

CHAPTER-I

GENERAL

1.1 Trend of revenue receipts

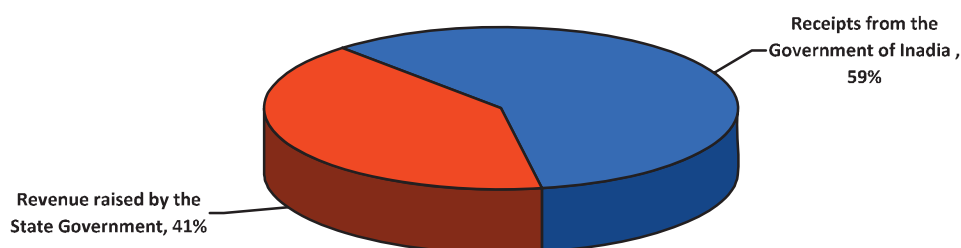
1.1.1 The tax and non-tax revenue raised by the Government of Himachal Pradesh during the year 2011-12, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table – 1.1** and **Graph 1.1** below.

Table – 1.1
Trend of revenue receipts

(₹ in crore)						
Sr. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Revenue raised by the State Government					
	• Tax revenue	1,958.18	2,242.49	2,574.52	3,642.38	4,107.92
	• Non-tax revenue	1,822.43	1,756.24	1,783.66	1,695.31	1,915.20
	Total	3,780.61	3,998.73	4,358.18	5,337.69	6,023.12
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	793.64	837.49	861.63	1,715.35	1,998.37
	• Grants-in-aid	4,567.29	4,471.77	5,126.55	5,657.57	6,521.37
	Total	5,360.93	5,309.26	5,988.18	7,372.92	8,519.74
3.	Total revenue receipts of the State Government (1 and 2)	9,141.54	9,307.99	10,346.36	12,710.61	14,542.86¹
4.	Percentage of 1to 3	41	43	42	42	41

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 6,023.12 crore) was 41 *per cent* of the total revenue receipts. The balance 59 *per cent* of the receipts during 2011-12 was from the Government of India.

Graph 1.1



¹ For detail, please see Statement No. 11-Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Himachal Pradesh for the year 2011-12. Figures under the Major Head 0020-Corporation tax; 0021-Taxes on income other than Corporation tax; 0032-Taxes on wealth; 0037-Customs; 0038-Union excise duties and 0044-Service tax-901 Share of net proceeds assigned to the State booked under A-tax revenue have been excluded from the revenue raised by the State Government and included in the State's share of divisible Union taxes.

The detail of the tax revenue raised during the period 2007-08 to 2011-12 is given in **Table 1.2** below.

Table 1.2
Details of Tax Revenue raised

							(₹ in crore)
Sr. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11
1.	Land revenue	1.89	20.28	14.54	4.78	17.86	274
2.	Stamps and registration fees						
	Stamps - judicial	4.10	4.69	5.95	6.58	8.91	35
	Stamps -non-judicial	64.12	73.53	84.10	101.50	111.21	10
	Registration fees	18.77	20.11	23.34	24.61	34.97	42
3.	State excise	389.57	431.83	500.26	561.53	707.36	26
4.	Taxes/VAT on sales, trade etc.	1,092.16	1,246.31	1,487.40	2,101.10	2,476.78	18
5.	Taxes on vehicles	113.72	135.53	133.97	163.02	176.03	8
6.	Taxes on goods and passengers	55.12	62.39	88.74	93.46	94.36	1
7.	Taxes and duties on electricity	81.57	78.83	39.08	301.59	185.47	(-) 39
8.	Others ²	137.13	168.99	197.14	284.21	294.97	4
	Total	1,958.15	2,242.49	2,574.52	3,642.38	4,107.92	13

The concerned Departments for variation reported the following reasons:

Stamps and Registration Fees: The increase was stated to be due to more sales of stamps and registration of more documents.

State Excise: The increase was stated to be due to rise in the rates of license fee, excise duty, renewal fee, annual license fee, fixed fee on country liquor/ Indian made foreign liquor and increase in the annual minimum guaranteed quota.

Taxes/VAT on sales, trade etc.: The increase was stated to be due to collection of taxes under H.P. Tax on Entry of Goods into Local Area Act, 2010, hike in tax rate, besides, system was driven to on-line especially registration, return filling and e-payment and better tax administration.

Taxes and duties on electricity: The decrease was stated to be due to deposit of arrears of electricity duty during 2010-11 by the Himachal Pradesh State Electricity Board, whereas no such arrears was included in this year's Receipt.

The other Departments despite being requested (September 2012) did not intimate the reasons for variation in receipts from that of the previous year (December 2012).

² The figures relating to year 2007-08: ₹ (-) 3 lakh on account of share of net proceeds assigned to the state.

1.1.2 The detail of the non-tax revenue raised during the period 2007-08 to 2011-12 is indicated in **Table 1.3** below.

Table 1.3
Detail of Non-tax revenue raised

(₹ in crore)							
Sr. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11
1.	Power	1,414.52	1,255.43	1,214.80	1,093.21	1,145.70	4.80
2.	Non-ferrous, mining and metallurgical industries	56.59	76.57	85.09	113.84	120.12	5.52
3.	Interest receipts	66.90	77.97	76.93	69.95	115.09	64.53
4.	Forestry and wild life	53.60	55.40	72.11	65.44	106.54	62.81
5.	Public works	20.38	22.59	30.81	34.66	41.63	20.11
6.	Miscellaneous general services	47.51	5.25	1.05	2.06	40.01	1,842.23
7.	Other administrative services	12.64	14.07	17.28	31.00	26.23	(-) 15.39
8.	Police	12.31	15.05	11.57	19.10	15.39	(-) 19.42
9.	Medical and Public Health	7.68	8.19	5.81	8.40	8.66	3.10
10.	Co-operation	4.93	2.80	3.35	9.59	2.30	(-) 76.02
11.	Major and medium irrigation	0.22	0.17	0.14	6.84	0.36	(-) 94.73
12.	Other Non-tax receipts ³	125.15	222.75	264.72	241.22	293.17	21.54
Total		1,822.43	1,756.24	1,783.66	1,695.31	1,915.20	12.97

The concerned Departments reported the following reasons for variation:

Non-ferrous, mining and metallurgical industries: The increase was stated to be due to enhancement in the rates of minerals and more extraction for development work.

Forestry and Wild Life: The increase was stated to be due to more receipt from the Himachal Pradesh State Forest Corporation besides, sale of furniture wood.

Public Works: The increase was stated to be due to miscellaneous receipts from sale of tender forms, empty bags of cement and contractor's registration fee. Besides, receipts of Departmental charges for more construction of residential and non-residential buildings under deposit works.

³ Comprises mainly receipts from Himachal Pradesh Public Service Commission, Printing & Stationery, Water Supply & Sanitation, Family Welfare and Housing Departments etc.

Police: The decrease was stated to be due to short payment of long-term arrears by Bhakra Beas Management Board (BBMB) and other institutes in respect of supply of police guards.

Co-operation: The decrease was stated to be due to non-receipt of loan and Grant from the National Co-operative Development Corporation, New Delhi for the execution of Integrated Co-operative Development Projects of the State.

The other Departments despite being requested (October 2012) did not intimate the reasons for variation in receipts from that of the previous year (December 2012).

1.2 Variations between budget estimates and actuals

Variation between the budget estimates and actuals of revenue receipts for the year 2011-12 in respect of the principal heads of tax and non-tax revenue are given in **Table 1.4** below.

Table 1.4
Details of budget estimates and actuals

(₹ in crore)					
Sr. No.	Head of revenue	Budget estimates	Actual receipts	Variations excess (+) or shortfall (-)	Percentage of variation
1.	Land revenue	1.90	17.86	15.96	8.40
2.	Stamps and registration fees	142.76	155.09	12.33	8.64
3.	State excise	709.74	707.36	(-) 2.38	(-) 0.34
4.	Taxes/VAT on sales, trade etc.	2,444.27	2,476.78	32.51	1.33
5.	Taxes on vehicles	173.08	176.03	2.95	1.70
6.	Taxes on goods and passengers	117.36	94.36	(-) 23.00	(-) 19.60
7.	Taxes and duties on electricity	190.00	185.47	(-) 4.53	(-) 2.38
8.	Other taxes and duties on commodities and services	260.72	294.97	34.25	13.13
9.	Interest receipts	48.41	115.09	66.68	137.74
10.	Police	18.42	15.39	(-) 3.03	(-)16.44
11.	Stationery and printing	6.98	5.71	(-) 1.27	(-)18.19
12.	Public works	30.14	41.63	11.49	38.12
13.	Education, sports, art and culture	98.39	103.85	5.46	5.55
14.	Medical and public health	6.90	8.66	1.76	25.51
15.	Water supply and sanitation	23.22	31.35	8.13	35.01
16.	Housing	2.26	3.55	1.29	57.08
17.	Social security and welfare	4.20	3.50	(-) 0.70	(-)16.67
18.	Crop husbandry (including horticulture)	8.80	5.56	(-) 3.24	(-)36.82
19.	Animal husbandry	0.49	0.82	0.33	67.35
20.	Fisheries	1.27	1.36	0.09	17.09
21.	Forestry and wild life	84.78	106.54	21.76	25.67
22.	Power	1,400.00	1,145.70	(-) 254.30	(-)18.16
23.	Industries	8.74	6.89	(-) 1.85	(-)21.17
24.	Non-ferrous, mining and metallurgical industries	110.50	120.12	9.62	8.71

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

Stamp and Registration: The increase was stated to be due to more registration of deed documents.

Taxes on goods and passengers: The decrease was stated to be due to National Permit holding Goods Carriages and tourist buses, who used to deposit the tax with the department, are now depositing the composite fee with the Transport Department, besides, the rate of Passenger and Goods Tax also remained unchanged.

Other taxes and duties on commodities and services: The increase was stated to be due to more transportation of Clinker, Cement, Apples and other items under Certain Goods Carried by Road (CGCR) Act, 1999, more income from the Hotels and Lodging houses, increase in toll auction revenue and better administration under all Acts by the Department.

Police: The decrease was stated to be due to short payment of long-term arrears by Bhakra Beas Management Board (BBMB) and other institutes in respect of supply of police guards.

Stationery and printing: The decrease was stated to be due to less purchase of stationery by the different boards, Corporations and autonomous bodies and less printing work done during the year.

Crop husbandry: The decrease was stated to be due to less production of fruits/fruit products/ fruit plants in government nurseries and consequently lesser sales thereof, besides, non-receipts of funds under *Mandi Madhyast Yojna* from the Centre Government.

Forestry and Wild Life: The increase was stated to be due to more receipt from the Himachal Pradesh State Forest Corporation besides, sale of timber by the forest divisions.

Animal husbandry: The increase was stated to be due to enhance of prescription fee being charged from livestock owners, more sale of sheep/ Hoggest from departmental sheep breeding farms, sale of immovable/ moveable property and recovery of over payment.

Industries: The decrease was stated to be due to less receipt of premium of industrial plots from the industrial areas.

Public Works: The increase was stated to be due to miscellaneous receipts from sale of tender forms, empty bags of cement and contractor's registration fee. Besides, receipts of Departmental charges for more construction of residential and non-residential buildings under deposit works.

1.3 Cost of collection of Major revenue receipts

The gross collection about major revenue receipts, expenditure incurred on

collection and the percentage of such expenditure to gross collection during the years 2009-10, 2010-11 and 2011-12 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2010-11 are given in **Table 1.5** below.

Table 1.5
Cost of collection of Major revenue receipts

(₹ in crore)						
Sr. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2010-11
1.	Stamps and Registration fee	2009-10	113.39	1.02	0.90	1.60
		2010-11	132.69	1.04	0.78	
		2011-12	155.09	1.14	0.74	
2.	State excise	2009-10	500.26	5.06	1.01	3.05
		2010-11	561.53	5.84	1.04	
		2011-12	707.36	2.58	0.36	
3.	Taxes/VAT on sales, trade etc.	2009-10	1,487.40	15.06	1.01	0.75
		2010-11	2,101.10	21.85	1.04	
		2011-12	2,476.78	5.16	0.21	
4.	Taxes on vehicle, goods and passengers	2009-10	222.71	2.53	1.14	3.71
		2010-11	256.48	0.97	0.38	
		2011-12	270.39	26.83	9.92	

It would be seen from the above that cost of collection under Taxes on vehicle, goods and passengers was higher than the all India average.

1.4 Analysis of arrears of revenue in terms of total outstanding and outstanding for more than five years

The arrears of revenue as on 31 March 2012 about some principal heads of revenue amounted to ₹ 930.54 crore of which ₹ 154.12 crore was outstanding for more than five years, as detailed in the **Table -1.6** below.

Table 1.6
Arrear of revenue outstanding for more than five year

(₹ in crore)				
Sr. No.	Head of revenue	Total Amount outstanding as on 31 March 2012	Amount outstanding for more than 5 years as on 31 March 2012	Remarks
1.	Taxes/VAT on Sales, Trade etc.	189.43	61.34	Arrears pertained to the years 1968-69 and onwards. Demands for ₹ 51.48 crore had been certified as arrears of land revenue. Recoveries amounting to ₹ 1.80 crore were stayed by the High Court/ other judicial authorities. Demand of ₹ 6.82 crore were likely to be written off and remaining arrears of ₹ 7.12 crore recoverable from Government Department and ₹ 122.21 crore is recoverable from dealers. Specific action taken to effect the recovery called for in July 2012, had not been intimated (December 2012).
2.	Forestry and wild life	45.28	NA	The outstanding amounts relate to contractor agency: ₹ 3.71 crore; Himachal Pradesh State Forest Corporation: ₹ 41.43 crore and the balance ₹ 0.14 crore relate to other Government departments. Period to which arrears pertained and specific action taken to effect the recovery called for in July 2012 had not been intimated (December 2012).
3.	Taxes and duties on electricity	336.69	Nil	The arrears were recoverable from Himachal Pradesh State Electricity Board Limited.
4.	Taxes on vehicles	194.01	84.69	The arrears pertained to the year 1971-72 and onwards. Specific action taken to effect the recovery called for in July 2012, had not been intimated (December 2012).

5.	Taxes on Goods and Passengers	8.28	0.66	Arrears pertained to the years 1969-70 and onwards. Demands for ₹ 3.12 crore had been certified as arrears of land revenue. Demand of ₹ 0.07 crore were likely to be written off and remaining arrears of ₹ 5.09 crore recoverable from the owners of different vehicles. Specific action taken to effect the recovery called for in July 2012, had not been intimated (December 2012).
6.	Police	7.23	1.69	Arrears pertained to the years 1992-93 and onwards. Specific action taken to effect the recovery called for in July 2012, had not been intimated (December 2012).
7.	Water supply, sanitation and minor irrigation	138.43	NA	Out of ₹ 138.43 crore, ₹ 137.30 crore arrear relates to Municipal Corporation, Shimla, municipalities and notified area committees. The remaining arrears (₹ 1.13 crore) relating to minor irrigation and housing were recoverable through Deputy Commissioner (DCs) of the districts and superintending engineers respectively. Specific action taken to effect the recovery called for in July 2012, had not been intimated (December 2012).
8.	State excise	6.83	4.38	Arrears pertained to the year 1972-73 and onwards. Demands for ₹ 4.98 crore had been certified as arrears of land revenue. Recoveries amounting to ₹ 0.19 crore were stayed by the High Court/ other judicial authorities. Demands of ₹ 0.02 crore were likely to be written off and remaining arrears of ₹ 1.64 crore recoverable from the bidder/ licensees. Specific action taken to effect the recovery called for in July 2012, had not been intimated (December 2012).
9.	Other taxes and duties on commodities and services	3.14	0.69	Arrears pertained to the years 1989-90 and onwards. Demands for ₹ 1.86 crore had been certified as arrears of land revenue. ₹ 1.28 crore had been recoverable from the different hoteliers and remaining arrears of ₹ 39,100 were likely to be written off. Specific action taken to effect the recovery called for in July 2012, had not been intimated (December 2012).
10.	Non-ferrous, mining and metallurgical industries	0.92	0.51	Arrears pertained to the years 1970-71 and onwards. Specific action taken to effect the recovery called for in July 2012, had not been intimated (December 2012).
11.	Public works	0.30	0.16	Arrears pertained to the years 1954-55 and onwards. The specific action taken to effect the recovery, called for in July 2012, had not been intimated (December 2012).
Total		930.54	154.12	

1.5 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Sales Tax Department in respect of sales tax, motor spirit tax, luxury tax and tax on works contracts was as below in **Table 1.7**.

Table 1.7
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2011-12	Total assessments due	Cases disposed of during 2011-12	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Taxes/VAT on sales, trade etc.	94,843 85,486	52,474 46,519	1,47,317 1,32,005	35,863 33,599	1,11,454 98,406	24.87
Luxury tax	685	862	1,547	421	1,126	27.21
Tax on works contracts	1,323	1,722	3,045	1,634	1,411	53.66
Motor spirit tax	357	154	511	32	479	6.26

It would be seen from the table that the percentage of disposal of assessment cases was very low and ranged between 6.26 and 27.21 under these heads of revenue except Tax on works contracts, which need to be improved.

1.6 Evasion of tax

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 1.8** below.

Table 1.8

(₹ in crore)							
Sr. No.	Head of revenue	Cases pending as on 31 March 2011	Cases detected during 2011-12	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending finalisation as on 31 March 2012
					Number of cases	Amount of demand	
1.	State Excise	4	42	46	43	0.03	3
2.	Taxes on sales, trade etc.	110	25319	25429	25316	10.42	113
3.	Passengers and goods tax	296	1680	1976	1683	0.68	293
4.	Other taxes and duties on commodities and services	19	313	332	305	0.23	27
Total		429	27354	27783	27347	11.36	436

It would be seen from the above table that the number of cases pending at the end of the year remains almost same as the number of cases pending at the start of the year and only the fresh cases are finalized. It is advised to finalise these outstanding cases at the earliest to minimise the risk of cost of revenue.

1.7 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2011-12, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2011-12 as reported by the Department is given in **Table 1.9** below.

Table 1.9

(₹ in crore)					
Sr. No.	Particulars	Sales tax/ VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	37	7.28	02	0.11
2.	Claims received during the year	52	10.80	18	0.11
3.	Refunds made during the year	36	6.40	18	0.18
4.	Balance outstanding at the end of year	53	11.68	02	0.04

The Himachal Pradesh General Sales Tax and HP VAT Acts provide for payment of interest, at the rate of one *per cent* per month, if the excess amount is not refunded to the dealer within 90 days from the date of the order and thereafter at the rate of 1.5 *per cent* per month till the refund is made.

The progress to dispose of the refund cases of Sales Tax/ VAT was very slow as compared to claims received.

1.8 Response of the Government/ departments towards audit

1.8.1 Failure of the Heads of Department to enforce accountability to protect interest of the Government

The Principal Accountant General (Audit), Himachal Pradesh (PAG) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Inspection reports issued upto December 2011 disclosed that 9,763 paragraphs involving ₹ 995.12 crore relating to 3,716 IRs remained outstanding at the end of June 2012 as mentioned below alongwith the corresponding figures for the preceding two years are given in **Table 1.10** below.

Table 1.10

	June 2010	June 2011	June 2012
Number of IRs pending for settlement	3,432	3,572	3,716
Number of outstanding audit observations	8,056	8,608	9,763
Amount of revenue involved (₹ in crore)	494.43	586.21	995.12

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2012 and the amounts involved are mentioned in the **Table 1.11** below.

Table 1.11

					(₹ in crore)
Sl. No	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved
1.	Finance	Taxes/VAT on Sales, Trade etc.	117	823	143.33
		Passenger & Goods Tax (PGT)	208	490	7.46
		Other Taxes & Duties on commodities and services (OTD)	291	367	14.93
		Entertainment tax, luxury tax etc.	110	224	1.01
2.	Excise	State Excise	60	203	12.36
3.	Revenue	Land Revenue	243	427	0.86
4.	Transport (MVT)	Taxes on motor vehicles	703	2,406	69.96
5.	Stamp and Registration	Stamp and registration fees	594	1,165	49.34
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	44	119	7.82

7.	Forest and environment	Forestry and wild life	602	1,806	543.44
8.	Water resources (IPH)	Water rates	386	1,096	39.35
9.	B&R (PWD)	Public Works Department	169	283	105.18
10.	Crop husbandry	Horticulture and Agriculture	136	232	0.01
11.	Co-operation	Audit fees and other receipts	53	122	0.07
Total			3,716	9,763	995.12

Audit has not received even the first replies, to be received from the heads of offices within one month from the date of issue of the IRs, for 96 IRs issued upto December 2011. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

The Government may consider to have an effective system for prompt and appropriate response to audit observations.

1.8.2 Departmental audit committee meetings

The Government set up audit committees (April 2011–March 2012) to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2011-12 and the paragraphs settled are mentioned in **Table 1.12** below:

Table 1.12

Sr. No.	Head of revenue	Number of meetings held	Number of paras settled	(₹ in lakh)
				Amount
1.	Land revenue	1	16	19.00
2.	State Excise Department	1	03	9.00
3.	Taxes/ VAT on sales, trade etc.	1	19	31.00
4.	MVT	1	25	431.00
5.	Passenger and Goods Tax	1	48	134.00
Total		5	111	624.00

The progress of settlement of paragraphs pertaining to the Excise and Taxation Department, Transport Department and Revenue Department was negligible as compared to the huge pendency of the IRs and paragraphs; despite holding Departmental audit committee meetings.

1.8.3 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within four weeks. The fact of non-receipt of the replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Thirty five draft paragraphs and two Performance Audits proposed to be included in the Report for the year ended 31 March 2012 were sent to the Principal Secretaries/Secretaries of the respective Departments by name between February and August 2012. The Principal Secretaries/Secretaries of the Departments did not send replies to 20 draft paragraphs including performance audit despite issue of reminders (December 2012). Thus paragraphs have been included in this Report without the response of the Departments.

1.8.4 Follow up on the Audit Reports-summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. The 154 paragraphs (including performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Himachal Pradesh for the years ended 31 March 2007, 2008, 2009 and 2010, which were placed before the State Legislature Assembly between 10 April 2008 and 8 April 2011. The action taken explanatory notes from the concerned Departments on these paragraphs were received late with average delay of 13, nine, six and seven months in respect of each of these Audit Reports, respectively. Action taken explanatory notes in respect of 14 paragraphs from three departments (Transport, Forest and Multipurpose Projects & Power) had not been received for the Audit Report year ended 31 March 2010 so far (December 2012).

1.8.5 Compliance with the earlier Audit Reports

About the paragraphs featured in the Audit Reports 2006-07 to 2010-11, the Departments/Government accepted audit observations involving ₹ 1,046.64 crore of which ₹ 75.21 crore had been recovered till 31 March 2012 as mentioned in the **Table 1.13** below.

Table 1.13

(₹ in crore)			
Year of Audit Report	Total money Value	Accepted money Value	Recovery made
2006-07	82.38	61.28	30.71
2007-08	105.05	5.96	1.01
2008-09	182.02	126.33	38.92
2009-10	1,420.98	829.55	3.81
2010-11	141.27	23.52	0.76
Total	1,931.70	1,046.64	75.21

The above Table indicates that the amount recovered was only 7.19 per cent of the accepted amount while the Government/Departments have accepted 54 per cent of the cases included in the Audit Reports.

The Government may consider introducing a mechanism for ensuring prompt recovery of the amounts involved, at least in the accepted cases.

1.9 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/ Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.9.1 to 1.9.2.2 discuss the performance of the Forest Department in dealing with the cases detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2001-02 to 2010-11.

1.9.1 Position of Inspection Reports

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2011 are tabulated in below **Table-1.14**.

Table 1.14

(₹ in crore)													
Sr. No.	Year	Opening Balance			Addition during the year			Clearance during the quarter			Closing balance during the year		
		IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
1.	2001-02	602	2111	319.33	37	315	20.18	13	158	12.84	626	2268	326.67
2.	2002-03	626	2268	326.67	37	296	21.35	107	706	81.12	556	1858	266.90
3.	2003-04	556	1858	266.90	41	346	14.07	24	282	50.85	573	1922	230.12
4.	2004-05	573	1922	230.12	34	261	40.68	84	620	57.89	523	1563	212.91
5.	2005-06	523	1563	212.91	25	209	17.74	13	184	21.43	535	1588	209.22
6.	2006-07	535	1588	209.22	50	518	28.81	10	362	50.15	575	1744	187.88
7.	2007-08	575	1744	187.88	35	360	38.14	17	273	19.63	593	1831	206.39
8.	2008-09	593	1831	206.39	34	273	101.83	36	300	31.16	591	1804	277.06
9.	2009-10	591	1804	277.06	33	254	18.39	19	293	29.21	605	1765	266.24
10.	2010-11	605	1765	266.24	27	219	20.53	24	266	7.31	608	1718	279.46

The Government arranges ad-hoc Committee meetings between the Department and PAG's office to settle the old paragraphs. As would be evident from the above Table, against 602 outstanding IRs with 2,111 paragraphs as on start of 2001-02, the number of outstanding IRs rose to 608 with 1,718 paragraphs at the end of 2010-11. This is indicative of the fact that adequate steps were not taken by the Department in this regard resulting in piling up of the outstanding IRs and paragraphs.

1.9.2 Assurances given by the Department/ Government on the issues highlighted in the Audit Reports

(a) Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table 1.15** below.

Table 1.15

(₹ in crore)						
Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03-2012
2001-02	17	9.45	4/1.46	1.46	--	0.15
2002-03	22	9.55	11/5.66	5.38	0.02	0.49
2003-04	13	62.37	1/0.02	0.02	--	--
2004-05	11	10.87	4/3.09	0.87	--	1.73
2005-06	8	32.94	1/0.12	0.12	--	0.02
2006-07	11	34.75	4/24.68	23.12	2.02	0.32
2007-08	12	10.74	5/10.10	7.77	--	1.61
2008-09	10	5.09	Nil	Nil	Nil	Nil
2009-10	6	7.80	3/6.18	2.17	--	The department had not furnished the annotated replies so far.
2010-11	6	3.34	2/0.56	0.03	--	

It is evident from the above table that the progress of recovery even in accepted cases was very slow throughout during the last ten years. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government. Further, the arrear cases including accepted audit observations were not available with the office of the Principal Chief Conservator of Forests. In the absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases. The position has been elaborated in Chapter-VI of this Audit Report.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

(b) Action taken on the recommendations accepted by the Department/ Government

During the period 2004-05, audit had conducted the performance audit, which was incorporated in the Audit Report of the year 2005-06.

The performance audit of 'Exploitation of forests' appeared in the Audit Report for the year 2005-06. Audit had recommended that

- the PCCF may develop a mechanism to ensure that the instructions and orders issued from time to time for marking of trees, checking of felling, conversion, carriage, resin tapping works are followed in letter and spirit by the field agencies;
- Government may like to implement its orders with regard to the duties assigned to internal audit so that an effective mechanism is developed to exercise control on the working of the Corporation at all levels;
- reconciliation of royalty, interest, damage bill and extension fee etc. should be done with the Corporation on regular basis to ensure that the figures of outstanding arrears as shown in the books of department are the same as per books of the Corporation. This will facilitate authentic depiction of arrears and their recovery position.

Audit has observed that so far none of the recommendations had been implemented by the Department.

1.10 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in government revenues and tax administration i.e. budget speech, white paper on state finances, reports of the finance commission (State and Central), recommendations of the taxation reforms committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2011-12, there were 537 auditable units, of which 238 units were planned and audited, which is 44 *per cent* of the total auditable units. The details are shown in the **Appendix-I**.

Besides, the compliance audit mentioned above, two performance audit were also taken up to examine the efficacy of the tax administration of these receipts.

1.11 Results of audit

Position of local audit conducted during the year

Test check of the records of 238 units of sales tax/value added tax, state excise, motor vehicles, goods and passengers, forest receipts and other Departmental offices conducted during the year 2011-12 revealed under assessment/short levy/loss of revenue aggregating ₹ 1,569.41 crore in 1,021 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 91.36 crore involved in 465 cases which were pointed out in audit during 2011-12. The Departments collected ₹ 2.39 crore in 142 cases during 2011-12, pertaining to the audit findings of previous year.

1.12 Coverage of this Report

This Report contains 35 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years, which could not be included in earlier reports) and two Performance audit of 'Stamp duty and Registration fee including IT aspect' and 'Management of Forest Receipts', involving financial effect of ₹ 722.39 crore.

The Departments/Government have accepted audit observations involving ₹ 175.62 crore out of which ₹ 1.06 crore had been recovered. The replies in the remaining cases have not been received (December 2012). These are discussed in succeeding Chapters II to VII.