

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 2004-2005, the State's share of divisible Union taxes and grants in aid received from the Government of India during the year and corresponding figures for the preceding four years are given below:

(Rupees in crore)						
Sr. No.	Particulars	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
I.	Revenue raised by the State Government					
	(a) Tax revenue	728.41	916.50	889.57	984.33	1,251.88
	(b) Non-tax revenue	176.96	198.33	175.49	291.76	610.77
	Total	905.37	1,114.83	1,065.06	1,276.09	1,862.65
II.	Receipts from the Government of India					
	(a) State's share of divisible Union taxes	330.34	324.13	345.60	449.54	537.32 [@]
	(b) Grants in aid	1,809.86	2,276.84	2,248.09	2,255.29	2,234.54
	Total	2,140.20	2,600.97	2,593.69	2,704.83	2,771.86
III.	Total receipts of the State	3,045.57	3,715.80	3,658.75	3,980.92	4,634.51
IV.	Percentage of I to III	30	30	29	32	40

[@] For details, 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 2004-2005. Figures under the major head "0020-Corporation Tax"; "0021-Taxes on Income other than Corporation Tax"; "0028-Other Taxes on Income and Expenditure"; "0032-Taxes on Wealth"; "0037-Customs"; "0038-Union Excise Duties"; "0044-Service Tax" and "0045-Other Taxes and Duties on Commodities and Services- 901 Share of net proceeds assigned to States" booked in the Finance Accounts under A-Tax Revenue have been excluded from the Revenue raised by the State Government and included in State's share of divisible Union Taxes.

Audit Report (Revenue Receipts) for the year ended 31 March 2005

1.1.1 The details of tax revenue raised during the year 2004-2005 alongwith the figures for the preceding four years are given below:

(Rupees in crore)

Sr. No.	Head of Revenue	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Percentage of increase (+) or decrease (-) in 2004-2005 over 2003-2004
1.	Taxes on Sales, Trade etc.	302.05	355.08	383.34	436.75	542.37	(+) 24
2.	State Excise	209.17	236.28	273.42	280.12	299.90	(+) 7
3.	Stamps and Registration Fees	29.22	34.27	37.40	52.37	75.34	(+) 44
4.	Taxes and Duties on Electricity	27.39	8.32	0.25	16.67	88.00	(+)428
5.	Taxes on Vehicles	61.04	132.70	81.98	78.37	107.82	(+) 38
6.	Taxes on Goods and Passengers	43.05	34.27	31.45	33.96	38.32	(+) 13
7.	Other Taxes and Duties on Commodities and Services	52.60	63.73	77.13	86.98 ^x	97.54 [@]	(+) 12
8.	Land Revenue	3.89	51.85	4.60	0.84	2.30	(+)174
	Total	728.41	916.50	889.57	986.06^x	1251.59[@]	27

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

Under “Taxes on Sales, Trade etc”, the increase was due to hike in the price of diesel, Aviation Turbine Fuel and LPG, payment of sales tax by M/s Gujrat Ambuja Ltd. on completion of exemption period, recovery of more tax and arrears of tax due to frequent checking made by field/barriers staff.

Under “Stamps and Registration Fees”, the increase was due to registration of more documents.

Under “Taxes and Duties on Electricity”, the increase was due to deposit of electricity duty pertaining to the year 2003-2004 in 2004-2005.

Under “Taxes on Vehicles”, the increase was due to payment of special road tax arrear by Himachal Road Transport Corporation, increase in token tax rates, more checking by the departmental officers, increase in composite fee and other taxes due to opening of 10 transport barriers at the entry points of the State.

Under “Taxes on Goods and Passengers”, the increase was due to increase in number of vehicles, enhancement of rate of goods tax on all type of yarn and fixation of lump sum tax in respect of educational institutions.

^x Includes Rs. 1.73 crore on account of share of net proceeds assigned to State

[@] Excludes Rs. (-) 0.29 crore on account of share of net proceeds assigned to State

Under “Other Taxes and Duties on Commodities and Services”, the increase was mainly due to enhancement in rate of tax on cement, receipt of more bid money from auction of toll barriers, recovery of old arrears/ penalty and interest.

Under “Land Revenue”, the increase was mainly due to more receipts from sale of Government Estate and miscellaneous receipts.

1.1.2 The details of major non-tax revenue raised during the year 2004-2005 alongwith the figures for the preceding four years are given below:

(Rupees in crore)

Sr. No.	Head of Revenue	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Percentage of increase (+) or decrease (-) in 2004-2005 over 2003-2004
1.	Interest Receipts	15.00	7.67	9.97	11.35	42.77	(+) 277
2.	Other Non-Tax Receipts	93.48	86.51	66.21	101.51	89.59	(-) 12
3.	Forestry and Wild Life	16.54	28.98	31.52	76.93	102.17	(+) 33
4.	Non-ferrous Mining and Metallurgical Industries	12.50	32.97	35.46	36.84	38.42	(+) 4
5.	Miscellaneous General Services (including lottery receipts)	3.54	1.80	2.81	1.81	1.86	(+) 3
6.	Power	9.00	7.13	(-0.08)	35.01	284.71	(+) 713
7.	Major and Medium Irrigation	0.02	11.06	0.06	0.06	0.09	(+) 50
8.	Medical and Public Health	5.04	3.31	3.10	3.36	3.70	(+) 10
9.	Co-operation	2.09	1.26	1.68	1.44	1.64	(+) 14
10.	Public Works	2.16	3.10	6.82	7.54	9.08	(+) 20
11.	Police	8.26	7.57	7.87	8.08	7.74	(-) 4
12.	Other Administrative Services	9.33	6.97	10.07	7.83	29.00	(+) 270
	Total	176.96	198.33	175.49	291.76	610.77	(+) 109

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

Under “Forestry and Wild Life”, the increase was due to receipts of more royalty from Himachal Pradesh State Forest Corporation.

Under “Power”, the increase was due to adjustment of receipts, deposited at the fag end of 2003-2004, during the year 2004-2005.

Under “Major and Medium Irrigation”, the increase was due to receipts on account of water supplied to the farmers from Ist phase of Shah Nahar Project.

Under “Co-operation”, the increase was due to reimbursement of subsidy by National Cooperative Development Council, increase in audit fee and miscellaneous receipts.

Under “Public Works”, the increase was due to recovery on account of establishment charges on building works, departmental charges on deposit works, recovery from tender forms, registration of contractors, renewal fees and other miscellaneous receipts.

Audit Report (Revenue Receipts) for the year ended 31 March 2005

The reasons for variations, though called for from other departments, were awaited (September 2005).

1.2 Variations between budget estimates and actuals

The variation between the budget estimates and actuals of revenue receipts for the year 2004-2005 in respect of the principal heads of tax and non-tax revenue are given below:

(Rupees in crore)

Sr. No.	Head of Revenue	Budget estimates	Actual receipts	Variations excess(+) or shortfall (-)	Percentage of variation
1.	Taxes on Sales, Trade etc.	497.28	542.37	(+) 45.09	(+) 9
2.	State Excise	311.37	299.90	(-) 11.47	(-) 4
3.	Taxes on Goods and Passengers	34.05	38.32	(+) 4.27	(+) 13
4.	Taxes on Vehicles	94.18	107.82	(+) 13.64	(+) 14
5.	Other Taxes and Duties on Commodities and Services	87.31	97.54	(+) 10.23	(+) 12
6.	Stamps and Registration Fees	40.05	75.34	(+) 35.29	(+) 88
7.	Taxes and Duties on Electricity	33.50	88.00	(+) 54.50	(+) 163
8.	Land Revenue	3.05	2.30	(-) 0.75	(-) 25
9.	Industries	9.03	12.66	(+) 3.63	(+) 40
10.	Forestry and Wild Life	53.23	102.17	(+) 48.94	(+) 92
11.	Interest Receipts	11.16	42.77	(+) 31.61	(+) 283
12.	Education, Sports, Art and Culture	10.19	30.99	(+) 20.80	(+) 204
13.	Crop Husbandry (including Horticulture)	4.40	4.49	(+) 0.09	(+) 2
14.	Non-ferrous, Mining and Metallurgical Industries	30.04	38.42	(+) 8.38	(+) 28
15.	Housing	2.06	1.69	(-) 0.37	(-) 18
16.	Fisheries	0.90	0.81	(-) 0.09	(-) 10
17.	Water supply and Sanitation	8.30	11.79	(+) 3.49	(+) 42
18.	Police	9.24	7.74	(-) 1.50	(-) 16
19.	Medical and Public Health	2.73	3.70	(+) 0.97	(+) 36
20.	Stationery and Printing	3.30	4.10	(+) 0.80	(+) 24
21.	Social Security and Welfare	1.79	3.58	(+) 1.79	(+) 100
22.	Animal Husbandry	0.40	0.45	(+) 0.05	(+) 12
23.	Power	231.55	284.71	(+) 53.16	(+) 23

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

Under “State Excise”, the decrease was due to non completion of auction/tender process in time. Some auctions remained pending for want of satisfactory bid money, security/ surety money was deposited in 2005-2006.

Under “Taxes on Vehicles”, the increase was due to payment of special road tax arrear by Himachal Road Transport Corporation.

Under “Taxes and Duties on Electricity”, the increase was due to payment of electricity duty of previous year in 2004-2005.

Under “Forestry and Wild Life”, the increase was due to deposit of cost of trees coming in the project area and receipts on account of compensatory plantation and more receipts under Catchment Area Treatment Plans.

Under “Fisheries”, the decrease was due to shortfall in production of fish in Gobindsagar and Pong Dam reservoir and less sale of fish and fish seed.

Under “Water supply and Sanitation”, the increase was due to release of new sewerage connections and receipt of old arrear from local bodies, municipal committees and nagar panchayats.

Under “Stationery and Printing”, the increase was mainly due to more sale of ordinary paper and receipt of more printing charges (including recoveries of previous years).

Under “Animal Husbandry”, the increase was mainly due to income generated from sale of immovable/ moveable property of various offices of the department.

The reasons for variations, though called for from other departments, were awaited (September 2005).

1.3 Analysis of collection

The breakup of the total collections at pre-assessment stage and after regular assessment of state excise, taxes on sales and trade, passengers and goods tax and other taxes and duties on commodities and services during the year 2004-2005 and the corresponding figures for the preceding two years, as

Audit Report (Revenue Receipts) for the year ended 31 March 2005

furnished by the Excise and Taxation Department is given below:

(Rupees in crore)

Head of Revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
State Excise	2002-2003	220.31	52.10	1.65	0.64	273.42	81
	2003-2004	222.35	57.19	1.50	0.92	280.12	79
	2004-2005	299.15	--	1.12	0.37	299.90	100
Taxes on Sales, Trade etc.	2002-2003	364.97	12.60	6.02	0.25	383.34	95
	2003-2004	419.57	13.12	5.86	1.80	436.75	96
	2004-2005	520.14	15.40	8.11	1.28	542.37	96
Taxes on Goods and Passengers	2002-2003	29.58	1.23	0.69	0.05	31.45	94
	2003-2004	31.96	0.85	1.19	0.04	33.96	94
	2004-2005	35.44	1.58	1.30	#	38.32	92
Other Taxes and Duties on Commodities and Services	2002-2003	70.27	6.21	0.65	--	77.13 ^{\$}	91
	2003-2004	81.41	5.53	0.05	0.01	86.98 ^ψ	94
	2004-2005	97.02	0.89	0.08	0.16	97.54 [†]	99

It would be seen from the above that amount collected at pre-assessment stage ranged between 92 per cent to 100 per cent during 2004-05.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2002-2003, 2003-2004 and 2004-2005 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2003-2004 were as follows:

(Rupees 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 2003-2004
1.	Taxes on Sales, Trade etc.	2002-2003	383.34	6.21	1.62	1.15
		2003-2004	436.75	6.60	1.51	
		2004-2005	542.37	7.57	1.39	
2.	State Excise	2002-2003	273.42	4.43	1.62	3.81
		2003-2004	280.12	4.23	1.51	
		2004-2005	299.90	4.19	1.39	
3.	Taxes on Vehicles, Goods and Passengers	2002-2003	113.43	1.22	1.07	2.57
		2003-2004	112.33	1.25	1.11	
		2004-2005	146.14	1.27	0.87	
4.	Stamps and Registration Fee	2002-2003	37.40	1.04	2.78	3.56
		2003-2004	52.37	2.05	3.91	
		2004-2005	75.34	2.02	2.68	

Rs. 13,850 only

\$ Includes Rs. 2.03 crore on account of share of net proceeds assigned to State

ψ Includes Rs. 1.73 crore on account of share of net proceeds assigned to State

* Excludes Rs. (-)0.29 crore on account of share of net proceeds assigned to State

It would be seen from the above that the cost of collection under taxes on sales, trade etc. was higher than the all India average.

1.5 Collection of sales tax per assessee

The collection of sales tax per assessee during the period 2000-2001 to 2004-05 is mentioned as under:

(Rupees in lakh)

Year	No. of assessees	Sales tax revenue [@]	Revenue/assessee
2000-2001	24,161	30,205	1.25
2001-2002	27,323	35,508	1.30
2002-2003	30,903	38,334	1.24
2003-2004	33,840	43,675	1.29
2004-2005	37,226	54,237	1.46

It would be seen that the revenue per assessee increased by 13 per cent during 2004-05.

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs. 364.89 crore of which Rs. 88.13 crore were outstanding for more than five years, as detailed in the following table:

(Rupees in crore)

Sr. No.	Head of Revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than 5 years as on 31 March 2005	Remarks
1.	Taxes on Sales, Trade etc.	133.25	28.87	Arrear pertained to the years 1968-69 and onwards. Out of arrears of Rs.133.25 crore, demands for Rs.49.54 crore had been certified as arrears of land revenue. Recoveries amounting to Rs.35.96 crore were stayed by the High Court and other Judicial Authorities. Demands for Rs.2.53 crore were likely to be written off. Specific action taken in respect of arrears of Rs.45.22 crore called for in April 2005 had not been intimated (September 2005).
2.	Forestry and Wild Life	95.66	35.87	Arrears pertained to the years 1949-50 and onwards. Out of arrears of Rs.95.66 crore, the outstanding amounts relate to Contractor Agency: Rs.3.89 crore; Himachal Pradesh State Forest Corporation: Rs. 91.70 crore and the balance: Rs.0.07 crore relate to other Government departments. Specific action taken to effect the recovery called for in April 2005 had not been intimated (September 2005).
3.	Taxes and Duties on Electricity	11.99	--	Arrears were recoverable from Himachal Pradesh State Electricity Board.
4.	Taxes on Vehicles	65.29	10.60	Arrears pertained to the year 1977 and onwards. Specific action taken to effect the recovery called for in April 2005 had not been intimated (September 2005).
5.	Taxes on Goods and Passengers	15.46	3.87	Arrears pertained to the year 1961-62 and onwards. Out of arrears of Rs.15.46 crore, demands for Rs.2.96 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.04 crore were stayed by the High Court and other Judicial Authorities. Specific action taken in respect of arrears of Rs.12.46 crore called for in April 2005 had not been intimated (September 2005).

(Rupees in crore)

[@] Information as furnished by the Department

Audit Report (Revenue Receipts) for the year ended 31 March 2005

Sr. No.	Head of Revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than 5 years as on 31 March 2005	Remarks
6.	Police	12.53	4.87	Arrears pertained to the years 1990-91 and onwards. Out of total arrears of Rs. 12.53 crore, the outstanding amounts relate to Bhakra and Beas Management Board: Rs. 6.34 crore; Nathpa Jhakri Power Corporation: Rs. 1.71 crore; Railway Authorities: Rs. 1.12 crore; Civil Aviation Authority: Rs. 1.01 crore; Yamuna Hydel Project Khodri Majri and Cement Corporation of India, Rajban: Rs. 0.77 crore and National Hydro Electric Power Corporation: Rs. 0.64 crore. The remaining Rs. 0.94 crore relates to other* departments/institutions. For recovery of arrears pertaining to the Bhakra Beas Management Board and Yamuna Hydel Project, Khodri Majri, cases had been filed under Land Revenue Act. Further report had not been received (September 2005).
7.	Water Supply, Sanitation and Minor Irrigation	14.83	Awaited	Out of arrears of Rs.14.83 crore, Rs.13.91 crore relates to Municipal Corporation, Shimla, Municipalities and Notified Area Committees. The remaining arrears relating to minor irrigation and housing (Rs. 0.92 crore) were recoverable through Deputy Commissioner of the districts and Superintending Engineers respectively. Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2005 had not been intimated (September 2005).
8.	State Excise	5.50	0.63	Arrears pertained to the year 1972-73 and onwards. Out of arrears of Rs.5.50 crore, demands for Rs.3.99 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.01 crore were stayed by the High Court and other Judicial Authorities. Demands for Rs.0.05 crore were likely to be written off. Specific action taken in respect of arrears of Rs.1.45 crore called for in April 2005 had not been intimated (September 2005).
9.	Other Taxes and Duties on Commodities and Services	3.25	0.06	Arrears pertained to the years 1989-90 and onwards. Out of arrears of Rs.3.25 crore, demands for Rs.1.50 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.18 crore had been stayed by the High Court and other Judicial Authorities. Specific action taken in respect of arrears of Rs.1.57 crore called for in April 2005 had not been intimated (September 2005).
10.	Industries (including village and small scale industries).	3.21	0.98	Arrears pertained to the years 1977-78 and onwards. Specific action taken to effect the recovery called for in April 2005 had not been intimated (September 2005).
11.	Non-ferrous, Mining and Metallurgical Industries	2.24	1.91	Arrears pertained to the years 1970-71 and onwards. Specific action taken to effect the recovery called for in April 2005 had not been intimated (September 2005).
12.	Land Revenue	0.86	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2005 had not been intimated (September 2005).
13.	Printing and Stationery	0.62	0.47	Arrears pertained to the years 1997-98 to 2002-03 and were recoverable from the Director, Public Relations, Himachal Pradesh, Shimla.
14.	Public Works	0.20	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2005 had not been intimated (September 2005).
	Total	364.89	88.13	

* All India Radio, Intelligence Bureau, United Commercial Bank Shimla and Rohru, Punjab National Bank, Shimla, Mandi and Kinnaur, Punjab State Electricity Board, Patiala

1.7 Arrears in assessments

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

Head of Revenue	Opening balance	New cases due for assessment during 2004-2005	Total assessments due	Cases disposed of during 2004-2005	Balance at the end of the year	Percentage of column 5 to 4
1.	2.	3.	4.	5.	6.	7.
Taxes on Sales, Trade etc.	1,06,169	61,266	1,67,435	55,733	1,11,702	33
Luxury Tax	1,800	1,178	2,978	1,508	1,470	51
Tax on Works Contracts	3,387	1,844	5,231	804	4,427	15
Motor Spirit Tax	13	--	13	5	8	38

1.8 Evasion of tax

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

Sr. No.	Head of Revenue	Cases pending as on 31 March 2004	Cases detected during 2004-2005	Total	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2005
					Number of cases	Amount of demand (In lakh of rupees)	
1.	Taxes on Sales, Trade etc.	86	6,861	6,947	6,863	439.57	84
2.	State Excise	9	35	44	22	1.20	22
3.	Passengers and Goods Tax	1,146	5,874	7,020	5,980	72.75	1,040
4.	Other Taxes and Duties on Commodities and Services	232	2,375	2,607	2,597	95.62	10
	Total	1,473	15,145	16,618	15,462	609.14	1,156

1.9 Refunds

The number of refund cases pending at the beginning of the year 2004-2005, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2004-2005 as reported by the Departments is given below:

(Rupees in crore)

Sr. No.	Particulars	Sales Tax		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	19	0.94	---	---
2.	Claims received during the year	23	0.61	5	0.37
3.	Refunds made during the year	26 [@]	1.33 [@]	5	0.37
4.	Balance outstanding at the end of year	16	0.22	---	---

1.10 Results of audit

Test check of the records of sales tax, state excise, taxes on vehicles, goods and passengers, forest receipts, other tax and non tax receipts conducted during the year 2004-2005 revealed under-assessments/short levy/loss of revenue amounting to Rs. 154.56 crore in 872 cases. During the course of the year 2004-2005, the concerned departments accepted under assessments etc., of Rs. 67.41 crore involved in 491 cases, which had been pointed out in audit in earlier years.

This report contains 24 paragraphs including one review relating to non-levy, short levy of tax, fees, interest and penalty etc. involving Rs. 54.39 crore. Departments/ Government accepted audit observations involving Rs. 7.11 crore of which Rs. 0.67 crore had been recovered upto August 2005. No replies have been received in the other cases.

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

(i) Accountant General (Audit) (AG) arranges to conduct periodical inspection of the government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities etc., detected during inspection are not settled on the spot, these IRs are issued to the heads of offices inspected with a copy to the next higher authorities. The financial rules/orders of Government provide for prompt response by the executive to the IRs issued by the AG to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during inspection. The heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to

[@] includes one case (Rs.5.28 lakh) filed during the year

the AG. Serious irregularities are also brought to the notice of the Head of the Department by the office of the AG. A half yearly report of pending reports is sent to the Financial Commissioner cum Secretary (Finance) in respect of pending IRs to facilitate monitoring of the audit observations in the pending IRs.

(ii) The number of IRs and audit observations relating to revenue receipts issued during the last three years up to 31 December 2004, which were pending settlement by the departments as on 30 June 2003, 30 June 2004 and 30 June 2005 is given below:

Particulars	At the end of June		
	2003	2004	2005
Number of IRs pending settlement	2,995	2,933	2,836
Number of outstanding audit observations	7,714	7,343	6,821
Amount of revenue involved (in crore of rupees)	356.83	341.52	318.50

(iii) Department wise breakup of the IRs and audit observations outstanding as on 30 June 2005 is given below:

Sr. No.	Department	Number of outstanding		Amount of audit observations raised (Rupees in crore)	Year to which observations relate	Number of IRs to which even first replies not received
		IRs	Audit observations			
1.	Revenue	674	1,245	8.23	1977-78 to 2003-04	36
2.	Forest Farming and Conservation	509	1,436	206.97	1970-71 to 2003-04	14
3.	Excise and Taxation	674	1,817	64.91	1973-74 to 2003-04	8
4.	Transport	475	1,379	11.68	1972-73 to 2003-04	39
5.	Other Departments (Irrigation and Public Health, Public Works, Agriculture, Horticulture, Co-operation, Food and Civil Supplies and Mining)	504	944	26.71	1976-77 to 2003-04	44
Total		2,836	6,821	318.50		141

The issue of outstanding IRs was brought to the notice of the Chief Secretary to Government in August 2005. It is recommended that Government should look into the matter and ensure that procedure exists for:

- action against the officials who failed to send replies to IRs/ paragraphs as per the prescribed time schedule;
- action to recover loss in a time bound manner and;
- revamp the system to ensure proper response to the audit observations in the Department.

1.12 Departmental Audit Committees Meetings

In order to expedite the settlement of outstanding audit observations contained in the IRs on revenue receipts of the Government of Himachal Pradesh, Departmental Audit Committees were to be constituted by the Government, on the recommendations of the Finance Department. These Committees were to be chaired by Special Secretary/Additional/Joint Secretary of the concerned Administrative Department and attended by the head of the Department/other concerned officer and the Deputy Accountant General from the office of the Accountant General (Audit), Himachal Pradesh.

For expeditious clearance of the outstanding audit observations, it is necessary that the audit committees meet annually and ensure that final action is taken on all outstanding audit observations. For the year 2004-05, only one (Industries Department) out of 10 Government departments relating to revenue receipts, convened meeting of the Audit Committee, and constitution of committees were not notified by four administrative departments. The matter relating to annual meeting in respect of Forest and Transport departments was under correspondence. Thus the majority of departments had not taken any steps in this regard inspite of clear directions from the Finance Department, which indicated their lack of interest in reducing the pendency of old objections.

1.13 Response of the State Government to Draft Audit Paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Audit Office to the Principal Secretaries/Secretaries of the department concerned, drawing their attention to audit findings and requesting them to send their response within eight weeks. The fact of non receipt of replies from departments are invariably indicated at the end of each such paragraph included in the Audit Report.

Twenty four draft paragraphs (including one review) included in the Report for the year ended 31 March 2005 were sent to the Principal Secretaries/Secretaries of the respective departments by name between February and June 2005. The Principal Secretaries/Secretaries of the departments did not send replies to the draft paragraphs despite issue of reminders (August 2005). These paragraphs have been included in this Report without the response of the Principal Secretaries/Secretaries of the Departments.

1.14 Follow up on Audit Reports- Summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Vidhan Sabha, the Department shall initiate action on the audit paragraphs and the action taken

explanatory notes thereon should be submitted by Government within three months of tabling the Report, for the consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Report(s) were being delayed inordinately. Out of 159 paragraphs (including reviews) included in the Reports of the Comptroller and Auditor General of India on revenue receipts of the Government of Himachal Pradesh for the years ended 31 March 2000, 2001, 2002 and 2003 action taken explanatory notes had not been received in respect of 64 paragraphs from three[@] departments.

[@] 2000-2001: Forest Farming and Soil Conservation, Revenue
2001-2002: Forest Farming and Soil Conservation
2002-2003: Multipurpose Project and Power, Forest Framing and Soil Conservation