

CHAPTER-VI: OTHER TAX AND NON-TAX RECEIPTS

6.1 Results of audit

Test check of the records of Irrigation cum public health, revenue, industries, public works departments conducted during the year 2008-09, revealed non/short recovery of water and *abiana* charges, incorrect determination of market value of property/exemption on housing loan, non/short levy of stamp duty and registration fee, non/short realisation of royalty, dead rent etc., non deposit of tax deducted from the contractor's bills and other irregularities amounting to Rs. 72.37 crore in 363 cases, which broadly fall under the following categories:

(Rupees in crore)

Sr. No.	Particulars	Number of cases	Amount
1.	Assessment and collection of water charges including <i>abiana</i> charges (a review)	01	23.23
2.	Non/short recovery of water and <i>abiana</i> charges	46	27.85
3.	Incorrect determination of market value of property/exemption on housing loan	113	2.58
4.	Non/short levy of stamp duty and registration fee	17	0.33
5.	Non/short realisation of royalty, dead rent etc.	14	0.45
6.	Non-deposit of tax deducted from the contractor's bills	04	0.36
7.	Other irregularities	168	17.57
Total		363	72.37

During 2008-09, the departments accepted under assessments of Rs. 7.28 crore involved in 149 cases which had been pointed out in audit in earlier years.

After issue of audit observation stating that water charges of Rs. 9.95 lakh collected by the water works clerks between February 2003 and November 2008 were neither accounted for in the cash book nor deposited in Government account, the department intimated that Rs. 9.95 lakh had been recovered upto April 2009.

A few illustrative audit observations involving Rs. 104.78 crore and a review of **Assessment and collection of water charges including *abiana* charges** involving Rs. 23.23 crore are mentioned in the succeeding paragraphs.

A. IRRIGATION CUM PUBLIC HEALTH DEPARTMENT

6.2 Review of “Assessment and collection of water charges including *abiana*¹ charges”

6.2.1 Highlights

- Against Rs. 74.61 crore due for assessment on account of water charges, the department assessed Rs. 72.87 crore only resulting in short assessment of Rs. 1.74 crore during the years 2003-04 to 2007-08.

(Paragraph 6.2.9.1)

- Non-installation of meters and levy of water charges at flat rates the Government suffered a revenue loss of Rs. 4.73 crore (calculated on average basis) in 35,847 cases during 2005-06 to 2007-08 in 27 sub divisions.

(Paragraph 6.2.15.2)

- Non-levy of surcharge on delayed payments of water charges for bulk supply of water to the committees/municipal corporation resulted in loss of revenue of Rs. 4.03 crore during 2003-04 to 2007-08.

(Paragraph 6.2.20)

6.2.2 Introduction

The Irrigation cum Public Health (IPH) Department is responsible for supply of drinking water to the public in rural and urban areas and water to farmers of the State for irrigation purposes. The assessment and collection of water charges (WC) for drinking water supplied to a consumer is governed by the Himachal Pradesh Water Supply (HPWS) Act, 1968 read with HPWS Rules, 1989. The Act provides that the State Government shall levy WC for water supplied to a consumer at the rates as may be specified by the Government from time to time. The water rate levied shall, if not paid when due, be recovered as if it was an arrear of land revenue.

The supply of drinking water has been categorised in three sectors. “Rural Water Supply Sector”, “Urban Water Supply Sector” (areas falling in Nagar Panchayats and Municipal Committees except Solan, Palampur and Municipal Corporation (MC) Shimla) and bulk supply sector (Solan, Palampur and MC Shimla). Domestic consumers in the rural water supply sector are charged at flat rates whereas urban water supply sector are charged on the basis of meters. In both sectors different rates have been prescribed for commercial consumers. The WC are recovered from bulk users at prescribed rates.

The Himachal Pradesh Minor Canals (HPMC) Act, 1976 read with HPMC Rules, 1977 provide that the Government may supply water of a canal to

¹ Means canal water charges levied for water supplied for irrigation

farmers for the purpose of irrigation at rates to be determined from time to time based on the class of crop, area irrigated and the mode of supply (lift or flow).

6.2.3 Organisational set up

Principal Secretary (IPH) is the administrative head while Engineer-in-chief is the head of department (HOD), who is assisted by four Chief Engineers (CE). To exercise effective control over the assessment and collection of WC and *abiana* charges, the State has been divided into 13 circles each headed by a Superintending Engineer (SE) which are further divided into 52 Divisions each headed by an Executive Engineer/Divisional Officer (EE/DO). The EE/DO are assisted by 188 Assistant Engineers/Sub Divisional Officers (AEs/SDOs), Sub divisional clerks and water work clerks (WWC) for assessment and collection of WC.

Audit reviewed the system of assessment and collection of WC including *abiana* charges and noticed a number of system and compliance deficiencies which have been discussed in the succeeding paragraphs.

6.2.4 Scope of audit and methodology

The review of the system of assessment and collection of WC and *abiana* charges for the period 2003-04 to 2007-08, was conducted in the offices of Engineer-in-chief and 22 IPH Divisions² out of 52 Divisions, between July 2008 and March 2009. Besides, the records relating to bulk supply of water made by IPH Division No. II, Shimla to MC Shimla were also test checked. Records relating to levy, assessment and collection of *abiana* was checked in five Divisions³ containing 20 sub-divisions.

6.2.5 Audit objectives

The review was conducted with a view to assess the:

- budgeting and accounting of the WC and *abiana* charges;
- efficiency and effectiveness of the system of assessment, levy and collection of WC and *abiana* charges; and
- internal control mechanism that existed to monitor proper realisation of WC and *abiana* charges.

6.2.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the IPH Department in providing necessary information and records for audit. An entry conference was held in June 2008 with the Engineer-in-chief (IPH) and the scope and the methodology for conducting the review were discussed.

² South Zone: Arki, Nalagarh and Solan
Central Zone: Baggi, Barsar, Bilaspur, Ghumarwin, Hamirpur, No. I Kullu, No. II Kullu, Mandi, Padhar, Sundernagar and Sarkaghat
North Zone: Dehra, Dharamsala, Jawali, Palampur, Shahpur, Thural, No. I Una and No. II Una

³ Dehra, Jawali, Nalagarh, No. I Una and No. II Una

The individual objections noticed during review were also discussed with the respective EEs in charge of the Division. The draft review report was forwarded to the department and the Government in May 2009 and was discussed in the exit conference held in July 2009. The Special Secretary (IPH) represented the Government while the Engineer-in-chief represented the department. Views of the Government (July 2009) have been incorporated in the relevant paragraphs.

Audit findings

System deficiencies

6.2.7 Framing of budget estimates

Provisions of Himachal Pradesh Budget Manual (HPBM) lay down that the actuals of previous years and the revised estimates should be taken as the best guide in framing the budget estimates (BEs) and a continuance of any growth or decline in income indicated by them, may, in the absence of definite reasons to the contrary, properly be assumed in all cases in which the proportionate estimates can be usefully employed. Provisions also suggest that special attention should be paid to new source of revenue of which account has not been taken in previous years. The reasons which led to the adoption of the figures for the BEs should be briefly and clearly explained.

Water charges

(Rupees in crore)

Year	BEs	Actual receipts as per finance account	Variation with reference to finance account (col. 3-2)	Total connections available in 23 divisions test checked	WC due on account of connections of 23 divisions	Variations (+) increase (-) decrease (col 6 –col 3)
1	2	3	4	5	6	7
2003-04	8.23	7.83	(-) 0.40	2,58,690	9.36	(-) 1.53
2004-05	6.80	7.78	(+) 0.98	2,77,822	9.65	(-) 1.87
2005-06	8.09	10.51	(+) 2.42	2,93,130	15.13	(-) 4.62
2006-07	13.79	9.96	(-) 3.83	3,15,145	18.92	(-) 8.96
2007-08	14.86	11.35	(-) 3.51	3,37,997	21.55	(-) 10.20
Total	51.77	47.43	(-) 4.34	--	74.61	(-) 27.18

A comparison of the BEs and actual receipts of WC credited to major head "0215 water supply and sanitation" during the years 2003-04 to 2007-08 revealed that budget exercise is arbitrary and not as per HPBM provisions. Neither are the estimates based on actual collection nor on the amount actually due. In fact the amount due was far more than the BEs as can be seen from the fact that amount due in 23 Divisions test checked is more than the BEs prepared by the State as a whole. If the data of all 52 Divisions are taken into account, the figures of WC due would be on much higher side.

The Government while admitting the facts that BEs were not being framed on the basis of actual connections and bulk supply of water, stated (July 2009) that instructions would be issued to field units to prepare the BEs in future after taking into account this aspect.

Abiana charges

Budget preparation exercise in respect of *abiana* charges was also arbitrary as can be seen from the variation between BEs and the actual receipts of *abiana* credited to major head “0702 minor irrigation” and shown in the table below:

(Rupees in lakh)

Year	BEs	Actual receipts as per finance account	Variation with reference to finance account	Variation (per cent)
1	2	3	4	5
2003-04	30.30	24.14	(-) 6.16	(-) 20
2004-05	31.82	36.44	(+) 4.62	(+) 15
2005-06	37.70	54.11	(+) 16.41	(+) 44
2006-07	42.45	48.03	(+) 5.58	(-) 13
2007-08	75.30	45.48	(-) 29.82	(-) 40
Total	217.57	208.20	(-) 9.37	-

6.2.8 Assessment of dues

The budgeting exercise can be a meaningful one only if the department has a proper system of accounting total dues recoverable from the consumers.

As per information furnished to Audit, Rs. 47.22 crore were pending collection as on 31.03.2008 as shown below:

(Rupees in crore)

Year	Opening balance as on 1 st April	Demand raised	Total amount	Amount realised during the year	Closing balance as on 31 st March
2003-04	22.49	11.30	33.79	24.08	9.71
2004-05	9.71	11.49	21.20	7.29	13.91
2005-06	13.91	17.47	31.38	8.71	22.67
2006-07	22.67	21.27	43.94	9.77	34.17
2007-08	34.17	24.63	58.80	11.58	47.22
Total	-	86.16	-	61.43	-

Audit however, found that the figures are incorrect and unreliable. This is clear from the fact that the Finance Accounts figures of actual collection shown in the table under para 6.2.7 are at variance to the figures of realised amount shown in the departmental records/return. Over the five years period, Finance Accounts showed Rs. 47.43 crore as realised whereas the departmental figures shows Rs. 61.43 crore.

In a similar manner the figures relating to WC due are also completely unreliable. While the HOD intimated in July 2008 that arrears of Rs. 47.22 crore are pending collection as on 31.03.2008 for the State as a whole, figures obtained by Audit from the Divisional level indicated a completely different picture. The information provided by the Divisional authorities in respect of 23 test checked Divisions, revealed that arrears pending as on 31.03.2008 amounted to Rs. 47.30 crore which is more than the entire State figures that the HOD has with him from just 23 out of the 52 Divisions test checked. Yearwise position in respect of these divisions is mentioned below:

(Rupees in crore)

Year	Opening balance as on 1 st April	Demand raised by department	Total amount	Amount realised during the year	Closing balance as on 31 st March
2003-04	5.48	9.03	14.51	5.35	9.16
2004-05	9.16	9.69	18.85	5.10	13.75
2005-06	13.75	15.01	28.76	6.00	22.76
2006-07	22.76	18.19	40.95	6.74	34.21
2007-08	34.21	20.95	55.16	7.86	47.30
Total	-	72.87	-	31.05	-

In this context it may be mentioned that a “quarterly progress report” (QPR) of revenue has been prescribed by the department to be sent by each Division to the HOD showing details of opening balance, WC and *abiana* due during the quarter, total due for collection, amount collected and balance amount outstanding at the end of the quarter.

Test check of the records revealed that no detailed scrutiny such as correctness of assessment, recovery etc. could be made at apex level as essential details/information like total number of users of water, new connection allotted, new meters installed and assessment made were not available in the QPR.

It can be inferred that the QPR were not scrutinised at any level resulting in non-detection of the mistakes mentioned in the succeeding paragraphs. Thus there is no monitoring system in the department to compile, check and verify the details of QPR, which will show correctness of arrears.

The Government stated (July 2009) that this issue would be reviewed and suitable action taken accordingly.

6.2.9 Short assessment of water charges

6.2.9.1 Test check of the consumer’s ledgers of the 23 Divisions by Audit revealed that during the years 2003-04 to 2007-08, Rs. 74.61 crore (table under para 6.2.7) was due for assessment on account of WC. Against this, the department assessed Rs. 72.87 crore (table under para 6.2.8) resulting in short assessment of WC amounting to Rs. 1.74 crore.

After this was pointed out (March-April 2009) in audit, EEs stated that due to shortage of staff WC were not assessed timely at sub-division level.

6.2.9.2 Test check of the records (bill register) revealed that an amount of Rs. 49,000 on account of surcharge to be payable by municipal committee Solan for the period December 2003 and January 2004 was not included in the total of outstanding WC. This resulted in understating of arrears to that extent.

Reasons for non-inclusion of the surcharge in outstanding WC though called for from Solan Division in May 2009, were not received (September 2009).

The Government stated (July 2009) that reply would be sent on receipt of the same from concerned Divisions. Further report on recovery was awaited (September 2009).

6.2.10 Non-assessment and collection of *abiana* charges

The *abiana* charges are to be assessed on the basis of *Jamabandi*⁴ /*Girdawari*⁵ prepared by the *Patwari*. The *Khataunies*⁶ are required to be prepared and submitted to *Ziladar*⁷ for approval. After the approval of *khataunies*, *naksha 33-C*⁸ are to be sent to revenue department for collection.

Audit observed that no time period has been framed for preparation of *khataunies* to assess and collect the *abiana* charges.

Based on scrutiny of records and information supplied by 20 sub divisions⁹, it was noticed that *abiana* charges amounting to Rs. 32.28 lakh were due for assessment and collection from the farmers as on 31.03.2008. The department however, assessed *abiana* charges of Rs. 7.49 lakh only against which Rs. 3.19 lakh was collected as detailed below:

(Rupees in lakh)

Year	LIS and FIS existed as on 31st March	Irrigated area (acre)	Abiana charges		
			Due	Assessed	Collected
2003-04	466	39,620	4.45	2.30	0.79
2004-05	475	44,216	4.89	1.97	0.40
2005-06	489	47,086	6.90	1.24	0.81
2006-07	511	46,521	7.58	1.21	0.66
2007-08	527	47,267	8.46	0.77	0.53
Total	527	2,24,710¹⁰	32.28	7.49	3.19

Audit observed that in four sub divisions¹¹ of Nalagarh Division, no *abiana* charges were assessed after 1993-94. However, on the basis of irrigated area, *abiana* charges of Rs. 12.03 lakh were due in these sub divisions during 2003-04 to 2007-08. While sub division Haroli under Division No. I Una had prepared *Khataunies* for Rs. 4.89 lakh and sent for approval of the *Ziladar*, the same was not received by the Division till date. In 15 sub divisions as per crop wise irrigated area, *abiana* charges of Rs. 15.36 lakh were due from the farmers for the period 2003-04 to 2007-08. Of these, *Khataunies* for Rs. 7.87 lakh was not prepared and assessment for Rs. 7.49 lakh was approved.

After this was pointed out (March 2009) in audit, EE Nalagarh Division stated (March 2009) that no *abiana* charges had been assessed after 1993-94 as no regular *patwari* had been provided. The other EEs stated (March-April 2009) that due to shortage of staff, this could not be assessed and collected.

⁴ Statement of land holdings of owners

⁵ Details of standing crops

⁶ Land holding slip in prescribed proforma

⁷ Tehsildar/Naib Tehsildar posted in circle

⁸ Statement showing scheme wise total irrigated area and *abiana* charges due for collection

⁹ Baddi, Bangana, Bharwain, Dadasiba, Dehra, Fatehpur, Gagret, Haripur, Haroli, Jawali, Khundian, Mehatpur, Nagrota Surian, Nalagarh, (Tubewell) Nalagarh, Ramshahar, Santokhgarh, Sunhet, No. I Una and No. II Una

¹⁰ Kharif: 43,625 acre and Rabi:1,81,085 acre

¹¹ Baddi, Nalagarh, (Tubewell) Nalagarh and Ramshahar

Absence of a time period for assessment and collection of *abiana* charges resulted in non-assessment/realisation of Government dues of Rs. 24.79 lakh for the use of water.

The Government while admitting the facts stated (July 2009) that due to shortage of staff particularly *patwari*, work for proper assessment/realisation was hampered. However, efforts were being made to assess/collect *abiana* charges.

6.2.11 Non-recovery of *abiana* charges

Under section 62 of HPMC Act, all charges of *abiana* due, if not paid, is recoverable as if the same were arrears of land revenue (ALR). The Act is silent about prescribing any time limit during which period the cases are to be referred as ALR.

The yearwise position of recovery of *abiana* charges in the State as a whole, for the years 2003-04 to 2007-08, as furnished by the department, was as under:

(Rupees in lakh)

Year	Opening balance as on 1st April	Demand raised	Total amount	Realisation during the year	Closing balance as on 31 st March
1	2	3	4	5	6
2003-04	75.89	11.51	87.40	5.01	82.39
2004-05	82.39	12.50	94.89	10.50	84.39
2005-06	84.39	12.18	96.57	5.16	91.41
2006-07	91.41	11.22	102.63	8.03	94.60
2007-08	94.60	12.25	106.85	8.88	97.97
Total	-	59.66	-	37.58	-

It was seen from the above that the realisation of *abiana* charges during the year 2003-04 to 2007-08 was less than the demand raised resulting in accumulation of *abiana* charges to the tune of Rs. 97.97 lakh as on 31.03.2008. No case has been referred for recovery as ALR as prescribed in the Act.

The Government while confirming the facts stated (July 2009) that matter would be taken up with the Divisions for recovery of *abiana* charges.

6.2.12 Non-defining of commercial connections

The IPH Minister in its meeting held in July 2006, directed that commercial establishments should ensure that they have water meter connection and non-compliance thereof would attract disconnection. The Engineer-in-Chief (IPH) vide letter dated 12.7.2006 directed all CEs/SEs/EEs that all commercial establishments in rural and urban areas should be metered by 31.7.2006.

Audit scrutiny revealed that commercial establishment has not been defined in the Act/Rules. In the absence of clear definition of commercial establishment in the Act/Rules, Audit could not ascertain whether all commercial establishments were provided with a meter or not and whether there was any revenue loss.

The Government while admitting the facts stated (July 2009) that commercial activities would be defined and got approved. Further report on recovery was awaited (September 2009).

6.2.13 Non-maintenance of records of public taps

Test check of the records in 16 sub divisions¹² revealed that public taps were installed in the rural sector on the basis of public demand and recommendation of Gram Panchayat. Neither any record of installation (except estimate of public taps) were maintained at any level nor any proforma had been prescribed to update the record of public taps.

In the absence of necessary details/records, justification for installation and utilisation of public taps could not be verified in Audit.

The Government stated (July 2009) that public taps were installed as per provisions in WSS Scheme and no separate records were maintained by field staff. However, necessary instructions would be issued to field units for maintaining division wise records of public taps and submission of its status to higher authorities.

Internal control mechanism

6.2.14 Internal audit

An independent and effective internal audit (IA) under the control of the HOD is essential for ensuring compliance with rules and procedures, prompt assessment and collection of receipts on account of WC and *abiana* charges, proper accounting thereof as well as monitoring the overall functioning of the department.

No IA system existed in the department. In the absence of IA, the department had no means of knowing the areas of malfunctioning of system in assessment and collection of WC and *abiana* charges.

The Government stated (July 2009) that no IA system existed in the department. However, annual inspection of sub divisions/Divisions was being conducted by the departmental officers. The reply is not satisfactory since annual inspection can not replace the IA system which has wider scope of scrutiny.

Compliance deficiencies

6.2.15 Non-installation of meters for water supply

HPWS Rules provide that for supply of water in urban areas, private connections may be given by the authorised officer not below the rank of SE, after installation of meters. The State Government further notified in February 2001 that meters shall be installed and maintained by the consumers to the satisfaction of the department.

The Government in February 2001 prescribed different water rates for supply of water in Rural/Urban areas. The rates were to be based on meter in respect of urban area and flat rates for rural area. In June 2005, the Government revised the rates. As per these orders, the metered rates for urban areas were enhanced to the extent of double and instructions were issued for allotting metered connections for all private users.

¹² Bangana, Bharwain, Dadasiba, Dehra, Fatehpur, Gagret, Haripur, Haroli, Jawali, Khundian, Mehatpur, Nagrota Surian, Santokhgarh, Sunhet, No. I Una and No. II Una

6.2.15.1 Test check of the records of 29 sub divisions¹³ revealed that 52,413 connections were provided in the urban area as on 31.3.2008, of which only 17,624 meters were installed and 34,789 connections remained unmetered. Thus there was 66 per cent shortfall in the installation of meters as detailed below:

Year	Unmetered connection at the beginning of the year	Connections allotted in the year	Meters installed during the year	Connections where meters not installed	Total unmetered connections at the end of the year
1	2	3	4	5	6
2004-05	31,083	15,156	13,992	1,164	32,247
2005-06	32,247	15,886	14,880	1,006	33,253
2006-07	33,253	17,207	16,297	910	34,163
2007-08	34,163	18,250	17,624	626	34,789

After this was pointed out in audit, the concerned EEs/AEs stated (August 2008- March 2009) that the meters were to be installed by the consumers themselves, who did not do so despite repeated requests. The AE Gagret stated (March 2009) that the consumers were also not interested in installing the meters as in the absence of meter, flat rates were charged which was lesser than the metered rates.

The reply indicates that the department was hand in glove with the consumers in denying the WC due to the Government. The reply of AE Gagret also suggested complicity of the department.

The Government while admitting the facts stated that all connections in urban area were to be metered and instructions to all field units have been issued on 24.6.2009 directing them that all new connections should be provided only after installation of meters. As regards old cases, consumers would be asked to install the meters.

The reply is not satisfactory as leaving the installation of meters to the consumers has so far only resulted in evasion. Therefore, department should ensure installation of meters in respect of all unmetered connections.

6.2.15.2 Test check of the records of 29 sub divisions revealed that WC for 35,847 (34,789 unmetered and 1,058 defective) connections were charged at flat rate applicable for an older period of 2001, for the period June 2005 to 2007-08. Application of flat rates resulted in a loss of revenue in these sub divisions which could not be quantified. However, Audit tried to estimate the loss by adopting the average metered connections available in 18 sub divisions¹⁴ and

¹³ Arki, Baddi, Banjar, Bhota, No. II Bilaspur, Dehra, Dharamsala, Gagret, Ghumarwin, Hamirpur, Jogindernagar, Kalol, Kangra, Kullu, Manali, No. I Mandi, Mehatpur, Nadaun, Nagrota Bagwan, Nalagarh, Rewalsar, Sarkaghat, Santokhgarh, Shamshi, Solan, Sujanpur, Sundernagar, Swarghat and No. I Una

¹⁴ Banjar, Bhota, No. II Bilaspur, Dehra, Dharamsala, Ghumarwin, Hamirpur, Jogindernagar, Kangra, Kullu, Mandi I, Mehatpur, Rewalsar, Sarkaghat, Santokhgarh, Shamshi, Sundernagar and No. I Una
 Average metered consumption
 Total connections of 18 sub divisions = 20,483
 WC recovery = Rs. 1,53,32,896
 Average = $\frac{1,53,32,896 \times 34,115}{20,483}$ = Rs. 2.56 crore

found that WC during June 2005 to 2007-08 amounted to Rs. 10.35 crore against which Rs. 5.62 crore only were charged. This resulted in loss of revenue of Rs. 4.73 crore as detailed below:

(Rupees in crore)

Year	Number of sub-divisions	Total unmetered connection for which loss worked out	WC due as per average consumption of metered connection	WC charged on flat rates	Loss of WC on average consumption of metered connection
2005-06	27 ¹⁵	34,115	2.56	1.49	1.07
2006-07	27	35,070	3.89	1.95	1.94
2007-08	27	35,847	3.90	2.18	1.72
Total	27	35,847	10.35	5.62	4.73

After this was pointed out (August 2008) in audit, no definite reply was furnished by the department. However, in November 2008 the HOD stated that the reason behind not revising rates might be that unmetered connections were being used by general public to whom water is supplied free of cost. Reply indicates that departmental officials themselves are not aware of rules and are not serious about the implementation.

6.2.16 Underassessment of water charges

Bulk supply of the water is being made by the department to MC Shimla, for which separate rates of WC has been fixed. The quantity of bulk supply made is based on the meter reading installed by the department.

6.2.16.1 Test check of the records of sub division Dhalli, under the control of Division No. II Shimla, revealed that as per meter reading of Dhalli pumping station, 12.43 lakh KL of water was supplied to MC Shimla during the period 1.4.2003 to 20.5.2005. The department, however, raised the demand of WC for only 8.29 lakh KL of water for this period. Less raising of demand resulted in underassessment of WC of Rs. 16.57 lakh¹⁶.

After this was pointed out in audit, EE intimated in August 2008 that matter was being investigated. Further reply was awaited (September 2009).

6.2.16.2 A comparison of "Pumping Register" (Chirod and Jagroti WSS) of Dhalli sub division with monthly water supply details maintained in Division No. II Shimla revealed that 145.57 lakh gallon of water was supplied to the MC during 1.1.2007 to 12.1.2007 whereas the division raised the demand for 1.18 crore gallon of water due to arithmetic mistake in conversion of litre into gallon which resulted in underassessment of WC of Rs. 1.09 lakh.

After this was pointed out in audit, the Division while confirming the facts stated (August 2008) that the wrong conversion of litre into gallon was due to oversight.

¹⁵ In two sub-divisions in Manali and Solan all connections were metered, hence details of 27 sub divisions only given

¹⁶ 4,14,330 KL x Rs. 4 per KL = Rs. 16,57,320 or Rs. 16.57 lakh

The Government while admitting the facts stated (July 2009) that Shimla Division No. II should have raised the bills of water charges for total bulk supply of water made during 1.4.2003 to 20.5.2005. However, matter regarding underassessment and wrong conversion of litre into gallon would be got investigated. Further report on recovery was awaited (September 2009).

6.2.17 Incorrect application of water rates

Incorrect application of water rates resulted in short realisation of WC of Rs. 12.70 lakh in eight sub divisions¹⁷ as tabulated below:

Sr. No.	Connections	Period	Rate charged (Rs.)	Rate chargeable (Rs.)	Financial effect (Rs. in lakh)
1.	16 rural commercial	Between June 2005 and February 2008	50 per connection per month or 8.00 per KL	8.00 per KL or minimum 100 per connection per month	0.17
2.	9,694 urban domestic/commercial	Between April 2006 and March 2008	40 and 44 flat rate per connection per month, 8.80 per KL as metered rate	10 per cent increase in rates not given	8.38
3.	Bulk supply to municipal committee, Solan	Between April and June 2006, October 2006	8.00 per KL, 8.40 per KL	8.80 per KL	3.77 (+) 0.38 (10 per cent surcharge)
Total					12.70

After this was pointed out in audit, EEs (Ghumarwin, Hamirpur, No. II Kullu) while confirming the facts stated (September 2008 and March 2009) that as notification revising the rates were not received/available, recovery could not be made. However, recovery would be effected from the concerned consumers. EE Barsar stated that the recovery could not be made due to oversight while EE No. I Una instructed the sub divisions to effect the recovery. AEs Jhandutta and Larji intimated (June 2009) that Rs. 17,000 had been recovered from concerned consumers. Further progress on recovery from remaining six sub divisions and reply from EE Solan was awaited (September 2009).

The Government while admitting the facts stated (July 2009) that instructions would be issued to the concerned field units for raising the revised demand in time and to recover the arrears of WC.

6.2.18 Delay in raising of demand

Under HPWS Rules, the bill for consumption of water and other charges, if any, shall be presented as regularly as possible. The rates for the bulk water supply for MC Shimla were enhanced vide letter dated 12.07.2006 to Rs. 8.80 per KL with effect from 1.4.2006 and to Rs. 9.68 per KL from 1.4.2007 vide letter dated 19.4.2007.

Test check of the records of Division No. II Shimla, revealed that demand of Rs. 1.12 crore on account of enhanced rates for the period 1.4.2006 to 29.02.2008 was raised by the department after a delay ranging between two and 24 months as detailed below:

¹⁷ Bhota, Hamirpur, Jhandutta, Larji, Mehatpur, Nadaun, Solan and No. I Una

- Rs. 20.66 lakh for the period from April 2006 to June 2006 was raised in May 2008.
- Rs. 91.36 lakh for the period from April 2007 to February 2008 was raised in March 2008 and May 2008.

After this was pointed out (July 2008) in audit, the department while confirming the facts stated (August 2008) that short billing in the first instance was due to oversight. The explanation is not satisfactory.

The Government while admitting the facts stated (July 2009) that reply would be submitted on receipt of reply from the Division. Further report on recovery was awaited (September 2009).

6.2.19 Temporary misappropriation of Government money

Rule 2.4 of Himachal Pradesh Financial Rules, 1971 Vol. I (HPFR) provides that at the close of the day while signing the cash book, the head of the office should see that the departmental receipts collected during the day are credited into the treasury on the same day or on the morning of the next day at the latest and that there is corresponding entry on the payment side of the cash book.

Test check of the records of 23 Divisions revealed that in 20 Divisions¹⁸, an amount of Rs. 4.36 crore realised as WC for the years 2003-04 to 2007-08, was deposited late in the treasuries. Out of this, Rs. 4.34 crore was deposited after a delay ranging from six to 55 days. The remaining Rs. 2.04 lakh relating to Bhota sub division under Barsar Division, received between January 2001 and July 2007, was deposited between December 2007 and February 2008. The delay ranged between five months to seven years. This resulted in temporary misappropriation of Government money.

After this was pointed out in audit, EEs while admitting the facts stated (between July 2008 and March 2009) that instructions would be issued to field staff for strict compliance of financial rules. In the case of Bhota sub division, the Principal Secretary (IPH) directed (January 2009) the concerned CE to investigate the matter. A report on further progress made has not been received (September 2009).

The Government while admitting the facts stated (July 2009) that all CEs/SEs have been directed on 24.6.2009 to stop this practice in future and adhere to strict compliance of financial rules. In the case of Bhota sub division, CE was directed to investigate the matter and fix responsibility.

6.2.20 Non-imposing of surcharge for delayed payment of water charges

Provisions of HPWS Rules provide that the bills for the consumption of water, rent of meter and other charges, if any, shall be presented as regularly as possible. The interval between two successive bills being one month to three months in case of urban water supply scheme and two to six months in case of

¹⁸ Arki, Baggi, Barsar, Bilaspur, Dehra, Dharamsala, Ghumarwin, Jawali, Hamirpur, No. I Kullu, No. II Kullu, Nalagarh, Padhar, Palampur, Sarkaghat, Shahpur, Sundernagar, Thural, No. I Una and No. II Una

rural water supply scheme. The payment thereof shall be made by the consumer within 15 days of the day of issue of bills. If the payment is not made within the stipulated period, a surcharge of 10 *per cent* shall be imposed extra.

Test check of the records of two Divisions¹⁹ revealed that against monthly bills raised in 2003-04 to 2007-08 against municipal committee Palampur and MC Shimla on account of bulk supply of water by the department, payment was not made within the prescribed period of 15 days. For non-payment of WC, surcharge of Rs. 4.03 crore was leviable by these Divisions as mentioned below, which was not done.

(Rupees in crore)					
Year	Opening balance	Amount of WC claimed by the division	Total WC due	Closing balance as on 31 st March	Surcharge due on WC claimed
Outstanding WC as on 1.4.2003	3.08	--	3.08	3.08	0.31
2003-04	3.08	4.06	7.14	7.14	0.41
2004-05	7.14	4.07	11.21	11.21	0.41
2005-06	11.21	7.71	18.92	18.92	0.77
2006-07	18.92	10.14	29.06	29.06	1.01
2007-08	29.06	11.16	40.22	40.22	1.12
Total	40.22	37.14	-	40.22	4.03

After this was pointed out (March 2009) in audit, Palampur Division, imposed (May 2009) surcharge of Rs. 9.80 lakh (inclusive of Rs. 6.89 lakh) on total WC outstanding as on 31.3.2009 whereas Division No. II Shimla stated in May 2009 that there is no provision for levying the surcharge at the rate of 10 *per cent*. The reply of Division No. II Shimla is not correct as provision of Rule 8 (iii) of HPWS rules provide for imposing 10 *per cent* surcharge.

The Government while admitting the facts stated (July 2009) that necessary instructions were being issued to the field units for levying 10 *per cent* surcharge on delayed payment.

6.2.21 Irregular utilisation of departmental receipts towards expenditure

Under the provision of HPFR, utilisation of departmental receipts towards expenditure is strictly prohibited.

Test check of the records of Division No. II Shimla, revealed that grant-in-aid amounting to Rs. 17.13 crore was released to the department by the Urban Development, Himachal Pradesh, Shimla through bank draft No. 843114 dated 29.03.2003 to liquidate the arrear on account of WC against 11 urban local bodies including Rs. 16.47 crore for MC Shimla. Though the above grant was debited to the arrears pending collection against the local bodies, it was not credited to the revenue head. Instead it was utilised for the payment of energy charges which was against the provision of the financial rules. As a result revenue to that extent was understated.

¹⁹ Palampur: Rs. 6.89 lakh and Shimla: Rs. 3.96 crore

After this was pointed out (July 2008) in audit, EE while confirming the facts, stated (August 2008) that the revenue receipt was not credited to the receipt head “0215-water supply” as per the direction of the Himachal Pradesh Government (Finance Department) letter dated 29.03.2003.

The Government while admitting the facts stated (July 2009) that reply would be given after investigation and assured that the advice of audit would be kept in view in future.

6.2.22 Improper maintenance of records

Para 6.7 of Central Public Works Account (CPWA) Code as applicable to Himachal Pradesh provides that receipt books (Form-3) and cash memo books (Form-3A) required for use in the divisional/sub divisional offices should be obtained from the Central Forms Stores, Calcutta by the divisional officers/sub divisional officers. The divisional office should also keep a record of the receipt and cash memo books received and those issued to the divisional office and sub divisional offices.

Test check of the records of 22 Divisions revealed irregularities in 17 Divisions²⁰ as discussed below:

- The bill/receipts books were got printed from the private firms instead of procuring the same from Government stores. A certificate of count was also not recorded on the fly leaf by divisional or sub divisional officer.
- The bill/receipt books were required to be entered in the stock register. However, in 876 cases the stock entry was not made in the stock register.
- The date of issue of bill/receipt books to the sub divisions was also not recorded in the stock register of the Division.

After this was pointed out in audit, EEs while admitting the facts stated (between August 2008 and April 2009) that due to rush of work, the required instructions could not be followed.

The Government while admitting the facts stated (July 2009) that all SEs have been directed to follow the prescribed procedure in future to avoid misappropriation/ non-accountal etc.

6.2.23 Non-production of receipts books

Under CPWA Code, the divisional officer is required to keep a record of receipt books received and those issued to the divisional/sub divisional offices. The receipt books used for the collection of WC are required to be produced for Audit scrutiny.

6.2.23.1 In sub division No. I Una, the stock register of receipt books for the period from 2003-04 to 2007-08 was not produced for Audit scrutiny. During test check of “consumer ledgers” with cash book of water charges, Audit

²⁰ Arki, Baggi, Barsar, Bilaspur, Dharamsala, Ghumarwin, Hamirpur, Jawali, Kullu, Mandi, Palampur, Sarkaghat, Shahpur, Solan, Thural, No. I Una and No. II Una

noticed that 12 receipts of nine different series for the period from May 2003 to April 2007 involving Rs. 5,208 were found posted in the consumer ledger, the amount was not accounted for in the cash book of WC.

After this was pointed out (March 2009) in audit, EE intimated in July 2009 that a demand of Rs. 2.27 lakh had been raised in respect of above series of receipt books and AE had been directed to deposit the amount. No reply for non-production of stock register of receipt books was, however, furnished.

6.2.23.2 Test check of the records of sub division No. II Una revealed that 21 receipt books (50 leaves each) were issued to the WWC between 20.9.2004 and 6.8.2008 for collection of WC. Neither the consumer ledgers nor the receipt books used/left blank were produced to Audit.

After this was pointed out (March 2009) in audit, EE of the Division stated that receipt books were being located and would be produced to Audit.

The Government stated (July 2009) that reply would be sent on receipt of report from SE Una. Further report on recovery was awaited (September 2009).

6.2.24 Conclusion

The department had not taken into consideration the new sources of revenue such as old and new water connections, bulk supply while framing the BEs as provided in HPBM. The instructions for installation of meters in Urban areas were not followed strictly at the time of providing new connections which led to loss of revenue. 10 *per cent* surcharge was also not claimed against bulk supply where payment was not made within 15 days. The prescribed QPR did not contain necessary information i.e. total number of users of water, new connection allotted, new meters installed and assessment made etc. resulting in non-scrutiny of QPR at apex level as well as incorrectness of arrears. No IA system existed and in the absence of IA the department had no means of knowing the areas of malfunctioning of system in assessment and collection of WC and *abiana* charges. In the Act/Rules, no time period had been framed for the preparation of *Khataunies*, assessment and collection of *abiana* charges and reporting the cases as ALR which led to accumulation of arrears.

6.2.25 Recommendations

The State Government may consider:

- introducing essential details/information like total number of user of water, new connections allotted, new meter installed etc. in the QPR to monitor the accuracy of figures of WC;
- framing a time limit for preparation of *Khataunies* for timely raising of demand and collection of *abiana* charges. Besides, it also needs to frame a time period for reporting the cases as ALR to avoid non-recovery/accumulation of Government dues;

- defining the commercial establishments in the Act/Rules which shall fall under commercial activities for determining domestic/commercial connection; and
- setting up of IA system to monitor the assessment and correctness of WC and *abiana* charges paid.

6.3 Other Audit observations

Scrutiny of records in the offices of Power, Revenue, Stamp duty and registration departments revealed cases of non-recovery, short recovery, non-deposit and incorrect determination of market value etc. as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit each year, but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

B. MULTIPURPOSE PROJECTS AND POWER DEPARTMENT

6.4 Non-recovery of electricity duty

According to the Himachal Pradesh Electricity (Duty) Act, 1975 and the Rules made thereunder, electricity duty (ED) was leviable on electrical energy supplied by the Himachal Pradesh State Electricity Board (Board) to consumers. The duty collected by the Board in monthly bills for the energy supplied shall be deposited into Government account half yearly i.e. in April and October every year.

Information collected from the office of Chief Electrical Inspector (CEI) Himachal Pradesh, Shimla revealed (April 2009) that out of ED of Rs. 115.96 crore payable as on 31.3.2008, Rs. 70.00 crore had been deposited by the Board leaving thereby a balance of Rs. 45.96 crore. Besides, ED of Rs. 64.41 crore realised by the Board during the period April 2008 to September 2008 required to be deposited in October 2008, had not been deposited. It was, however, noticed that out of total unpaid amount of ED of Rs. 110.37 crore, the Board deposited Rs. 7.96 crore only on 30 March 2009. Thus, balance of Rs. 102.41 crore on account of ED had not been deposited by the Board till March 2009 and revenue to that extent remained out of Government account. Further, it was noticed that the State Government had borrowed loan from the open market during the year 2008-09. The rate of interest on the borrowing of such loan ranged between 6.10 *per cent* and 8.82 *per cent* per annum respectively. Even if, interest of 6.10 *per cent* is applied, the State Government would have saved Rs. 6.25 crore on the borrowing, had the amount of ED of Rs. 102.41 crore been paid by the Board to the Government.

After this was pointed out, CEI intimated that ED of Rs. 38 crore had been deposited by the board on 25 May 2009. Further report on recovery for the remaining amount was awaited (September 2009).

The matter was reported to the Government in April 2009; their reply has not been received (September 2009).

C. REVENUE DEPARTMENT

6.5 Incorrect determination of market value of property

Under the Himachal Pradesh Land Record Manual, 1992 (Appendix-XXI), the *patwaris* are responsible for preparation of *partas*²¹. As per the clarifications issued by the Inspector General Registration (IGR) in June 1998 and October 2004, valuation of land is to be done on the basis of the kind of land mentioned in the revenue records. Further, the average price is based on the consideration amount or market value (MV), whichever is higher on mutation done during the preceding 12 months in respect of a sale deed. The registering officer is also required to verify the consideration shown in the sale deeds with *partas* prepared. 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 it to the collector for determination of the value of consideration and the proper duty payable.

Test check of the records of 34 Sub Registrars²² (SRs), between May 2008 and March 2009, revealed that consideration of properties set forth in 489 documents registered during 2006 and 2007, was much below the average price shown in the *partas* prepared by the concerned *patwaris* of the localities. Against the market value of Rs. 53.33 crore, the value set forth in the deeds was Rs. 27.22 crore. The registering authorities, while registering the documents failed to correlate the consideration with that of the *partas* and refer the cases to the collector for determination of the value of consideration to realise proper stamp duty. This resulted in short realisation of stamp duty of Rs. 1.63 crore and registration fee of Rs. 18.04 lakh.

After the cases were pointed out between May 2008 and March 2009, the IGR intimated in February 2009 that out of Rs. 3.69 lakh, in respect of SR Manali, an amount of Rs. 1.34 lakh had been recovered and efforts were being made to recover the balance amount. Further report on realisation and reply from remaining SRs has not been received (September 2009).

The matter was reported to the Government between June 2008 and April 2009; their reply has not been received (September 2009).

6.6 Short recovery of stamp duty and registration fee on lease deed

Article 35 of schedule-I of Indian Stamp Act, 1899 provides that where a lease is granted for premium, the same duty as applicable to conveyance (Article 23), is chargeable. Under the Indian Stamp (Himachal Pradesh Amendment) Act 1970, where the lease purports to be for a term not exceeding 100 years, stamp duty is chargeable at the rate of three *per cent*. Besides stamp duty, registration fee at the rate of two *per cent* subject to maximum of Rs. 25,000, is also

²¹ It is a valuation report of the land prepared by the *Patwari*

²² Amb, Baijnath, Baldwara, Bhoranj, Dadahu, Dehra, Dharamsala, Harchakiya, Indora, Jhandutta, Jaswan Kotla, Jawali, Jubbal, Kangra, Kandaghat, Kasauli, Keylong, Kotkhai, Kullu, Manali, Mandi, Nadaun, Nahan, Nalagarh, Palampur, Paonta Sahib, Rajgarh, Shahpur, Shimla (Urban), Shimla (Rural), Sihuntta, Solan, Sundernagar and Una

leviable in terms of Government of Himachal Pradesh, Department of Revenue notification dated 18.3.2002. The Industries Department of the State had fixed in April 2007, the rates of premium (per square meter) of plots falling in the industrial area of the respective districts in the State.

Test check of the records of five SRs²³, between November 2008 and March 2009, revealed that in 19 cases, land measuring 23,606 square meters falling in the industrial area of five districts, were leased out during 2007 for the period ranging from 10 to 99 years. Scrutiny of records further revealed that SRs while registering the documents, did not levy the stamp duty and registration fee on the consideration amount of premium, fixed by the Industries Department. Consequently, 19 lease deeds executed in 2007 were registered at lower consideration of premium of Rs. 68.83 lakh instead of Rs. 2.11 crore. Thus as against stamp duty and registration fee of Rs. 9.04 lakh, Rs. 3.20 lakh was collected, resulting in short realisation of stamp duty and registration fee of Rs. 5.84 lakh.

The matter was reported to the department and the Government between December 2008 and March 2009; their reply has not been received (September 2009).

D. INDUSTRIES DEPARTMENT

6.7 Short recovery of royalty due to application of incorrect rates

Rule 21 of the Himachal Pradesh Minor Mineral (Concession) Revised Rules, 1971 provides that the lessee shall pay the royalty in advance for the material to be removed from the leased area. Royalty for sand, stone etc. is to be charged at the rate of Rs. 10 per tonne from 25.06.1999 to 7.10.2007 and at the rate of Rs. 20 per tonne thereafter, in terms of notification dated 8.10.2007, issued by the Department of Industries, Government of Himachal Pradesh.

Test check of the records of Mining Officer (MO) Kullu in June 2008, revealed that a lessee²⁴ engaged in construction of Parbati Hydro Electric Project stage-III in the district had entrusted civil and hydro mechanical works of the project to 25 sub-contractors. Audit scrutiny revealed that the MO had recovered between April 2005 and March 2008, royalty of Rs. 13.69 lakh from these contractors at the rate of Rs. 6/10 per tonne instead of the correct rate of Rs. 10/20 per tonne on 1.80 lakh tonnes of sand, stone and aggregate²⁵ removed. This resulted in short recovery of royalty of Rs. 13.74 lakh.

After this was pointed out (June 2008) in audit, the department stated in June 2009 that an amount of Rs. 10.72 lakh had been recovered and that lessee had been directed to deposit the balance amount. Further report on recovery has not been received (September 2009).

The matter was reported to the Government in July 2008; their reply has not been received (September 2009).

²³ Amb, Indora, Nadaun, Nahan and Naina Devi

²⁴ M/s NHPC Ltd, Nagwain, Distt. Mandi

²⁵ crushed stone

E. PUBLIC WORKS DEPARTMENT

6.8 Non-deposit of tax deducted from the contractor's bills

Rule 38 of HPVAT Rules, 2005 provides for deduction of tax at the rate of two *per cent* at source from the bills of works contractor and the person making such deduction is responsible to pay into the Government treasury all the amounts deducted by him during a month, within 15 days of the close of each month. In the event of non-deposit of collected tax, the prescribed authority shall, after giving an opportunity of being heard, by an order, in writing, direct that such person shall pay by way of penalty, a sum not exceeding twice the amount of tax deductible.

Test check of the records of four public works divisions²⁶ (PWDs), between May 2008 and January 2009, revealed that the divisions had deducted tax of Rs. 36.03 lakh at source from the contractor's bills for the period falling between July 2007 and December 2008. Audit observed that the amount which was required to be deposited under the revenue head of account was kept under "public works deposits" head of account and unauthorisedly utilised for payment of ongoing works. For non-deposit of tax, the divisions were also liable to pay penalty.

The matter was reported to the department and the Government between June 2008 and February 2009; their reply has not been received (September 2009).

Shimla
The

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The

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²⁶ Karsog, Kullu-I, Nahan and Rohru