks: Royalty was charged at 1995-96 rates instead of 1996-97 rates.							
3.	Churah	1	1996-97	789.630 M3	2.96	1.12	1.84
Remarks: Royalty was short claimed.							
4.	Dharamsala	1	1996-97	654.230 MG	11.48	11.04	0.44
Remarks: Royalty was charged at 1995-96 rates instead of 1996-97 rates.							
5.	Nahan	1	1997-98	221.352 M3 9.708 MG	4.63	3.48	1.15
Remarks: Royalty in respect of 143.242 cubic metres out of 221.352 cubic metres standing volume of Broad leaved trees and 9.708 metres girth of <i>khair</i> was not demanded.							
6.	Nurpur	1	1995-96	2,167.710 M3	11.96	11.31	0.65
Remarks: Royalty for 118.53 cubic metres out of 2,167.71 cubic metres standing volume of timber was not demanded.							
	Total	11		10,032.788 M3 876.830 MG	154.93	46.04	108.89

On this being pointed out (between December 1996 and September 1998), the department stated (between August 1998 and July 1999) that in respect of Paonta Sahib, Dharamsala and Nahan divisions, revised bills had been sent to the Corporation and the Divisional Forest Officer, Sarahan (Wild Life) stated (May 1998) that royalty and sales tax amounting to Rs. 103.08 lakh had been claimed in November 1997 from the Corporation. Replies in respect of Churah and Nurpur divisions have not been received (September 1999).

The cases were reported (between January 1997 and September 1998) to Government; their replies have not been received (September 1999).

5.10. 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 and the Corporation would work all such lots and would not pick and choose them. The Corporation would be required to pay royalty on trees handed over for exploitation as per the rates approved by the State Government.

During audit of records of eight* Divisional Forest Offices, it was noticed (April 1996 and July 1998) that failure of the department either to mark salvage trees for felling or handover marked trees for exploitation to the Corporation between the years 1994-95 and 1997-98 resulted in non-disposal of 3,927 trees containing 6,637.689 cubic metres of standing volume of timber and 305.82 metres girth of khair and consequent blockage of revenue amounting to Rs. 108.32 lakh.

The cases were reported (between April 1996 and August 1998) to Government; their replies except Churah division have not been received (September 1999).

5.11. Short recovery of sales tax

The Himachal Pradesh State Forest Corporation Limited, which is entrusted with the lease rights for working forest lots, is required to pay sales tax on the sale value of the lots in addition to royalty as per clause 18(G) of the standard agreement deed for lease of forests.

During test check of the records of three** Divisional Forest Officers, it was noticed (between July 1998 and February 1999) that 42** salvage lots, involving royalty amounting to Rs. 258.85 lakh, were handed over to the Corporation for exploitation during the years 1993-94 (5 lots) and 1997-98 (37 lots), on which Rs. 77.65 lakh was chargeable as sales tax from the Corporation but only Rs. 58.97 lakh recovered by the department. This resulted in short recovery of sales tax amounting to Rs. 18.68 lakh.

On this being pointed out (between July 1998 and February 1999), the Divisional Forest Officer, Rajgarh stated (February 1999) that final outcome would be intimated after reconciliation with the Corporation. Replies in respect of remaining divisions and reports of reconciliation/ recoveries have not been received (September 1999).

The cases were reported to Government between August 1998 and March 1999; their replies have not been received (September 1999).

5.12. Non-recovery of sale proceeds of timber and fuelwood

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

* Chopal, Churah, Dehra, Dharamsala, Kullu, Nachan, Pooh and Shimla,

** Rajgarh (32 lots), Renukaji (5 lots) and Shimla (5 lots).

During test check of records of the Divisional Forest Officers, Churah, Nachan, Suket and Theog divisions, it was noticed (between March 1995 and July 1998) that 108.19 cubic metres of volume of timber and 200 quintals of fuelwood were handed over (between March 1994 and June 1996) to the Corporation for auction. Further scrutiny of the records revealed that the department had not enquired about the auction(s) held or demanded the sale proceeds. This resulted in non-recovery of sale proceeds of timber and fuelwood valued at Rs. 15.84 lakh (including sales tax).

On this being pointed out (between March 1995 and July 1998), the department stated (January 1997) that in respect of Theog division, the bill was being raised whereas in respect of Suket division it was intimated (February 1999) that despite reminders, the Corporation did not intimate the date of auction and amount of sale. Further progress, reports of recoveries and reply in respect of Nachan division have not been received (September 1999).

Government to whom these cases were reported (between April 1995 and August 1998) stated (August 1995) that the matter relating to Churah division was being taken up with the Corporation. Further progress and replies in respect of remaining divisions have not been received (September 1999).

5.13. Non-deposit of transportation charges into the account of department

To meet the bonafide domestic and agricultural requirement of the people residing in tribal areas of Lahaul & Spiti districts, fuel wood and timber is sold at the depots managed by the Forest Department. For this purpose, timber and fuelwood 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 Officer, Spiti at Kaza, it was noticed (September 1998) that in a sale depot of Forest department at Kaza transportation charges amounting to Rs. 9.64 lakh were charged on account of sale of fuelwood to the Government departments between April 1996 and March 1998 but the same was deposited into the account of the Corporation instead of departmental accounts. This resulted in non-receipt of Rs. 9.64 lakh by the Department.

On this being pointed out (September 1998) in audit, the Divisional Forest Officer stated that the matter was being referred to the Conservator of Forests, Rampur circle, for clarification. But in view of the instructions of August

1992, clarification on this point was not necessary. Further progress and report of recovery have not been received (September 1999).

The case was reported to Government in October 1998; their reply have not been received (September 1999).

5.14. Short recovery of royalty

The Himachal Pradesh State Forest Corporation, responsible for forests exploitation, is required to pay royalty at the rates fixed by the State Government. As per decision (May 1989) of the State Government, royalty for trees marked and handed over to the Corporation in supplementary markings is to be charged at the rates fixed for the year in which such trees are actually handed over.

During audit of the records of the Divisional Forest Officer, Kullu, it was noticed (October 1997) that 1,123 trees containing 6,762.01 cubic metres of standing volume of timber, marked in supplementary markings, were handed over to the Corporation in July 1996. Scrutiny of records showed that royalty on these trees was charged as Rs.61.42 lakh at the rates, fixed for 1995-96 instead of Rs.67.57 lakh at the rates applicable for 1996-97 the year in which the trees were actually handed over. This resulted in short recovery of royalty amounting to Rs. 6.14 lakh (including sales tax).

On this being pointed out (October 1997) in audit, the department stated (April 1998) that revised demand amounting to Rs.67.57 lakh had been raised (December 1997) against the Corporation. Report of recovery have not been received (September 1999).

The case was reported (December 1997) to Government ; their replies have not been received (September 1999).

5.15 Non-recovery of interest

As per provisions of the agreement deed, for the transfer of land to a private limited company for the execution of Baspa-II Hydrel Project, the price of trees to be removed from the Project site, was required to be paid at the prevalent market rates by the company by 1 April 1994 to the Forest department failing which the company was liable to pay interest at the rate of 16.5 *per cent* per annum for the belated payments.

During audit of the records of the Divisional Forest Officer, Nichar, it was noticed (October 1997) that payments amounting to Rs. 53.94 lakh in respect

of the price of trees was delayed for a period of 173 days to 269 days, but the department did not claim interest of Rs. 4.79 lakh from the company.

On this being pointed out (October 1997) in audit, the department stated (May 1998) that demand on account of interest had been raised in January 1998 against the company. Report of recovery has not been received (September 1999).

The case was reported to Government in December 1997; their reply have not been received (September 1999).

5.16. Administrative failure in the 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 divisions. 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 got approved from the Inspector General of Forests, Working Plan Cell of the Government of India.

During audit of records of the Divisional Forest Officers, Solan and Nahan, it was noticed (July 1998 and September 1998) that 664.60 hectares of bamboo forests were due for exploitation during 1997-98 as per working plans applicable to these divisions. Bamboo forests were required to be handed over to the Corporation before middle of October 1997 so that felling could commence in the middle of October and complete not later than the end of February. Scrutiny of the records, however, revealed that though the proposals for 664.60 hectares for handing over bamboo forests were forwarded by the concerned divisional forest officers between February and July 1997 approval thereof was accorded by the concerned Conservator of Forests, in December 1997 for 325.60 hectares only. Accordingly, the Corporation was asked (December 1997 and January 1998) to take over the possession of bamboo forests for exploitation but Corporation refused to take possession (December 1997 and February 1998) because of delays. Approval to the balance 339 hectares of bamboo forests had not been received till August 1998. Thus delay in approval on the part of department not only resulted in non-exploitation of bamboo forests measuring 664.60 hectares and blocking of revenue amounting to Rs. 4.28 lakh (including sales tax) but also hampered further growth of bamboo.

Government, to whom the cases were reported in August and September 1998 stated (August 1999) that necessary approval to exploit bamboo forests of Nahan and Solan divisions had been conveyed by the Principal Chief

Conservator of Forests, Himachal Pradesh in September 1998 to the quarters concerned. Further progress have not been received (September 1999).

5.17. Non-recovery of royalty on bamboos

The Government decided (May 1994) to charge the royalty at 20 *per cent* of the gross sale of bamboo for the year 1993-94 and onwards for bamboo lots handed over to the Himachal Pradesh State Forest Corporation for exploitation. In addition to royalty, sales tax on sale of bamboo lots is also required to be deposited by the Corporation.

During audit of the records of the Divisional Forest Officers, Dehra and Bilaspur, it was noticed (January 1999) that three bamboo lots were handed over to the Forest Corporation for exploitation during the year 1997-98. Scrutiny of records, however, revealed that though the Corporation had sold the bamboos worth Rs. 14.81 lakh, the department did not claim royalty and sales tax amounting to Rs. 3.85 lakh.

On this being pointed out (January 1999), the Conservator of Forests, Dharamsala stated (August 1999) that demand on account of royalty and sales tax on bamboo lots had been raised against the Corporation in respect of Dehra Division. Report of recovery and reply in respect of Bilaspur Division have not been received (September 1999).

These cases were reported to Government in February 1999; their replies have not been received (September 1999).

5.18. Non-levy of interest on belated payment 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 fellings or damages caused to unsold/unmarked trees within 30 days of the communication issued by the Forest Officer which can be extended upto one year by the Conservator of Forests on receipt of request from the lessee on 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 (September 1991) to 16.5 *per cent* per annum from 1991-92.

During audit of the records of three Divisional Forest Offices, it was noticed (between February 1997 and July 1997) that in respect of timber lots exploited between the years 1989-90 and 1993-94 damage bills amounting to Rs. 4.15

lakh were paid by the Corporation on 12 January 1995. For delayed payments of damages, interest amounting to Rs. 2.81 lakh had not been demanded by the department as per details given below:-

(In lakh of rupees)

Name of division	Year to which damages pertain	Amount of damage bill(s)	Delay ranged between (in days)	Amount of interest not charged	Remarks
Chopal	1989-90	2.00	365 and 1382	1.55	The Divisional Forest Officer accepted the audit point and stated (July 1997) that demand for Rs. 1.55 lakh had been raised.
Shimla	1989-90	0.64	365 and 1382	0.50	The department stated (March 1998) that bill on account of interest had been raised against the Corporation.
Nahan	1990-91 and 1993-94	1.51	286 and 1382	0.76	The department stated (February 1997) that the Corporation had been asked to release the payment of damage bills.
	Total:	4.15		2.81	

Further progress and reports of recoveries have not been received (September 1999).

The cases were reported to Government (between April 1997 and September 1997); their replies have not been received (September 1999).

5.19. Short recovery of royalty due to incorrect determination of volume of trees

The Himachal Pradesh State Forest Corporation, entrusted with the responsibility of forest exploitation work, is required to pay royalty on trees at the rates fixed by the State Government on the basis of the volume table prescribed in the relevant working plan.

During audit of the records of three Divisional Forest Offices, it was noticed (March 1997 and June 1998) that four salvage* lots were handed over to the

* Lot consisting trees of dry standing, dry fallen, green half broken, base broken/ fallen green trees.

Corporation for exploitation during the years 1995-96, 1996-97 and 1997-98. Scrutiny of the divisional records revealed that due to incorrect determination of classes of trees and mistakes in calculation of volume, the standing volume of 2541 trees marked and included in these lots was worked out by the divisions as 3,699.55 cubic metres and 7.73 metres girth of khair instead of correct volume of 3,773.28 cubic metres and 24.30 metres girth of khair respectively. This resulted in short recovery of royalty amounting to Rs. 2.01 lakh (including sales tax) as detailed below:

(Rupees)

Sr. No.	Name of division	No. of lots	No. of trees	Standing volume of trees			Royalty and sales tax charged short
				Actual	Worked by the department	Less taken by the department	
1.	Churah	2	1162	2,320.42	2,261.69	58.73	96,796
				(cubic metres)			
Remarks: Incorrect classification of trees.							
2.	Dehra	1	43	24.30	7.73	16.57	37,090
				(metres girth of khair)			
Remarks: Calculations of mid girth of <i>khair</i> trees were incorrect.							
3.	Paonta Sahib	1	1336	1,452.86	1,437.86	15.00	66,768
				(cubic metres)			
Remarks: Calculations in respect of standing volume of trees were incorrect.							
Total		4	2,541	3,773.28	3,699.55	73.73	2,00,654
				(cubic metres)			or say
				24.30	7.73	16.57	Rs.2.01 lakh
				(metres girth of <i>khair</i>)			

On this being pointed out (between March 1997 and June 1998) in audit, the department stated (between October 1997 and April 1999) that revised bills in respect of Dehra, Paonta Sahib and Churah divisions (one lot each) had been issued (March 1997, February 1998 and December 1998 respectively) to the Corporation. In case of one lot pertaining to Churah division demand would be raised. Further progress and report of recoveries have not been received (September 1999).

These cases were reported to Government (between April 1997 and July 1998); their replies have not been received (September 1999).

5.20. 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 was chargeable.

Further, as per clause 18 (G) of the standard agreement deed (applicable to the State Forest Corporation), 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 29* Divisional Forest Offices, it was noticed (between January 1995 and February 1999) that in respect of 224 forest lots and seized timber, which were handed over to the Corporation for exploitation during the years 1990-2000, 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, interest and penalty at the above rates amounting to Rs. 257.66 lakh (interest Rs. 242.22 lakh and penalty Rs. 15.44 lakh) was leviable but was not demanded by the department as per details given in 'Appendix III' to the para.

These cases were reported to Government between January 1995 and March 1999; their replies have not been received (September 1999).

5.21. Irregular adjustment of royalty

The Himachal Pradesh State Forest Corporation (Corporation) entrusted with the responsibility of exploitation of all forest lots, is required to pay royalty on trees marked and included in such lots, at rates fixed by the State Government. According to the Himachal Pradesh Financial Rules, 1971, Volume I, the departmental controlling officers should see that all sums due to Government are regularly and promptly assessed, realised and duly credited into the treasury.

The State Government decided (January 1997) that the Corporation should deposit Rs. 250.00 crore as advance royalty during the financial year 1996-97

* Bharmour, Chamba, Chopal, Churah, Dalhousie, Dehra, Dharamsala, Jogindernagar, Jubbal, Karsog, Kotgarh, Kullu, Kunihar, Nachan, Nichar, Nurpur, Palampur, Paonta Sahib, Parbati, Pooh, Rajgarh, Rampur, Renukaji, Rohroo, Sarahan, Seraj, Shimla, Suket and Theog.

though no such provision was contained in the agreement executed between the Forest department and the Corporation. For this purpose the Corporation was authorised to raise loan from the open market against Government guarantee and also that the budgetary support could be made available to the Corporation against interest liabilities of the loan to be raised. Accordingly, the loan of Rs. 154.34 crore was raised by the Corporation by issue of non-Statutory Liquidity Ratio (S.L.R.) bonds. After adjusting upfront discount of Rs. 3.59 crore to bond holders, the balance amount of Rs. 150.75 crore was deposited as an advance royalty in Government treasury under the head of account "8448-Deposits of local funds, 120-Other Funds Deposits of Himachal Pradesh State Forest Corporation" being operated by the Finance Department instead of revenue head "8782- Cash Remittances and Adjustments between Officers rendering account to the same Accounts Officer- 103 Forest Remittances" of the Forest Department.

Under Escrow* mechanism for the discharge of the liabilities on account of interest on bonds and principal repayments, an amount of Rs. 10.00 crore was also deposited (June 1997) by the Corporation in the State Bank of Patiala in the account termed as Designated Royalty Account, to be adjusted against royalty and other dues payable by it to the Forest Department in respect of forest timber lots.

During audit of records of 12** Divisional Forest Offices, it was noticed (between July 1998 and March 1999) that in respect of salvage forest lots handed over to the Corporation for exploitation during the period between 1995-96 and 1997-99, the Divisional Forest Officers had adjusted the royalty amounting to Rs. 1,261.33 lakh against the deposits made by the Corporation in the State Bank of Patiala under the "Escrow Account-Designated Royalty Account" (Rs. 1,251.62 lakh) and the amounts deposited under '8448-deposits of local funds-120 other funds of HPSFC' (Rs. 9.71 lakh) instead of the correct revenue head of account of the Forest department. This resulted in irregular adjustment of royalty to the tune of Rs. 1,261.33 lakh.

These cases were pointed out (between July 1998 and March 1999) in audit to the department and reported to Government (between August 1998 and April 1999); their replies have not been received (September 1999).

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

** Chamba, Chopal, Dalhousie, Jubbal, Nachan, Nichar, Nurpur, Rajgarh, Rohroo, Seraj, Shimla and Una.

CHAPTER 6: OTHER TAX AND NON-TAX RECEIPTS**REVENUE DEPARTMENT****A-STAMP DUTY AND REGISTRATION FEE****6.1. Results of audit**

Test check of records relating to stamp duty and registration fee, conducted in audit during the year 1998-99, revealed non-levy/short determination of stamp duty and registration fee and other irregularities amounting to Rs. 208.05 lakh in 153 cases, which broadly fall under the following categories:-

(In lakh of rupees)

		Number of cases	Amount
1.	Non-levy/short determination of stamp duty and registration fee	122	189.25
2.	Other irregularities	31	18.80
	Total	153	208.05

During the course of the year 1998-99, the concerned department accepted under-assessments etc., of Rs. 4.24 lakh involved in 33 cases, of which 1 case involving Rs. 0.11 lakh had been pointed out in audit during 1998-99 and the rest in earlier years. The results of review on "Stamp Duty and Registration Fee" conducted by audit highlighting important observations involving financial effect of Rs.266.44 lakh are given in the following paragraphs.

6.2. Stamp Duty and Registration Fee

6.2.1. Introduction

The levy and collection of stamp duty in Himachal Pradesh on various types of instruments such as conveyance, exchange, mortgage, lease, gift, settlement, partition, power of attorney, agreement etc., is governed by the Indian Stamp Act, 1899 read with the Indian Stamp (Himachal Pradesh Amendment) Act, 1976. The duty is paid either by using impressed stamps of the proper denomination or by affixing stamps (non-judicial) of the proper denomination. Rates of stamp duty leviable in Himachal Pradesh on different types of instruments are given in Schedule IA to the Indian Stamp (Himachal Pradesh Amendment) Act, 1976. The levy of registration fee on the instruments presented for registration is governed by the Indian Registration Act, 1908 and the rules framed thereunder. The registration fee is levied at the prescribed rates subject to maximum of Rs. 5,000.

Stamps are supplied to the Treasuries by the Controller of Stamps, Central Stamp Store, Nasik on the indents of Treasury Officers submitted through the Financial Commissioner. The stock position of non-judicial stamps for the years 1995-96 to 1997-98 was as under:-

(In crore of rupees)

Year	Opening balance	Stamps received from Nasik	Total	Receipts on account of sale of stamps	Closing Balance
1995-96	19.10	18.19	37.29	9.66	27.63
1996-97	27.63	29.45	57.08	10.42	46.66
1997-98	46.66	15.07	61.73	12.92	48.81

Note: Average sale of stamps per year = $\frac{33.00}{3}$ = Rs. 11.00 crore

3

The Himachal Pradesh Stamp Rules, 1973 lays down that the District Treasury (local depot) shall maintain a reserve stock of stamps not less than the probable consumption for four months, in addition to the stock of stamps required for the four monthly or annual consumption for which indents are submitted four monthly and yearly, respectively.

The above stock position of stamps would show that at the end of each financial year, the stock of stamps in hand was much more than required for

consumption. The stock of stamps had increased from Rs. 27.63 crore (1995-96) to Rs. 48.81 crore (1997-98) against the average annual requirement of stamps worth Rs 11.00 crore. The District Treasury Officers had thus failed to adhere to the codal provisions.

Scrutiny of the records further revealed that 8 District Treasury Officers had sufficient stock of stamp papers at the beginning of a particular year yet they indented more non-judicial stamp papers which resulted in over stocking as detailed below:

(In lakh of rupees)

Sr. No.	Name of Distt. Treasury	Opening balance of stamps		Value of stamps received from Nasik during the year	Total	Value of stamps sold during the year	Percentage of consumption
		As on	Amount				
1.	Bilaspur	1-4-97	98.18	110.26	208.44	33.72	16.18
2.	Chamba	1-4-95	116.14	118.27	234.41	23.35	9.96
3.	Hamirpur	1-4-95	175.53	113.70	289.23	58.81	20.33
		1-4-97	106.23	209.00	315.23	91.74	29.10
4.	Kangra	1-4-97	286.78	255.38	542.16	217.80	40.17
5.	Mandi	1-4-97	222.51	130.50	353.01	128.80	36.49
6.	Shimla	1-4-95	347.51	235.65	583.16	147.64	25.32
		1-4-96	393.97	2821.00	3214.97	187.51	5.83
		1-4-97	2291.46	168.55	2460.01	252.41	10.26
7.	Sirmour	1-4-95	709.37	78.74	788.11	56.59	7.18
8.	Solan	1-4-97	320.96	392.67	713.63	289.60	40.58

On this being pointed out (July 1999) in audit to Government, the Finance Department stated (August 1999) that in order to avoid unnecessary stock of stamps in future, all district treasuries were being directed to indent stamps on the estimated consumption and that steps were being taken to transfer stamps of particular denomination from those district treasuries where the sale thereof may not be anticipated in near future, to other district treasuries. Further report had not been received (September 1999).

6.2.2. Organisational set up

The superintendence and control over the registration work is vested in the Inspector General of Registration. He is assisted in performance of his duties by the Deputy Commissioners, Tehsildars and Naib-Tehsildars acting as the Registrars and Sub-Registrars respectively. The State Government exercises control over the Stamp Administration through the Financial Commissioner (Revenue), three Commissioners of the Divisions, twelve Registrars (Deputy Commissioners) and one hundred and one Sub-Registrars (Tehsildars/ Naib Tehsildars).

6.2.3. Scope of audit

The records relating to levy, collection, exemption and remission of stamp duty and registration fee in 52 offices out of 113 registering offices in the State, for the years 1995-96 to 1997-98 were test checked in audit between April 1998 and March 1999 with a view to ascertaining whether the provisions of the Acts, Rules and Instructions issued from time to time by Government were being effectively implemented for assessment, levy and collection of stamp duty and registration fee.

6.2.4. Trend of revenue and registration of documents

(a) The table below indicates the total revenue raised by the State from stamp duty and registration fee and percentage of this revenue to the total tax revenue raised by the State during 1995-96 to 1997-98.

(In crore of rupees)

Year	Total tax revenue raised by the State	Total number of documents registered	Revenue realised from stamp duty and registration fee	Percentage of revenue from stamp duty and registration fee to the total revenue
1995-96	341.52	57115	13.78	4.03
1996-97	412.11	59996	15.44	3.75
1997-98	476.16	66226	18.77	3.94

(b) The budget estimates vis-a-vis actual receipts during 1995-96 to 1997-98 were as under:-

(In crore of rupees)

Year	Budget estimates	Actual receipts	Variations increase (+)	Percentage of variation
1995-96	11.55	13.78	(+) 2.23	19
1996-97	11.48	15.44	(+) 3.96	34
1997-98	12.20	18.77	(+) 6.57	54

The variations between budget estimates and actual receipts under Stamp duty and registration fee during these years were mainly due to registration of more documents and hike in the value of immovable properties resulting in increase in sale in stamp papers than estimated.

6.2.5. Highlights

(i) Under valuation of property in 631 cases resulted in short levy of stamp duty and registration fees amounting to Rs. 57.74 lakh (including fine).

{Paragraph 6.2.6(a),(b) & (c)}

(ii) Incorrect grant of exemptions from the levy of stamp duty and registration fee in 716 cases resulted in non-realisation of duty/ fee aggregating Rs. 155.93 lakh.

{Paragraph 6.2.7(a),(b),(c), & (d)}

(iii) Misclassification of instruments in 39 cases resulted in short realisation of stamp duty and registration fee by Rs. 8.01 lakh.

{Paragraph 6.2.8(a)&(b)}

6.2.6. Undervaluation of immovable property

The Indian Stamp Act, 1899, as amended (vide Himachal Pradesh Act No. 7 of 1989) in its application to Himachal Pradesh provides that the consideration and all other facts and circumstances affecting the chargeability of any instrument with duty 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. Any person intending to defraud the Government, if executes any instrument concealing the complete facts is punishable with a fine which may extend to five thousand rupees.

(a) Records of seven* Sub Registrars revealed that in 29 cases registered during 1997, the value of the properties set forth in the deeds of conveyance were shown less than those shown in the agreements to sell, executed by the executants earlier and recorded with the document writers. This resulted in short realisation of stamp duty and registration fee amounting to Rs. 7.54 lakh. Besides fine upto Rs. 1.45 lakh could also be levied in these cases.

On this being pointed out the department stated (between June and December 1998) that the cases would be re-examined after scrutinising the records of document writers and the loss, if any, made good. Further reports had not been received (September 1999).

* Amb, Dharamsala, Kasauli, Kullu, Mandi, Sundernagar and Una

(b) In 564 cases registered with 46* Sub-Registrars during 1995, 1996 and 1997, the consideration of the properties set forth in the documents, was much below the average price (market value) certified by the concerned Patwaris of the locality. The Registering Officers, after registering these instruments did not refer these cases to the Collector for determination of the market value. Calculated on the basis of the prices of land (market value) in that locality during the period between 1994 and 1996 as per records of the concerned Patwari, stamp duty and registration fee forgone worked out to Rs. 38.73 lakh.

On this being pointed out in audit, the department stated (between July 1996 and January 1999) that an amount of Rs. 2.12 lakh in 39 cases had been recovered and remaining cases would be re-examined and recoveries effected where due. Further reports had not been received (September 1999).

(c) Records of eight** Sub-Registrars and Registrar, Dharamsala revealed that in 38 cases registered during the year 1997, the Patwaris of the locality concerned had worked out the (market value) average price of the land incorrectly and the Sub-Registrars/ Registrar failed to detect the mistakes. This resulted in under-valuation of the property and consequently short realisation of stamp duty and registration fee of Rs. 10.02 lakh.

On this being pointed out the department stated (between May 1998 and April 1999) that after re-examination of the cases, action would be taken. Further progress had not been received (September 1999).

6.2.7. Incorrect exemption

(a) Under the Indian Stamp Act, 1899 as applicable to Himachal Pradesh the Government may reduce or remit, the duties with which any instruments or any particular class of instruments, or any of the instruments belonging to such class, of any instruments, when executed by, or in favour of, any particular class of persons, or by or in favour of any members of such class, are chargeable. Thus, the Act does not empower the Government to give undue benefit to a particular individual by granting exemption from payment of stamp duty.

* *Amb, Arki, Aut, Barsar, Banjar, Bilaspur, Bhoranj, Baijnath, Chamba, Dadahu, Dehra, Dharamsala, Dheera, Dalhousie, Fatehpur, Ghumarwin, Hamirpur, Haroli, Indora, Jawali, Jogindernagar, Kamrau, Kandaghat, Kangra, Kasauli, Kullu, Mandi, Nahan, Nadaun, Nalagarh, Nurpur, Pachhad, Palampur, Paonta Sahib, Rampur, Rajgarh, Sarkaghat, Sainj, Shahpur, Shimla (R), Shimla (U), Solan, Sujanpur, Sundernagar, Theog and Una*

** *Arki, Baijnath, Bilaspur, Jawali, Jaisinghpur, Indora, Kasauli and Nalagarh.*

Scrutiny of records of the Sub-Registrar (Rural), Shimla, revealed (July 1998) that the Himachal Pradesh Government Tourism Department (Vendor) had sold its property known as "Wild Flower Hall" Chharabra comprising of 102.19 bighas of land, 18793.14 Sq. ft. building and staff quarters and 2,227 trees to the Mashobra Resort Private Limited (Vendee), a company registered under the Companies Act, 1956, (a joint venture of East India Hotel Limited and Government of Himachal Pradesh) for a consideration of Rs. 7.50 crore. As per conveyance deed executed in February 1997, the Vendee was to issue 70 lakh Equity Shares at par valued at Rs. 7.00 crore in favour of the Vendor and the remaining amount of Rs. 50 lakh was termed as loan given by the Vendor to the vendee at the State Bank of India's prime lending rate prevailing on the date of transfer of possession of the property to the Vendee. In contravention of the provisions of the Act, the State Government exempted (January 1996) the company from levy of stamp duty on this particular conveyance deed registered in February 1997 which tantamounts to undue benefit to the vendee. The exemption had deprived the Government of stamp duty to the extent of Rs. 90.00 lakh.

It was further noticed that the value of the above property was assessed as Rs. 7.90 crore by committee set up by the Government of Himachal Pradesh. The value of property was further reduced by approximation to Rs. 7.50 crore by the then Chief Secretary to the Government of Himachal Pradesh Shri R.K. Anand as the Chairman of the Committee. Reasons for reduction by approximation were not on record. This deprived the Government of Rs. 40 lakh on account of sale of Government estate and Rs. 4.80 lakh as stamp duty.

On this being pointed out in audit, the department stated (July 1998) that the matter would be taken up with the Government and audit informed accordingly. Further report had not been received (September 1999).

(b) The Himachal Pradesh Co-operative Agricultural and Rural Development Act, 1979 provides that loans other than short term loans may be advanced by the banks for different agriculture purposes as mentioned in it and no fee is to be charged in respect of 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, also clarified in November 1997 that the stamp duty and registration fee was leviable in all cases where loans had been secured for the purposes other than agricultural purposes.

Records of 41** Sub-Registrars disclosed that 688 mortgage deeds were executed in the name of individuals for obtaining loans from the Agricultural

** *Amb, Arki, Aut, Barsar, Banjar, Bhoranj, Bilaspur, Chamba, Chuwari, Chopal, Chachiot, Dehra, Dalhousie, Ghumarwin, Hamirpur, Haroli, Indora, Jawali, Jaisinghpur, Jogindernagar, Jubbal, Kandaghat, Kasauli, Kotkhai, Kullu, Mandi, Nadaun, Nalagarh, Nurpur, Pachhad, Palampur, Paonta Sahib, Rampur, Rajgarh, Rohru, Sainj, Shimla (R), Solan, Sundernagar, Theog and Una*

and Rural Development Banks for the purposes other than prescribed for exemption such as for the purchase of trucks/ mini trucks/ buses/ minibuses/ jeeps/ three wheelers for construction of hotels/ Guest houses, opening of dhabas, jewellery shops, setting up of service stations. The Registrars/ Sub-Registrars while registering the documents, did not levy any stamp duty and registration fee thereon. This resulted in non-realisation of stamp duty of Rs. 32.26 lakh and registration fee of Rs. 27.50 lakh.

On this being pointed out in audit (between May 1998 and January 1999) the department stated that recoveries would be effected. Further progress had not been received (September 1999).

(c) By a notification of 10th August 1996, the remission of stamp duty payable on instruments executed by or on behalf of the societies registered under the Co-operative Societies Act was withdrawn in so far as co-operative house building societies were concerned.

It was noticed that Sub-Registrar (Rural), Shimla had exempted two mortgage deeds executed during 1997 by "The Officers House Building Co-operative Society", from payment of stamp duty and registration fee which resulted in non-realisation of stamp duty and registration fee of Rs. 27,000.

On this being pointed out (July 1998) in audit, the department stated that necessary action would be taken to effect the recovery. Further report had not been received (September 1999).

(d) Mortgage deeds executed by Central Government employees and employees of the Himachal Pradesh Government, Public Sector Undertakings and Autonomous bodies of the State Government for securing the repayment of house building advance received by them from the Government/ Public Sector undertakings and autonomous bodies for the purpose of construction, purchase or repair of a dwelling house for their own use were exempted from payment of stamp duty. The exemption was not admissible to the employees of other States and their Public Sector undertakings and autonomous bodies.

Fourteen* Sub-Registrars had allowed exemptions to 25 employees of other States/ Autonomous bodies of other States in respect of mortgage deeds executed by them during 1995, 1996 and 1997. This resulted in non-realisation of stamp duty and registration fee of Rs 1.10 lakh.

On this being pointed out in audit (between January 1996 and December 1998) the department stated (December 1998) that Rs. 8,995 had been recovered and

* *Amb, Barsar, Bhoranj, Chachiot, Chamba, Dalhousie, Dehra, Haroli, Jaisinghpur, Jogindernagar, Mandi, Nadaun, Nahan and Palampur*

action in the remaining cases would be taken. Further reports had not been received (September 1999).

6.2.8. Misclassification of documents

(a) Under the Indian Stamp (Himachal Pradesh Amendment) Act, 1976 read with the Himachal Pradesh Land Records Manual, "Release" is an instrument where by a person renounces a claim upon another person or against any specified property. One co-owner of a property, by a deed, relinquishes his right to possession and his title in favour of another co-owner, such deed is a release deed. The person in whose favour there can be a release, must possess a pre-existing right or interest in the property.

In seven* registering offices, eleven executants had previously gifted/ sold a small portion of their land to the intended purchasers with the intention to make them co-sharers in the property proposed to be sold. Later on, when the names of vendees were incorporated in the revenue records the owners of the land subsequently transferred their remaining portion of land to the concerned vendees through a deed of release. As these vendees were not co-owners and had no pre-existing right or interest in the transferred property, such deeds cannot be termed as release deeds. These deeds were indeed sale/gift. The incorrect classification of subsequent sale/gift deeds, as release deeds had resulted in loss of stamp duty and registration fee of Rs. 5.74 lakh.

On this being pointed out in audit the Sub Registrar, Nahan stated (May 1999) that in 2 cases, the matter had been referred to the Collector Sirmour to assess the market value whereas Registrar, Bilaspur intimated (May 1998) that clarification in the matter was sought from the Inspector General of Registration. Further reports had not been received (September 1999).

(b) Under the Indian Stamp Act, 1899, stamp duty at the rate of one and a half *per cent* is leviable on documents executed for mortgage of immovable property (without possession) for securing loan advanced or to be advanced or an existing or future debt.

In 28 cases registered in 1997 with eight** Sub-Registrars, loans were advanced to various loanees by the banks for the purchase of trucks/ taxies or running business. To secure the repayment of the loans advanced, immovable property viz. land/ buildings were mortgaged in favour of the concerned bank. Though these deeds were mortgage deeds yet the concerned Sub- Registrars charged stamp duty of Rs. 15 per deed as applicable for Security Bond. This resulted in short realisation of stamp duty and registration fee of Rs. 2.27 lakh.

* Amb, Bilaspur, Chamba, Chuwari, Nahan, Shimla(R) and Una

** Bilaspur, Ghumarwin, Nadaun, Nahan, Kullu, Sundernagar, Mandi, and Sarkaghat

On this being pointed out in audit (between May 1998 and October 1998) the department stated that necessary notices would be issued to defaulters and recoveries made. Further reports had, however, not been received (September 1999).

6.2.9. Short realisation/ non-realisation of stamp duty and registration fee

(a) Under the Indian Stamp (Himachal Pradesh Amendment) Act, 1976, on an instrument of lease, stamp duty is charged on the basis of premium, period of lease and amount of annual rent reserved. Besides, registration fee at the prescribed rates is also chargeable. If a vendor executes more than one document, the prescribed registration fee for each document would be charged separately.

Records of ten* Sub Registrars and Registrar, Nahan revealed that in 23 cases, registered during the year 1995, 1996 and 1997 the stamp duty was not charged correctly due to incorrect calculation of annual average rent. Besides, the Sub-Registrar, Nahan did not recover registration fee in respect of 18 documents registered during the year 1995. This resulted in short realisation of stamp duty and non- realisation of registration fee of Rs 1.98 lakh.

On this being pointed out in audit (between September 1996 and December 1998) the department stated that necessary notices would be issued to the defaulters. Further reports had not been received (September 1999).

(b) As per the Indian Stamp (Himachal Pradesh Amendment) Act, 1976, the stamp duty on settlement deed is chargeable at the rate of one and a half *per cent* for a sum equal to the amount or the value of the property settled. Registration fee at the prescribed rate is also chargeable.

In three registering offices (Barsar, Nahan and Rajgarh) it was noticed that in 21 cases registered during 1997 stamp duty was charged at the rate of Rs. 15 only instead of above mentioned rates which resulted in short realisation of stamp duty and registration fee of Rs. 1.23 lakh.

On this being pointed out, the department stated (May 1999) that recovery of Rs. 4710 was made in three cases in Nahan. Other cases would be reexamined and recovery, if due, made.

(c) By a notification issued in March 1986, the State Government exempted stamp duty and registration fee on any instrument executed by those persons who were below poverty line and the persons whose cases were

* Bilaspur, Chuwari, Dadahu, Indora, Kandaghat, Jaisinghpur, Nurpur, Nahan, Shimla(U), Solan

recommended for loan upto Rs. 25000 by Himachal Pradesh Scheduled Castes and Scheduled Tribes Development Corporation, Himachal Pradesh Ex-Servicemen Corporation and Himachal Pradesh Khadi and Village Industries Board. The monetary limit of loan for exemption was however, raised to Rs. 50,000 with effect from 22nd November 1997.

In 41 cases registered by ten* Sub Registrars during the year 1995, 1996 and 1997 though the amounts of loan exceeded the exemption limits in each case, the stamp duty and registration fee was either not charged or charged at the lower rates which resulted in non/ short realisation of stamp duty and registration fee of Rs. 1.55 lakh.

On this being pointed out in audit the department stated that an amount of Rs. 4200 had been recovered (September 1998) and action in the remaining cases would be taken to effect the recovery. Further reports had not been received (September 1999).

The above points were reported to the department and Government in May 1999; their replies have not been received (September 1999).

* *Aut, Dehra, Dharamsala, Kangra, Kaza, Kullu, Palampur, Solan, Shahpur and Shimla (U)*

B-LAND REVENUE

6.3. Results of audit

Test check of records of land revenue, conducted in audit during the year 1998-99, revealed non-recovery/ short recovery of revenue and other irregularities amounting to Rs. 19.82 lakh in 11 cases, which fell under the following categories:-

(In lakh of rupees)

		Number of cases	Amount
1.	Non-recovery/ short recovery of revenue	4	4.35
2.	Other irregularities	7	15.47
	Total	11	19.82

During the course of the year 1998-99, the concerned department accepted under-assessments etc., of Rs. 4.89 lakh involved in 4 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 4.64 lakh are given in the following paragraphs.

6.4. Short realisation of lease money

A lease deed for leasing a piece of land for fifty years to a party of Mandi district was executed in July 1981 by the department at an annual rent of Rs. 10,629. The rent was to be revised after 10 years and according to the condition laid down, the annual lease money was to be refixed at the rate of 5 per cent of the highest market value of the land prevailing at the relevant time. In December 1984, the State Government decided that the lease amount in all cases of lease of Government land (fresh or renewal of existing lease) shall be charged per annum at the rate of 18 per cent of prevailing highest market price of the kind of land to which the land to be leased out/ renewed belongs.

During audit of the Naib Tehsildar, Naina Deviji (District Bilaspur), it was noticed (February 1999) that annual lease money of Rs. 10,629 fixed in July 1981 in respect of a land leased to a party, was required to be refixed in July 1991 but had not been found revised till February 1999. Due to non-refixation of annual rent, the short realisation of lease money amounted to Rs. 2.04 lakh for the period July 1991 to July 1998.

The matter was reported to the department/ Government in June 1999; their replies have not been received (September 1999).

6.5. Non-realisation of lease money

A lease deed was executed in December 1985 by the department with the Hindustan Petroleum Corporation Limited for leasing land measuring 177.7 square yards situated in Station Ward Chhota Shimla for establishing Liquid Petroleum Gas Godown for a period of 30 years (December 1985 to November 2015). According to the terms and conditions of the lease deed, the lease money was to be revised after every five years on the basis of the highest market value prevailing at the relevant time.

During audit of the records of the Tehsildar (Urban) Shimla, it was noticed (November 1998) that annual lease money for the period December 1990 to November 1995 was refixed in July 1991 by the Collector and as a result, the lessee was required to pay Rs. 1.10 lakh at the rate of Rs. 22,034 per annum against which Rs. 50,000 had been deposited (July 1998) by the dealer leaving a balance of Rs. 0.60 lakh.

Further refixation of lease money for the next five years (December 1995 to November 2000) as required, had not been done (November 1998) by the department. Based on the prevailing market value of land for the period 1995-96 of the said area, the annual lease money for 1996 to 1998 works out to Rs. 78,597 at the annual rate of Rs. 26,199.

On this being pointed out (November 1998), the Additional Deputy Commissioner, Shimla stated (April 1999) that steps were being taken by the concerned Tehsildar to recover Rs. 0.60 lakh and that demand for the subsequent period would be got approved from the Collector. Further report had not been received (September 1999).

The matter was reported to the department and Government in November 1998 ; their replies have not been received (September 1999).

6.6. Non-recovery of local rate

As per the notification dated 21st December 1973, issued under the Himachal Pradesh Panchayati Raj Act, 1968, a local rate is leviable at the rate of 35 *per cent* of land revenue in respect of all lands in Himachal Pradesh. The local rate is required to be assessed by the Collector of the concerned district and collection thereof alongwith the instalments of land revenue is made by the lambardars. Remission of land revenue does not automatically imply remission of local rate.

During test check of the records of Chamba tehsil, it was noticed (February 1999) that the State Government had exempted the recovery of land revenue in respect of land holdings less than two and half acres and consequently demands on account of land revenue amounting to Rs. 3.47 lakh for the years 1986-87 to 1996-97 were remitted. An amount of Rs. 1.21 lakh on account of local rate was, however, not recovered and deposited into the treasury till February 1999.

On this being pointed out (February 1999) in audit, the Government intimated (August 1999) that the Collector, Chamba had directed the tehsildar to take immediate action to recover the amount of local rate from the concerned landowners. Further report had not been received (September 1999).

C- GENERAL ADMINISTRATION AND OTHER DEPARTMENTS

6.7. Recovery of Rent in respect of Government Residential Buildings

6.7.1. Introduction

The allotment of Government residential accommodation to the employees of the Himachal Pradesh State Government from the "General Pool" is regulated under the Allotment of Government Residences (General Pool) in Himachal Pradesh Rules, 1986 followed by Himachal Pradesh Allotment of Government Residences (General Pool) Rules, 1994 and instructions issued thereunder from time to time. Besides General Pool accommodation, there is "Departmental Pool" accommodation for such employees whose departments have their own accommodation.

The allotment of Government accommodation to the members of the State Legislative Assembly is regulated under the Himachal Pradesh Legislative Assembly (Allotment of Accommodation in M.L.A. Hostel) Rules, 1993.

6.7.2. Organisational set up

The work relating to allotment of "General Pool" accommodation at the State Headquarters is carried out by the General Administration Department with the assistance of the Estate Officer, Directorate of Estates, Himachal Pradesh, Shimla and at the district headquarters, the Estate Officer (Assistant Commissioner to Deputy Commissioner) of the concerned district who is responsible for the assessment, recovery of rent and maintenance of relevant records. Similarly, the work relating to departmental pool accommodation has been entrusted to the Estate Officers of concerned departments.

6.7.3. Scope of Audit

With a view to ascertaining that the work relating to allotment of Government residential accommodation and recovery of rent thereof was being carried out in accordance with the provisions of Allotment of Government Residences Rules and instructions issued thereunder from time to time and Legislative Assembly Rules, the records of Directorate of Estates, Shimla and Estate Offices of 5* (out of 11) districts alongwith records of three departments viz.

* Solan, Sirmaur, Mandi, Hamirpur and Kangra

Public Works, Health and Family Welfare and Forest Farming and Conservation in respect of departmental pool accommodation relating to the period 1995-96 to 1997-98 were test checked between May and December 1998.

6.7.4. Trend of revenue

The revenue realised on account of recovery of rent from Government residential buildings during the last three years is as under:-

(In lakh of rupees)

Year	Receipts during the year
1995-96	48.52
1996-97	54.78
1997-98	57.48

6.7.5. Highlights

(i) In 129 cases, an amount of Rs. 46.78 lakh as damages pertaining to the period 1985-86 to 1997-98 was pending for recovery as on 31st March 1998.

{Para 6.7.6(ii)(a)}

(ii) In 67 cases, the department had not taken any action to demand and recover the damages amounting to Rs. 29.69 lakh from unauthorised occupants of Government residential accommodation.

{Para 6.7.6(ii)(b)}

(iii) An amount of Rs. 13.75 lakh recoverable from the Ex-M.L.A.s/ Ministers of the State of Himachal Pradesh on account of penal rent for unauthorised retention of Government residences was outstanding.

{Para 6.7.6(iii)}

(iv) Damages amounting to Rs. 6.88 lakh chargeable in 32 cases on account of unauthorised retention of transit pool accommodation had not been demanded and recovered by the department.

{Para 6.7.6(iv)}

(v) In 5 cases, damages amounting to Rs. 9.15 lakh were chargeable from the unauthorised occupants of earmarked accommodation.

(Para 6.7.6(v))

(vi) In 19 cases of subletting of Government accommodation, the department had not taken any action to cancel the allotments and charge damages amounting to Rs. 6.38 lakh.

(Para 6.7.6(vi))

6.7.6. Irregularities relating to allotment of Government residential accommodation and recovery of rent thereof

Mention was made in paragraph 6.3 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990 (Revenue Receipts) Government of Himachal Pradesh about assessment and realisation of rent in respect of Government residential buildings. The Public Accounts Committee in its 167th Report (Eighth Vidhan Sabha – 1995-96) expressed concern over non-recovery of arrears of rent and unauthorised retention of Government accommodation and directed the department to take immediate action in such cases.

Further review of records revealed the following irregularities.

(i) Arrears of rent

An amount of Rs. 13.74 lakh (General Pool: Rs. 12.82 lakh; Departmental Pool: Rs. 0.92 lakh) was outstanding as on 31st March 1998 on account of standard rent of Government residential accommodation for the years between 1960-61 and 1997-98. In most of the cases, yearwise break up of arrears were not available with the department.

Accumulation of arrears had been attributed by the department to non-receipt of intimation of recoveries as rent rolls were not received back from the concerned Drawing and Disbursing Officers.

(ii) Non-recovery of damages

Under the Allotment of Government Residences (General Pool) in Himachal Pradesh Rules 1986 and 1994, on the expiry of the concessional periods admissible for further retention of Government accommodation in the event of

resignation, retirement and transfer etc., the allotment shall be deemed to be cancelled. If the employee does not vacate the accommodation thereafter, he shall be liable to pay damages at the rates specified in the rules. In case of default, the Collector shall proceed to recover the amount due as arrears of land revenue under the Himachal Pradesh Public Premises and Land (Eviction And Rent Recovery) Act, 1971.

(a) It was noticed (between May and December 1998) that in 129 cases, a sum of Rs. 46.78 lakh was outstanding on account of recovery of damages from unauthorised occupants of Government residential accommodation for the period 1985-86 to 1997-98 as on 31 March 1998 as under:-

(In lakh of rupees)

Sr. No.	Name of department	Number of cases	Amount of damages recoverable	Period to which damages relate
1.	General Administration	90	29.04	1990-91 to 1997-98
2.	Public Works	3	3.72	1992-93 to 1997-98
3.	Health and Family Welfare	9	5.99	1993-94 to 1997-98
4.	Forest Farming and Conservation	27	8.03	1985-86 to 1997-98
	Total	129	46.78	

The department had not taken effective steps to recover the damages which resulted in accumulation of arrears. A few illustrative cases are given below:-

(i) A doctor, who proceeded on study leave in January 1994 did not vacate the Government residential accommodation at Shimla after June 1994 i.e. after specified period. The case came to the notice of the Estate Officer in March 1997 and the residence was got vacated in June 1998. Although demand for recovery of damages amounting to Rs. 2.06 lakh for the period July 1994 to June 1998 was raised (July 1998) by the Estate Officer, the amount had not been recovered.

(ii) An officer who was posted at Hamirpur was transferred to Dharamsala in June 1992 did not vacate the Government accommodation. The Estate Officer referred the case to the State Government (February 1995) for permission for retention of the residence upto April 1995 but the reply of the Government was not received. The residence was vacated by the officer in February 1997 and demand for recovery of damages of Rs. 1.59 lakh for the period from August 1992 to February 1997 was raised (April 1997) by the Estate Officer but the amount remained unrecovered.

(iii) An officer, posted at Shimla did not vacate the residence after the expiry of permissible period of retention after proceeding (July 1990) on study leave and later on after his transfer (August 1993) outside the station. The residence was vacated by the officer in December 1995 after eviction proceedings. Demand for recovery of damages amounting to Rs. 1.22 lakh was raised (July 1996) by the Estate Officer but amount had not been paid.

On the above cases being pointed out (September and November 1998), the department stated that action was being taken to recover the damages as arrears of land revenue. Further report had not been received (September 1999).

(b) In 67 cases, the officers/officials continued to retain Government accommodation unauthorisedly after their transfer/ retirement etc., on the expiry of concessional period of retention permissible under rules. The department did not take any action to assess and recover the damages amounting to Rs. 29.69 lakh (General Administration: 15 cases: Rs. 3.85 lakh, Public Works: 22 cases: Rs. 5.85 lakh, Health and Family Welfare: 20 cases: Rs. 17.19 lakh and Forest Farming and Conservation: 10 cases: Rs. 2.80 lakh) from the concerned employees for the period between March 1986 and November 1998.

On this being pointed out (between May and December 1998) the department stated that necessary action would be taken. Further reports had not been received (September 1999).

(c) Test check of records of Public Works Division, Dharamsala, Indira Gandhi Medical College, Shimla and Chief Medical Officer, Solan revealed that in three cases, the departments had charged a sum of Rs. 1.15 lakh instead of Rs. 1.89 lakh on account of damages for the period from November 1994 to November 1998 which resulted in short recovery of damages of Rs. 0.74 lakh.

On this being pointed out (between June and December 1998) the department stated that action would be taken to re-assess and recover the damages. Further progress had not been intimated (September 1999).

(iii) Non recovery of penal rent from the members of Legislative Assembly

Under the Himachal Pradesh Legislative Assembly (Allotment of Accommodation in M.L.A. Hostel) Rules, 1993, a member of the State Legislative Assembly may retain accommodation for a maximum period of one month after his resignation, death or removal or otherwise ceasing to be a member. In the event of non vacation such occupant shall be treated as unauthorised occupant and shall be charged penal rent at the rates prescribed in the rules.

An amount of Rs. 13.75 lakh was outstanding as penal rent in 37 cases from the Members of the State Legislative Assembly/Ministers for unauthorised retention of Government accommodation pertaining to the period between 1983-84 and 1998-99 (upto November 1998).

A few illustrative cases are given below:-

An Ex M.L.A. retained Government residence unauthorisedly during the period from December 1993 to June 1995 for which demand on account of penal rent amounting to Rs. 4.28 lakh was raised (March 1996) by the Estate Officer Shimla. It was further noticed that the same M.L.A. again unauthorisedly retained the Government accommodation during the period from March 1998 to November 1998 for which penal rent of Rs. 1.52 lakh was also demanded (December 1998). The occupant, however, represented (December 1998) that he was unable to pay the penal rent and requested for waiving off the demand and to charge normal rent for the entire periods of unauthorised occupation of Government residence. The Estate Officer in February 1999 reported to the State Government that against total amount of penal rent of Rs. 5.80 lakh, a sum of Rs. 0.08 lakh was only recovered and balance of Rs. 5.72 lakh was still pending and any action for regularisation of the overstay was to be taken by the State Vidhan Sabha authorities. Further action taken in the matter by the Government was still awaited.

In another case demand for penal rent amounting to Rs. 1.17 lakh was raised (July 1994) by the Estate Officer, Directorate of Estates, Shimla against an Ex. M.L.A. for unauthorised occupation of Government residence during the period December 1993 to May 1994. Though several notices were served on him between July 1994 and November 1998 the amount was still outstanding. The department had, however, not taken any action to recover the dues as arrears of land revenue under the provisions of the Himachal Pradesh Public Premises And Land (Eviction And Rent Recovery) Act, 1971.

On the above cases being pointed out (April 1999), the department stated that the matter for recovery of the outstanding dues was being taken up with the Himachal Pradesh Vidhan Sabha and in the event of non-recovery, the same will be recovered as arrears of land revenue.

(iv) Unauthorised retention of transit pool accommodation

The Himachal Pradesh Allotment of Government Residences (General Pool) Rules, 1994, provide that the allotment of transit pool accommodation shall be valid for one year and the period can be extended further for another six months provided the officer/official remains posted at the same station. The rules also provide that whereafter an allotment has been cancelled and the residence remains in occupation of the officer/official, such officer shall be liable to pay damages at the rates specified in the rules.

It was noticed that in 32 cases, transit pool accommodation had been occupied by the employees even after the maximum period of retention permissible under the rules. The department had, however, not taken any action to assess, demand and recover the damages amounting to Rs. 6.88 lakh (General Administration Department: 28 cases: Rs. 6.36 lakh and Public Works Department: 4 cases: Rs. 0.52 lakh) pertaining to the period between March 1996 and October 1998.

On this being pointed out (between July and December 1998), the department stated that necessary action would be taken in each case. Further report had not been received (September 1999).

(v) **Unauthorised retention / occupation of earmarked accommodation**

Government accommodation is earmarked to various employees keeping in view the post held and nature of their duties attached thereto. Under the Himachal Pradesh Allotment of Government Residences (General Pool) Rules 1986 and 1994, an officer occupying an earmarked accommodation, may on transfer retain the accommodation upto one month from the date of handing over charge. Thereafter, for non-vacation of the accommodation, damages for use and occupation of the residence etc., are recoverable at the rates specified in the rules.

Test check of records of four offices of Public Works, Health and Family Welfare departments situated at Shimla revealed that in five* cases, for unauthorised retention/occupation of earmarked accommodation during the period March 1986 to June 1998, an amount of Rs. 9.15 lakh recoverable on account of damages was not demanded by the department.

On this being pointed out (May and June 1998), the department stated that necessary action would be taken. Action taken in the matter and the position of recovery had not been received (September 1999).

(vi) **Subletting of Government accommodation**

If an officer/ official to whom a residence has been allotted sublets the residence, the Government may without prejudice to any other disciplinary action that may be taken against him, cancel the allotment of the residence and charge damages for use and occupation of the residence at the rates specified in the rules .

* Public Works Department: Shri Vijay Paul, Executive Engineer

Health and Family Welfare Department:
1. Dr. Dharam Paul Sharma
2. Dr. Vishwa Kirti Bajaj
3. Smt. Veena Gupta, Sr. Assistant
4. Shri Hem Raj, Clerk

Test check of records revealed that in 19 cases of subletting of Government accommodation the department did not take any action to cancel the allotments and to charge damages amounting to Rs. 6.38 lakh (General Administration Department: 4 cases: Rs. 2.37 lakh, Public Works Department: 5 cases: Rs. 1.87 lakh, Health and Family Welfare: 10 cases: Rs. 2.14 lakh) for the period between September 1995 and November 1998. No disciplinary action had been taken in cases relating to Health and Family Welfare Department whereas the position of the action taken, if any, in respect of other departments has not been intimated.

On this being pointed out (between June and December 1998), the department stated that necessary action would be taken. Further progress had not been intimated (September 1999).

(vii) Irregular grant of permission for retention of Government accommodation

In the event of transfer outside the station, retirement etc., of the Government servant on the expiry of admissible concessional period of retention of Government residence as provided in the rules, the allotment shall be deemed to be cancelled. However, if any allottee was transferred or retired in the mid academic session and his/her children were studying in School/College or University at the place of his/ her present posting, the allottee may be allowed by the General Administration Department on the basis of merits of each case, to retain the accommodation till the completion of academic year.

It was noticed that in 25 cases, permission to retain the Government accommodation was granted by the authorities, who were not competent to grant such permission. However, the department had not taken any action either to get these cases regularised from the competent authorities or to charge damages amounting to Rs. 4.47 lakh (General Administration Department: 2 cases: Rs. 0.11 lakh, Public Works Department: 20 cases: Rs. 3.77 lakh; Health and Family Welfare: 2 cases: Rs. 0.42 lakh and Forest Farming and Conservation: 1 case: Rs. 0.17 lakh) for the period between August 1994 and May 1998.

On this being pointed out (between May and December 1998), the department stated that the cases were being referred to higher authorities for regularisation. Further reports had not been received (September 1999).

(viii) Short recovery of licence fee from the employees on deputation with Corporation/ Boards etc.

As per instruction of the State Government (October 1994), in case an employee while on deputation with Corporation/Boards etc., continue to

occupy the Government accommodation, the amount of licence fee chargeable from such employee shall be equal to the normal licence fee plus the house rent allowance admissible to him.

It was noticed that in 51 cases, though normal licence fee of Government accommodation occupied by the employees on deputation with different Corporations/Boards etc., was charged but the House Rent Allowance admissible to them had not been recovered by the department. This resulted in short recovery of licence fee of Rs. 3.33 lakh (General Administration Department: 26 cases: Rs. 1.88 lakh; Public Works Department: 4 cases: Rs. 0.31 lakh and Forest Farming and Conservation: 21 cases: Rs. 1.14 lakh) for the period from November 1994 to November 1998.

On this being pointed out, the department stated that necessary action would be taken to recover the dues. Reports of recoveries had not been received (September 1999).

(ix) Irregular allotment of Government accommodation

Under the Himachal Pradesh Allotment of Government Residences (General Pool) Rules, 1986 and 1994 and instructions issued (October 1994) thereunder, only the State Government employees were eligible for the allotment of Government residential accommodation. However, employees appointed on adhoc basis are not eligible for such accommodation.

During audit of the records of the four* Estate Offices it was noticed that in 16 cases, allotment of Government residential accommodation had been made either to such employees who were employed in the offices other than that of the State Government and were not eligible for allotment of Government accommodation or to an employee appointed on adhoc basis or the allotments made were otherwise not covered under the rules. Amount of damages to be charged in such cases worked out to Rs. 8.82 lakh for the period from April 1994 to October 1998.

On this being pointed out (between August and November 1998), the department stated that necessary action would be taken. Further reports had not been received (September 1999).

(x) Ad hoc allotments on out of turn basis

(a) The Himachal Pradesh Allotment of Government Residences (General Pool) Rules, 1994 provide that State level Correspondents of National Dailies, State level Press Correspondents of other daily news papers and who are accredited to Himachal State may be considered for adhoc allotment of

* Hamirpur, Mandi, Shimla, Sirmaur

Government accommodation not above type IV on out of turn basis at Shimla only.

(i) Test check of records of the Estate office, Directorate of Estates, Shimla revealed that in two cases, Government accommodation had been allotted on out of turn basis to All India Radio Correspondents who were not eligible under the rules. Damages for such irregular allotment worked out to Rs. 6.83 lakh for the period March 1992 to August 1998.

(ii) During audit of records of the Estate Office, Directorate of Estates, Shimla, it was noticed that in three cases, allotment of Government accommodation of type-V had been made on out of turn basis to the Press Correspondents for which they were not entitled. Damages required to be charged for irregular allotment worked out to Rs. 3.90 lakh for the period from November 1995 to August 1998.

On this being pointed out (September 1998), the cases were referred (November 1998) by the Estate officer to Government for clarification. Further report had not been received (September 1999).

(iii) Test check in audit of the records of the Estate office of Kangra district revealed that a Press Correspondent based at Dharamsala was allotted Government accommodation which was irregular as the allottee was entitled to it only at Shimla. This irregular allotment was however, cancelled in December 1998 but the demand of damages amounting to Rs. 0.65 lakh for the period July 1997 to November 1998 was not raised by the department (December 1998).

On this being pointed out (December 1998), the department stated that the concerned Correspondent had been asked to vacate the accommodation. Further report had not been received (September 1999).

(b) Under the Himachal Pradesh Allotment of Government Residences (General Pool) Rules, 1994, an officer/ official who owns a house either in his own name or in the name of any member of his family at or near the station of posting, shall not be eligible for adhoc allotment on out of turn basis.

During audit of records of the Estate office, Directorate of Estates, Shimla, it was noticed that in one case, out of turn allotment was made to an officer who had his own house at the station of his posting. As such damages amounting to Rs. 1.87 lakh were required to be charged for the period from August 1996 to August 1998.

On this being pointed out, the matter was referred (November 1998) by the Estate Officer to Government for clarification. Further progress has not been received (September 1999).

(xi) Short recovery of rent due to application of incorrect rates

Assessment and realisation of rent of Government residences is made at the rates prescribed by the State Government from time to time.

During audit it was noticed that in different offices situated at Shimla, Solan, Mandi and Dharamsala, in 219 cases, recovery of rent of Government residential accommodation had not been made by the department at the correct rates which resulted in short recovery of Rs. 1.29 lakh as under:-

(In lakh of rupees)

Department	Number of cases	Amount short recovered	Period
Public Works	136	0.98	November 1988 to December 1996
Health and Family Welfare	5	0.11	November 1988 to June 1998
Forest Farming and Conservation	78	0.20	November 1993 to October 1998
Total:	219	1.29	

On this being pointed out (between May and December 1998), the department stated that action would be taken to recover the amount. Further reports had not been received (September 1999).

(xii) Internal Controls

Internal controls can be exercised by way of maintenance of proper records/registers and through periodical reports and returns.

(a) Non-maintenance of records and registers**(i) Allotment Register**

In order to have control over the allotment of Government accommodation, the Estate Officer should maintain an allotment register showing the particulars such as name of allottee, designation, name of office, date of occupation, vacation of residence and period of unauthorised retention, if any. It has however, been noticed that in the Estate Offices of Sirmaur, Hamirpur and Kangra districts and various offices of Public Works, Health and Family Welfare and Forest Farming and Conservation departments no such register was maintained. In the absence of such registers, proper control on the unauthorised retention of Government accommodation and recovery of damages thereof could not be exercised by the department.

(ii) Rent Recovery Register

Rent recovery registers mentioning the name of the allottees and accommodation allotted, amount of rent assessed, realised and balance at the end of each month had not been maintained in the Estate Offices of Mandi, Hamirpur and Kangra districts and various offices of Health and Family Welfare and Forest Farming and Conservation departments at Shimla, Nahan, Solan, Hamirpur and Dharamsala. Due to non-maintenance of such registers, correctness of assessment, recovery and arrears of rent could not be ascertained by the department.

(b) Management Information System

According to a notification issued by the State Government in January 1996, the Director of Estates, Himachal Pradesh shall function as head of department in respect of Government Residential Buildings (General Pool Accommodation).

During the course of review it was, however, noticed that consolidated records regarding total number of quarters available in the State for allotment, number of quarters allotted/vacant, amount of rent assessed, realised and arrears of rent, cases of unauthorised retention and subletting of Government residential accommodation, amount of damages recoverable, recovered and balances etc., had not been maintained in the Directorate of Estates. It was also noticed during review that no management information system was existing for exercising internal controls on the functioning of Estate Offices situated at district headquarters by obtaining periodical reports/ returns and conducting periodical inspections of the field offices by the Director of Estates, Himachal Pradesh. In reply to an audit query (July 1999) about raids by the department to detect subletting of Government accommodation, the Estate Officer, Directorate of Estates, Shimla intimated (July 1999) that no raid had been conducted during the years 1995-96 to 1997-98 as there was no such provision in the rules.

The above points were reported to the departments and Government in May 1999, their replies had not been received (September 1999).

D-MULTIPURPOSE PROJECTS AND POWER DEPARTMENT

6.8. Non recovery of Government dues

Government of India, Ministry of Energy (Department of Power) approved (November 1990) formula for sharing of power and benefits from all Central Sector Hydro-electric Projects commissioned after 7th September 1990, provides for the supply of 12 *per cent* of power generated by the power stations free of cost to those States of the Region (including the States where the Hydro-electric Project is located) where distress is caused by setting up the Project at the specified site, like submergence, dislocation of population etc. Besides the Government of India, Ministry of Power also decided in September 1994 that 12 *per cent* of the energy generated at the bus bar of Baira Siul Power Station will be given free of cost to Himachal Pradesh.

Based on this formula and decision of September 1994, Himachal Pradesh State is entitled to 12 *per cent* share of power from two projects and the Himachal Pradesh State Electricity Board (Board) is required to receive and sell the share of Government directly.

It was noticed in audit (January 1999) that from Chamera, Hydro Electric Project Stage I (commissioned in April 1994) and Baira Siul Project, 9103.74 lakh units and 2725.69 lakh units respectively as State's share of free power to Himachal Pradesh was drawn and sold by the Board during the years 1994-95 to 1997-98. The value of electricity sold amounting to Rs. 18,697.11 lakh had neither been remitted nor liabilities thereof provided in the Boards annual accounts on the plea that the rate at which amount was payable to Government was still to be arrived at as the free share of energy sold to various consumers entails different incidental charges such as O & M expenses, establishment expenses, transmission losses etc. However, the Government dues were tentatively worked out by the Board at Rs. 18,697.11 lakh as shown in the notes to the annual accounts.

Though demand on account of revenue realised from the sale of free power was made by the Finance Secretary of the Government in August 1994, no recovery has been made so far.

The matter was reported to Government in January 1999 but reply has not been received (September 1999).

E-INDUSTRIES DEPARTMENT

6.9. Results of audit

Test check of records relating to Mineral receipts conducted in audit during the year 1998-99, revealed irregularities involving Rs. 278.44 lakh in 11 cases which broadly fall under the following categories:-

(In lakh of rupees)

		Number of cases	Amount
1.	Short recovery of royalty/rent	1	247.98
2.	Other irregularities	10	30.46
	Total	11	278.44

During the course of the year 1998-99, the concerned department accepted under-assessments of Rs. 95.44 lakh involved in 14 cases, which had been pointed out in audit in earlier years. An illustrative case highlighting important observations involving financial effect of Rs. 247.98 lakh is given in the following paragraph.

6.10. Non-recovery of royalty and interest

According to the conditions of the mining lease prescribed under the Mineral Concessions Rules, 1960, the holder of a mining lease is required to pay royalty at the rate specified in the Mines and Minerals (Regulations and Development) Act, 1957. The Government of India revised (17th February 1992) the rate of royalty on limestone at Rs. 50 per tonne (L.D. Grade) and Rs. 25 per tonne (Other Grade). The rate of royalty of limestone (other Grade) was further enhanced to Rs. 32 per tonne with effect from 11 April 1997. The rule further provides that if rent, royalty or other sums due to the State Government is not paid by the lessee within the prescribed time, simple interest at the rate of twenty four *per cent* per annum is chargeable.

During audit of the District Mining Officer, Sirmaur, it was noticed (January 1999) that 10,86,907 tonnes of limestone (Other Grade) was despatched by a lessee during the period from 17th February 1992 to 1997-98 (upto 31 January

1998), the royalty payable amounted to Rs. 280.72 lakh against which only Rs. 130.35 lakh had been deposited at pre-revised rates which resulted in short payment of royalty by Rs. 150.37 lakh, besides interest amounting to Rs. 97.61 lakh was also leviable.

On this being pointed out (January 1999), the department stated (March 1999) that notice to deposit the royalty amounting to Rs. 150.37 lakh alongwith interest thereon had been issued (January 1999) to the lessee. Further report has not been received (September 1999).

The matter was reported to Government in January 1999; their reply has not been received (September 1999).

Shimla
The

28 FEB 2000

Revathi Bedi

(REVATHI BEDI)
Accountant General
Himachal Pradesh

Countersigned

V. K. Shunglu

New Delhi
The

03 MAR 2000

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



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Appendix I
[Reference: Paragraph 5.2 (b)]

(In lakh of rupees)

Sr. No.	Name of Division	No. of forest lots	Year of working the lot	Lease period upto	Whether extension		Amount of extension fee		
					Sought	Granted	Charge-able	Charged	Non/short charged
1.	Bharmour	11	1995-96	31 st March 1996	Yes	Not	1.81	---	1.81
		2	1996-97	31 st March 1998	Yes	Not	0.57	---	0.57
Remarks: On this being pointed out (June 1996 and September 1996) in audit, the department stated (November 1997) that demand of extension fee amounting to Rs.5.37 lakh upto the actual date of completion of works in these lots had been raised (August 1998) against the Corporation. Report of recovery have not been received (September 1999)									
2.	Chamba	3	1995-96	31 st March 1996	Yes	Not	0.69	---	0.69
Remarks: Government to whom the case was reported in April 1997 stated (March 1998) that sanctions of the Conservator of Forests for the grant of extension in the working periods of these lots had not been received. Tentative bills on account of extension fee however, had been raised (August 1997) but further reports have not been received (September 1999)									
3.	Chopal	20	1997-98	31 st March 1998	Yes	Not	54.30	---	54.30
Remarks: On this being pointed out (August 1998) in audit the Divisional Forest Officer stated (August 1998) that cases had been sent to the Conservator of Forests, Shimla Circle for according sanctions. Further report have not been received (September 1999).									
4.	Churah	5	1995-96	31 st March 1996	Yes	Not	0.61	---	0.61
		2	1995-97	31 st March 1997	Yes	Not	2.80	---	2.80
		6	1996-97	---do---					
6	1997-98	31 st March 1998	Yes	Not	9.17	---	9.17		
Remarks: On this being pointed out (March 1997, September 1997 and June 1998) in audit, the Divisional Forest Officer stated (March 1997) that bills of extension fee were being raised for 1995-96 lots. The department intimated (April 1999) that in respect of 1997-98 lots tentative bill on account of extension fee amounting to Rs. 27.96 lakh (upto the dates of extensions) had been raised (December 1998) against the Corporation. Further progress and reply in respect of remaining 2 lots have not been received (September 1999).									
5.	Dalhousie	1	1995-96	31 st March 1996	Yes	Not	0.36	0.18	0.18
		6	1996-97	31 st March 1997	Yes	Not	1.73	---	1.73
Remarks: On this being pointed out (June 1997) the department stated (September 1997) that demand on account of extension fee had been raised (August 1997) against the Corporation. Further reports have not been received (September 1999).									
6.	Joginder-nagar	1	1996-97	31 st March 1997	Yes	Not	0.38	---	0.38
Remarks: Reply have not been received (September 1999)									
7.	Jubbal	1	1994-96	31 st March 1996	Yes	Not	1.06	---	1.06
		1	1995-96	-do-					
		2	1996-97	31 st March 1997	Yes	Not	1.40	---	1.40
3	1997-98	31 st March 1998	Yes	Not	19.43	---	19.43		
Remarks: On this being pointed out (July 1996, August 1997 and October 1998) the department stated (February 1998) that the Divisional Forest Officer had been directed to reconcile the amount of extension fee in respect of 4 lots of 1994-97 years. Further report and reply in respect of 1997-98 lots have not been received (September 1999).									

Report No. 1 of 1999 (Revenue Receipts)

Sr. No.	Name of Division	No. of forest lots	Year of working the lot	Lease period upto	Whether extension		Amount of extension fee		
					Sought	Granted	Chargeable	Charged	Non/short charged
8.	Karsog	5	1996-97	31 st March 1997	Yes	Not	1.04	---	1.04
Remarks: On this being pointed out (June 1997) in audit, the department stated (June 1998) that extension fee was being reconciled with the Corporation. Further report have not been received (September 1999)									
9.	Kotgarh	3	1994-95	31 st March 1995	Yes	Not	0.40	---	0.40
		1	1995-96	31 st March 1996	Yes	Not	6.76	---	6.76
		6	1996-97	31 st March 1997	Yes	Not	0.96	---	0.96
		1	1996-98	31 st March 1998	Yes	Not	3.89	---	3.89
		4	1997-98	1998					
Remarks: On this being pointed out (November 1997 and October 1998) in audit the Divisional Forest Officer stated (October 1998) that bill on account of extension fee relating to 1996-98 five lots would be raised against the Corporation. Replies in respect of remaining 10 lots have not been received (September 1999)									
10.	Nachan	6	1995-96	31 st March 1996	Yes	Yes	1.07	---	1.07
Remarks: Reply have not been received (September 1999).									
11.	Nahan	4	1995-96	30 th June 1996	Yes	Not	0.23	---	0.23
Remarks: On this being pointed out (February 1997) in audit, the Divisional Forest Officer stated (February 1997) that the Corporation had been requested to pay the amount of extension fee. Further reports have not been received (September 1999).									
12.	Nurpur	5	1994-95	30 th June 1995	Yes	Not	0.12	---	0.12
		8	1995-96	30 th June 1996	Yes	Not	0.54	---	0.54
Remarks: On this being pointed out (April 1997) in audit the Divisional Forest Officer stated (April 1997) that bill on account of extension fee would be raised against the Corporation on receipt of sanctions to be accorded by the Conservator of Forests, Dharamsala circle, Dharamsala. Further report have not been received (September 1999).									
13.	Paonta sahib	1	1996-97	31 st March 1997	Yes	Yes	1.06	---	1.06
Remarks: On this being pointed out (December 1997) in audit the department stated (August 1998) that bill on account of extension fee had been raised against the Corporation in March 1998. Further report have not been received (September 1999).									
14.	Parbati	1	1995-97	31 st March 1997	Yes	Not	1.92	---	1.92
		1	1995-98	31 st March 1998	Not applied	Not	10.62	---	10.62
Remarks: On this being pointed out (January 1998 and July 1998) in audit the Divisional Forest Officer stated (July 1998) that bill for extension fee for Rs.10.62 lakh was being raised. Further report and reply in respect of 1995-98 lot has not been received (September 1999).									
15.	Rampur	1	1991-95	31 st March 1995	yes	Yes	1.74	----	1.74
		5	1995-96	31 st March 1996					
		1	1995-97	31 st March 1997					
		1	1996-97	31 st March 1997					
Remarks: Reply of the department have not been received (September 1999)									
16.	Rohroo	1	1994-97	31 st March 1997	Yes	Yes	0.43	---	0.43
		1	1996-97	31 st March 1997	Yes	Yes			
		2	1995-96	31 st March 1996	Yes	Yes			
Remarks: On this being pointed out (September 1997) in audit the department stated (March 1998) that the Divisional Forest Officer had been directed to pursue the matter with Corporation. Further report have not been received (September 1999).									

Report No. 1 of 1999 (Revenue Receipts)

Sr. No.	Name of Division	No. of forest lots	Year of working the lot	Lease period upto	Whether extension		Amount of extension fee		
					Sought	Granted	Charge-able	Charged	Non/short charged
17.	Seraj	1	1995-97	31 st March 1997	Not	Not	0.72	---	0.72
Remarks: On this being pointed out (July 1997) in audit, the department stated (January 1998) that necessary bill on account of extension fee had been raised (November 1997) against the Corporation . Further report have not been received (September 1999)									
18.	Shimla	1	1995-96	31 st March 1996	Yes	Not	0.91	----	0.91
Remarks: On this being pointed out (June 1997) in audit the department stated (March 1998) that demand on account of extension fee amounting to Rs.0.92 lakh had been raised (August 1997) against the Corporation. Further report have not been received (September 1999).									
Total:		124					126.72	0.18	126.54

Appendix-II (Reference : Paragraph 5.6.)

(In lakh of rupees)

Name of division	Year of tapping	Number of blazes	Amount of Royalty			Month in which the case was pointed out in audit	Reply of the department/ Divisional Forest Officer
			Charge-able	Charg-ed	Non/short charged		
Mandi	1997	1,59,181	52.53	---	52.53	December 1998	The Bill of royalty would be raised.
	1996	1,47,863	45.84	42.88	2.96		Details of royalty recovered from the Corporation had not been received from the Principal Chief Conservator of Forests.
Suket	1997	50,724	16.74	---	16.74	July 1998	The department stated (February 1999) that royalty bill at tentative rates have been raised (July 1998).
Dehra	1996	25,802	8.00	6.71	1.29	January 1998	Reply of the department have not been received (September 1999).
Bilaspur	1997	66,403	21.91	17.26	4.65	January 1999	Reply have not been received (September 1999).
Karsog	1995	5,66,341	152.91	147.25	5.66	November 1998	The Divisional Forest Officer stated (November 1998) that differential royalty would be recovered from the Corporation.
	1996	5,58,373	173.10	159.70	13.40		
	1997	4,62,948	152.77	143.51	9.26		
Seraj	1995	5,380	1.45	1.40	0.05	December 1998	The Divisional Forest Officer stated (December 1998) that amount of royalty would be realised from the Corporation.
	1997	2,924	0.97	---	0.97		
	1996	5,043	1.56	---	1.56	July 1997	The Divisional Forest Officer stated (July 1997) that bill of royalty at tentative rates have been issued to the Corporation.
Renukaji	1995	44,613	12.05	11.60	0.45	January 1999	Reply have not been received (September 1999).
	1996	33,267	10.31	9.65	0.66		
Kunihar	1995	39,377	10.63	---	10.63	December 1996	The department stated (March 1997) that royalty bill have been raised against the Corporation.
Rampur	1996	33,291	10.32	---	10.32	December 1997	Reply have not been received (September 1999).
Total:		22,01,530	671.09	539.96	131.13		

Appendix-III
(Reference: Paragraph 5.20.)

(In lakh of rupees)

Sr No.	Name of division	No. of lots etc.	Year(s) of Exploitation	Non-levy on account of		Total	Month in which case was pointed out in audit	Reply of the department/ Divisional Forest Officers
				Interest	Penalty			
1.	Bharmour	4	1993-95	---	3.82	3.82	September 1998	Bill had been raised (November 1998)
2.	Chamba	Resin 1	1996 1995-96	0.35	---	0.35	August 1997	Bill had been raised (December 1998) against the Corporation.
3.	Chopal	6	1992-93	2.63	---	2.63	July 1997	Bill had been raised (July 1997).
4.	Churah	3	1995-97	2.08	---	2.08	September 1997	Reply has not been received (September 1999).
5.	Dalhousie	14	1997-98	2.82	---	2.82	September 1998	Reply has not been received (September 1999).
6.	Dehra	8	1995-96	1.10	---	1.10	March 1997	Bill had been raised (January 1996).
7.	Dharamsala	28	1997-98	10.20	---	10.20	February 1999	Bill had been raised (April 1999) against the Corporation.
8.	Jogindernagar	4	1996-97	0.35	---	0.35	February 1998	Reply had not been received (September 1999).
9.	Jubbal	9	1996-99	35.10	---	35.10	October 1998	Reply have not been received (September 1999).
10.	Karsog	9	1997-98	2.81	---	2.81	November 1998	The matter for the payment of royalty was being taken up with the Corporation.
		Resin	1996	18.27	---	18.27	June 1997	Reply have not been received (September 1999).
11.	Kotgarh	6	1996-98	9.72	---	9.72	October 1998	Reply have not been received (September 1999).
12.	Kullu	Seized timber	--	1.16	---	1.16	October 1997	Bill had been raised (December 1997).
13.	Kunihar	3	1993-94	---	2.11	2.11	August 1995	Bill was being raised (December 1995).
		Resin blazes	1995	1.91	---	1.91	December 1996	Reply have not been received.

Report No. 1 of 1999 (Revenue Receipts)

Sr No.	Name of division	No. of lots etc.	Year(s) of Exploitation	Non-levy on account of		Total	Month in which case was pointed out in audit	Reply of the department/ Divisional Forest Officers
				Interest	Penalty			
14.	Nachan	7 Resin blazes	1996-98 1996 and 1997	9.92	---	9.92	July 1997 September 1998	Reply have not been received (September 1999).
15.	Nichar	1 2	1990-91 1997-98	2.62 1.26	--- ---	2.62 1.26	October 1997 November 1998	Bill had been raised (January 1998). Reply have not been received.
16.	Nurpur	6	1994-95	0.61	---	0.61	January 1998	Royalty payment is under dispute.
17.	Palampur	19	1996-97	8.48	---	8.48	June 1998	Reply had not been received (September 1999).
18.	Paonta Sahib	10 Seized timber	1996-97 --	12.43 3.98	--- ---	12.43 3.98	December 1997 January 1999	Bill had been raised (March 1998). Reply had not been received (September 1999).
19.	Parbati	2	1995-98	38.42	---	38.42	July 1998	Bill would be raised.
20.	Pooh	1	1996-97	0.49	---	0.49	October 1997	Bill would be raised on receipt of balance royalty.
21.	Rajgarh	4	1994-95	1.32	---	1.32	November 1997	Bill had been raised (November 1997).
22.	Rampur	1	1993-96	6.02	---	6.02	December 1997	Reply have not been received (September 1999).
23.	Renukaji	5	1997-98	6.27	---	6.27	January 1999	Reply have not been received (September 1999).
24.	Rohroo	9 7	1992-2000 1992-97	13.38 ---	--- 1.82	13.38 1.82	August 1998	Matter was reportedly under correspondence with the Corporation.
25.	Sarahan (WL)	2	1996-98	10.33	---	10.33	October 1998	Reply have not been received (September 1999).
26.	Seraj	5	1995-99	12.01	---	12.01	July 1997 and December 1998	Reply have not been received (September 1999).

Report No. 1 of 1999 (Revenue Receipts)

Sr No.	Name of division	No. of lots etc.	Year(s) of Exploitation	Non-levy on account of		Total	Month in which case was pointed out in audit	Reply of the departmental Divisional Forest Officers
				Interest	Penalty			
27.	Shimla	6	1993-95	---	4.60	4.60	July 1998	Reply have not been received.
		13	1995-98	9.43	---	9.43	June 1997	Bill for Rs.0.75 lakh in respect of 1995-96 lot has been raised (June 1997). In other lots reply have not been received.
28.	Suket	2	1994-97	2.85	----	2.85	September 1997 and July 1998	Bill of interest for lot 95-96 had been raised (September 1998) whereas reply for 95-96 lot for Rs 0.36 lakh had not been received (September 1999)
		16	1994-95	---	3.09	3.09	July 1998	The case of penalty was reportedly pending with the assessing authority.
29.	Theog	4	1993-94	4.69	----	4.69	January 1995	The Corporation had been requested to release the payment.
		3	1996-97	9.21	----	9.21	June 1998	
Total:		224		242.22	15.44	257.66		

Note: Reports of recoveries in cases where the bills had been raised and further progress in other cases have not been received (September 1999).

