

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 2007-08, 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 mentioned below:

(Rupees in crore)

Sr. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
I.	Revenue raised by the State Government					
	• Tax revenue	984.33	1,251.88	1,497.02	1,656.38	1,958.18
	• Non tax revenue	291.76	610.77	689.67	1,336.85	1,822.43
	Total	1,276.09	1,862.65	2,186.69	2,993.23	3,780.61
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	449.54	537.32	493.26	629.16	793.64
	• Grants-in-aid	2,255.29	2,234.54	3,878.67	4,212.83	4,567.29
	Total	2,704.83	2,771.86	4,371.93	4,841.99	5,360.93
III.	Total receipts of the State (I + II)	3,980.92	4,634.51	6,558.62	7,835.22	9,141.54¹
IV.	Percentage of I to III	32	40	33	38	41

The above table indicates that during the year 2007-08, the revenue raised by the State Government was 41 *per cent* of the total revenue receipts (Rs. 9,141.54 crore) against 38 *per cent* in the preceding year. The balance 59 *per cent* of the receipts during 2007-08 were from the Government of India.

¹ 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 2007-2008. Figures under the 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.

1.1.1 The following table presents the details of tax revenue raised during the period 2003-04 to 2007-08:

(Rupees in crore)							
Sr. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Taxes on sales, trade etc.	436.75	542.37	726.98	914.45	1,092.16	(+) 19
2.	State excise	280.12	299.90	328.97	341.86	389.57	(+) 14
3.	Stamps and registration fees	52.37	75.34	82.43	92.47	86.99	(-) 6
4.	Taxes and duties on electricity	16.67	88.00	89.29	30.43	81.57	(+)168
5.	Taxes on vehicles	78.37	107.82	101.51	106.35	113.72	(+) 7
6.	Taxes on goods and passengers	33.96	38.32	42.61	50.22	55.12	(+) 10
7.	Other taxes and duties on commodities and services	86.98 ²	97.54 ³	124.10 ⁴	118.65 ⁵	137.13 ⁶	(+)16
8.	Land revenue	0.84	2.30	1.09	1.91	1.89	(-)1
Total		986.06²	1,251.59³	1,496.98⁴	1,656.34⁵	1,958.15⁶	(+) 18

The concerned departments mentioned the following reasons for increase/decrease in receipts during 2007-08 over those of 2006-07:

Taxes on sales, trade etc.: The increase was stated to be due to imposition of Value added tax on tobacco by the Government and impact of frequent checkings/inspections by field/flying squad staff.

State excise: The increase was stated to be due to hike in bid money, increase in licence fee on country liquor/ Indian made foreign liquor (IMFL) and beer, excise duty and assessed fee on IMFL and issuing of more licences during the year.

Taxes and duties on electricity: The increase was stated to be mainly due to deposit of balance amount of electricity duty in the year 2007-08 by the Himachal Pradesh State Electricity Board.

Other taxes and duties on commodities and services: The increase was stated to be due to heavy tourist flow in the state, increase in the rate of tax on cement and clinker under the Himachal Pradesh Taxation (on certain goods carried by road) Act and more amount realised under the Toll Act.

The other departments did not intimate the reasons for variation in receipts from that of the previous year despite being requested (September 2008).

² includes Rs. 1.73 crore on account of share of net proceeds assigned to the State.
³ excludes Rs. (-) 29 lakh on account of share of net proceeds assigned to the State.
⁴ excludes Rs.(-) 4 lakh on account of share of net proceeds assigned to the State.
⁵ excludes Rs.(-) 4 lakh on account of share of net proceeds assigned to the State.
⁶ excludes Rs.(-) 3 lakh on account of share of net proceeds assigned to the State.

1.1.2 The following table presents the details of major non-tax revenue raised during the period 2003-04 to 2007-08:

(Rupees in crore)							
Sr. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	11.35	42.77	49.29	87.18	66.90	(-) 23
2.	Other non-tax receipts	101.51	89.59	151.41	122.84	125.15	(-) 2
3.	Forestry and wild life	76.93	102.17	149.63	45.55	53.60	(+) 18
4.	Non ferrous, mining and metallurgical industries	36.84	38.42	42.90	48.39	56.59	(+) 17
5.	Miscellaneous general services (including lottery receipts)	1.81	1.86	2.13	73.86	47.51	(-) 36
6.	Power	35.01	284.71	251.47	910.08	1,414.52	(+) 55
7.	Major and medium irrigation	0.06	0.09	0.44	0.21	0.22	(+) 5
8.	Medical and public health	3.36	3.70	5.31	5.38	7.68	(+) 43
9.	Co-operation	1.44	1.64	1.68	7.28	4.93	(-) 32
10.	Public works	7.54	9.08	12.07	16.50	20.38	(+) 24
11.	Police	8.08	7.74	8.98	8.45	12.31	(+) 46
12.	Other administrative services	7.83	29.00	14.36	11.13	12.64	(+) 14
Total		291.76	610.77	689.67	1,336.85	1,822.43	(+) 36

The concerned departments mentioned the following reasons for increase/decrease in receipts during 2007-08 over those of 2006-07:

Interest receipts: The decrease was stated to be due to less receipt of interest from co-operative societies and less refund by the Central Government.

Forestry and wild life: The increase was stated to be due to more receipt from Himachal Pradesh State Forest Corporation and receipts of compensation under Article 68 of the Indian Forest Act.

Police: The increase was stated to be due to receipt of outstanding dues from railways and other organisations on account of police forces deployed with them and more receipt from auction of unserviceable items of the department.

Other administrative services: The increase was stated to be mainly due to more sale of election forms, receipt of fees, fine etc. by Election Department and realisation of audit fee.

The other departments did not intimate the reasons for variation in receipts from that of the previous year despite being requested (September 2008).

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2007-08 in respect of the principal heads of tax and non-tax revenue are mentioned 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.	1,115.00	1,092.16	(-) 22.84	(-) 2
2.	State excise	362.69	389.57	(+) 26.88	(+) 7
3.	Taxes on goods and passengers	46.35	55.12	(+) 8.77	(+) 19
4.	Taxes on vehicles	120.00	113.72	(-) 6.28	(-) 5
5.	Other taxes and duties on commodities and services	135.96	137.13	(+) 1.17	(+) 1
6.	Stamps and registration fees	90.88	86.99	(-) 3.89	(-) 4
7.	Taxes and duties on electricity	78.22	81.57	(+) 3.35	(+) 4
8.	Land revenue	1.76	1.89	(+) 0.13	(+) 7
9.	Industries	10.06	8.13	(-) 1.93	(-) 19
10.	Forestry and wild life	48.64	53.60	(+) 4.96	(+) 10
11.	Interest receipts	12.77	66.90	(+) 54.13	(+) 424
12.	Education, sports, art and culture	47.85	52.72	(+) 4.87	(+) 10
13.	Crop husbandry (including horticulture)	4.88	5.89	(+) 1.01	(+) 21
14.	Non-ferrous, mining and metallurgical industries	42.00	56.59	(+) 14.59	(+) 35
15.	Housing	2.35	1.99	(-) 0.36	(-) 15
16.	Fisheries	1.05	1.09	(+) 0.04	(+) 4
17.	Water supply and sanitation	19.65	14.74	(-) 4.91	(-) 25
18.	Police	11.97	12.31	(+) 0.34	(+) 3
19.	Medical and public health	5.85	7.68	(+) 1.83	(+) 31
20.	Stationery and printing	4.36	4.90	(+) 0.54	(+) 12
21.	Public works	13.30	20.38	(+) 7.08	(+) 53
22.	Animal husbandry	0.40	0.44	(+) 0.04	(+) 10
23.	Power	525.00	1,414.52	(+) 889.52	(+) 169

The concerned departments mentioned the following reasons for increase/decrease in receipts during 2007-08:

Taxes on goods and passengers: The increase was stated to be due to more receipt on account of transportation of iron, steel and plastic goods, increase in number of vehicles and increase in the rate of additional goods tax on all type of yarn.

Interest receipt: The increase was stated to be due to realisation of interest on investment of cash balances, interest on loans from Himachal Pradesh State Electricity Board.

Crop husbandry: The increase under 'Agriculture' sector was stated to be due to more receipts from auction of agriculture farms and other unserviceable items like vehicles, tyre and tube etc. whereas under 'Horticulture' sector, increase was due to receipt of more money from the Government of India under *Mandi Madhyasth Yojna*.

Animal husbandry: The increase was stated to be due to more income generated from sale of sheep/hoggets from departmental sheep breeding farms to the sheep breeders and sale of immovable/moveable property.

Power: The increase was stated to be due to receipt of royalty from different projects, sale of electricity (received free of cost) through M/s Power Trading Corporation India Ltd. at higher rates and more receipts on the allotment of new projects as compared to last year.

The other departments did not intimate the reasons for variation in receipts from that of the previous year despite being requested (September 2008).

1.3 Analysis of collection

The breakup of the total collection 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 2007-08 and the corresponding figures for the preceding two years, as furnished by the Excise and Taxation Department is mentioned below:

(Rupees in crore)								
Sr. No.	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 4 to 8
1	2	3	4	5	6	7	8	9.
1.	State excise	2005-06	326.85	--	2.26	0.14	328.97	99
		2006-07	341.33	--	1.62	1.09	341.86	100
		2007-08	388.53	--	1.19	0.15	389.57	100
2.	Taxes on sales, trade etc.	2005-06	711.10	10.20	6.03	0.35	726.98	98
		2006-07	898.73	9.28	6.74	0.30	914.45	98
		2007-08	1,059.01	18.64	16.20	1.69	1,092.16	97
3.	Taxes on goods and passengers	2005-06	40.47	1.07	1.09	0.02	42.61	95
		2006-07	47.76	1.04	1.42	-- ⁷	50.52	95
		2007-08	52.83	1.20	1.09	--	55.12	96
4.	Other taxes and duties on commodities and services	2005-06	120.53	3.56	0.05	--	124.10 ⁸	97
		2006-07	118.06	0.69	0.03	0.09	118.65 ⁹	99
		2007-08	136.54	0.64	0.06	0.08	137.13 ¹⁰	100

The above table shows that collection of revenue at the pre-assessment stage ranged between 95 and 100 *per cent* during the years 2005-06 to 2007-08.

⁷ Rs.35,463 only.

⁸ excludes Rs. (-) 4 lakh on account of share of net proceeds assigned to the State.

⁹ excludes Rs. (-) 4 lakh on account of share of net proceeds assigned to the State.

¹⁰ excludes Rs. (-) 3 lakh on account of share of net proceeds assigned to the State.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2005-06, 2006-07 and 2007-08 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2006-07 were as follows:

(Rupees in crore)

Sr. No.	Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of collection for the year 2006-07
1.	Taxes on sales, trade etc.	2005-06	726.98	9.38	1.29	0.82
		2006-07	914.45	10.33	1.13	
		2007-08	1,092.16	11.35	1.04	
2.	State excise	2005-06	328.97	4.24	1.29	3.30
		2006-07	341.86	3.86	1.13	
		2007-08	389.57	4.05	1.04	
3.	Taxes on vehicles, goods and passengers	2005-06	144.12	1.28	0.89	2.47
		2006-07	156.57	1.90	1.21	
		2007-08	168.84	2.73	1.62	
4.	Stamp duty and registration fee	2005-06	82.43	1.22	1.48	2.33
		2006-07	92.47	2.24	2.42	
		2007-08	86.99	1.01	1.16	

The above table indicates that percentage of expenditure on gross collection in respect of taxes on sales, trade etc. was higher than the all India average.

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs. 512.43 crore of which Rs. 125.10 crore were outstanding for more than five years, as mentioned below:

(Rupees in crore)

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than 5 years as on 31 March 2008	Remarks
1.	Taxes on sales, trade/vat etc.	113.28	49.46	Arrears pertained to the year 1968-69 and onwards. Demands for Rs. 48.06 crore had been certified as arrears of land revenue. Recoveries amounting to Rs. 1.21 crore were stayed by the High Court/other judicial authorities. Recovery of Rs. 55 lakh was held up due to rectification/ review of applications. Demands for Rs. 3.90 crore were likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 59.56 crore has not been intimated (September 2008).
2.	Forestry and wild life	86.41	Awaited	The outstanding amounts relate to contractor agency: Rs. 3.84 crore; Himachal Pradesh State Forest Corporation: Rs. 82.42 crore and the balance Rs. 15 lakh relates to other Government departments. Period to which the arrears pertained and specific action taken to effect the recovery has not been intimated (September 2008).
3.	Taxes and duties on electricity	115.96	Nil	The arrears were recoverable from Himachal Pradesh State Electricity Board.
4.	Taxes on vehicles	97.26	47.52	The arrears pertained to the year 1977 and onwards. Specific action taken to effect the recovery has not been intimated (September 2008).
5.	Taxes on goods and passengers	13.18	11.10	Arrears pertained to the year 1961-62 and onwards. Demands for Rs. 2.78 crore had been certified as arrears of land revenue. Recoveries amounting to Rs. 4 lakh were stayed by the High Court/other judicial authorities. Specific action taken in respect of the remaining arrears of Rs. 10.36 crore has not been intimated (September 2008).
6.	Police	17.08	6.37	Arrears pertained to the year 1990-91 and onwards. The outstanding amounts relate to Bhakra and Beas Management Board: Rs. 9.58 crore; Nathpa Jhakri Power Corporation: Rs. 1.59 crore; Railway Authorities: Rs. 1.54 crore; Civil Aviation Authority: Rs. 1.01 crore; Yamuna Hydrel Project Khodri Majri and Cement Corporation of India, Rajban: Rs. 66 lakh and National Hydro Electric Power Corporation: Rs. 1.66 crore. The remaining Rs. 1.04 crore relates to other ¹¹ departments/ institutions. For recovery of arrears pertaining to the Bhakra Beas Management Board and Yamuna Hydrel Project, Khodri Majri, cases had been filed under Land Revenue Act. Further report has not been received (September 2008).
7.	Water supply, sanitation and minor irrigation	48.25	3.78	Arrears pertained to the year 1963-64 and onwards. Rs. 44.38 crore relates to Municipal Corporation, Shimla, Municipalities and Notified Area Committees. The remaining arrears relating to minor irrigation and housing (Rs. 3.87 crore) were recoverable through Deputy Commissioners of the districts and Superintending Engineers respectively. Specific action taken to effect the recovery has not been intimated (September 2008).

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

8.	State excise	9.73	4.14	Arrears pertained to the year 1972-73 and onwards. Demands for Rs. 4.20 crore had been certified as arrear of land revenue. Recoveries amounting to Rs. 1 lakh were stayed by the High Court and other judicial authorities. Demands for Rs. 5 lakh were likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 5.47 crore has not been intimated (September 2008).
9.	Other taxes and duties on commodities and services	3.75	1.27	Arrears pertained to the year 1989-90 and onwards. Demands for Rs. 1.38 crore had been certified as arrear of land revenue. Recoveries amounting to Rs. 18 lakh had been stayed by the High Court and other judicial authorities. Specific action taken in respect of the remaining arrears of Rs. 2.19 crore has not been intimated (September 2008).
10.	Industries (including village and small scale industries).	5.26	1.09	Arrears pertained to the year 1979-80 and onwards. Specific action taken to effect the recovery has not been intimated (September 2008).
11.	Non-ferrous, mining and metallurgical industries	0.99	0.17	Arrears pertained to the year 1970-71 and onwards. Specific action taken to effect the recovery has not been intimated (September 2008).
12.	Land revenue	1.03	0.10	Arrears pertained to the year 1975-76 and onwards. Specific action taken to effect the recovery has not been intimated (September 2008).
13.	Public works	0.25	0.10	Period to which the arrears pertained and specific action taken to effect the recovery has not been intimated (September 2008).
Total		512.43	125.10	

1.6 Arrears in assessments

The number of cases pending assessment at the beginning of the year 2007-08, becoming due during the year, disposed during the year and pending at the end of each year during 2003-04 to 2007-08 as furnished by the Excise and Taxation Department are as mentioned below:

Head of revenue	Year	Opening balance	Cases which become due for assessment during 2007-08	Total assessments due	Cases disposed during 2007-08	Cases remaining at the end of the year	Percentage of disposal (Col. 6 to 5)
1.	2.	3.	4.	5.	6.	7.	8
Taxes on sales, trade etc.	2003-04	97,271	58,390	1,55,661	49,492	1,06,169	32
	2004-05	1,06,169	61,266	1,67,435	55,733	1,11,702	33
	2005-06	1,11,702	65,968	1,77,670	76,491	1,01,179	43
	2006-07	1,01,179	32,832	1,34,011	61,251	72,760	46
	2007-08	72,760	36,675	1,09,435	45,361	64,074	41

The above table indicates that the percentage of assessment completed during the year 2003-04 to 2007-08 ranged between 32 and 46 *per cent*. As of 31 March 2008, arrears in assessment under this head were 64,074 cases. Since, value added tax (VAT) has been introduced in the state from April 2005, the department needs to complete the pending assessments in a time bound manner.

1.7 Evasion of tax

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and demand for additional tax raised during 2007-08 are mentioned below:

Sr. No.	Head of revenue	Cases pending as on 31 March 2007	Cases detected during 2007-08	Total cases	Cases in which assessments/ investigations completed and additional demand including penalty etc. raised		Number of cases pending as on 31 March 2008
					Number of cases	Amount of demand (Rupees in lakh)	
1.	Taxes on sales, trade etc.	79	5,765	5,844	5,794	61.57	50
2.	State excise	1	451	452	448	21.41	4
3.	Passengers and goods tax	802	4,398	5,200	4,900	46.85	300
4.	Other taxes and duties on commodities and services	9	895	904	897	53.28	7
Total		891	11,509	12,400	12,039	183.11	361

It is necessary to finalise these cases at the earliest to minimise the risk of loss of revenue.

1.8 Refunds

The number of refund cases pending at the beginning of the year 2007-08, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2007-08 as reported by the Excise and Taxation Department are mentioned below:

Sr. No.	Particulars	(Rupees in crore)			
		Sales tax		State excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	21	0.33	01	0.01
2.	Claims received during the year	23	2.10	12	0.14
3.	Refunds made during the year	15	1.69	13	0.15
4.	Balance outstanding at the end of year	29	0.74	--	--

Himachal Pradesh General Sales Tax Act, provides 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 pending refund cases need attention to avoid mandatory payment of interest.

1.9 Results of audit

Test check of the records of taxes on sale, trade, state excise, taxes on vehicles, goods and passengers, forest receipts, other tax and non-tax receipts conducted during 2007-08 revealed underassessments/short levy/loss of revenue and other observations amounting to Rs. 218.62 crore in 1,098 cases. During the year, the departments accepted under assessment of Rs. 42.55 crore in 187 cases pointed out in 2007-08. No replies have been received in respect of the remaining cases.

This report contains 48 paragraphs including one review relating to non/short levy of tax, royalty, fees, interest and penalty etc. involving Rs. 105.05 crore. The department/Government accepted audit observations involving Rs. 5.96 crore of which Rs. 96.59 lakh had been recovered upto July 2008.

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

Principal Accountant General (Audit) (Pr. AG) arranges to conduct periodical inspection of Government departments to test check the transactions and verify the maintenance of important accounting and other records as per the 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, IRs are issued to the heads of the offices inspected with a copy to the next higher authority. The financial rules/orders

of the Government provide for prompt response by the executive to the IRs issued by the Pr. 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 the Pr. AG. Serious irregularities are also brought to the notice of the head of the department by the Pr. AG. A half yearly report of pending reports is sent to the Financial Commissioner cum Secretary (Finance) in respect of the pending IRs to facilitate monitoring of audit observations in the pending IRs.

The number of IRs and audit observations relating to revenue receipts upto 31 December 2007, which were pending settlement by the departments as on 30 June 2006, 30 June 2007 and 30 June 2008 are mentioned below:

Particulars	Position as on 30 June		
	2006	2007	2008
Number of IRs pending for settlement	3,052	3,209	3,377
Number of outstanding audit observations	7,135	7,586	8,085
Amount of revenue involved (Rupees in crore)	278.05	334.72	403.75

The increase in the outstanding audit observations is indicative of non-compliance with the Government instructions to send replies to the audit observations and report on further action taken thereon within the stipulated time.

The department wise breakup of the IRs and audit observations outstanding as on 30 June 2008 is mentioned 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	836	1,589	15.70	1977-78 to 2006-07	50
2.	Forest Farming and Conservation	578	1,682	198.21	1970-71 to 2006-07	14
3.	Excise and Taxation	735	1,996	109.29	1973-74 to 2006-07	11
4.	Transport	576	1,713	25.44	1972-73 to 2005-06	14
5.	Other departments (Irrigation and Public Health, Public Works, Agriculture, Horticulture, Co-operation, Food and Civil Supplies and Mining)	652	1,105	55.11	1976-77 to 2006-07	26
Total		3,377	8,085	403.75		115

The issue of outstanding IRs was brought to the notice of the Chief Secretary to the Government in July 2008. It is recommended that the Government may look into the matter and ensure that procedure exists for:

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

1.11 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, the departmental audit committees were to be constituted by the Government, on the recommendations of the Finance Department. These committees were to be chaired by the 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 Pr. AG.

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 2007-08, four out of 10 Government departments relating to revenue receipts, convened meetings of the audit committees. The matter relating to annual meeting in respect of the remaining departments was under correspondence. In the meetings, 57 paras were settled.

1.12 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 Pr. AG 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 the departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Forty nine draft paragraphs including one review (clubbed into 48 paragraphs of this report) proposed to be included in the Report for the year ended 31 March 2008 were sent to the Principal Secretaries/Secretaries of the respective departments by name between February and May 2008. The Principal Secretaries/Secretaries of the departments did not send replies to the draft paragraphs except review despite issue of reminders (August 2008). These paragraphs have been included in this report without the response of the Principal Secretaries/Secretaries of the departments.

1.13 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 departments 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 153 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 2003, 2004, 2005 and 2006, action taken explanatory notes had not been received in respect of 22 paragraphs from four¹² departments although these Audit Reports were placed before the Legislature Assembly between 27 February 2004 and 3 April 2007.

1.14 Compliance with the earlier Audit Reports

In respect of paragraphs featured in the Audit Reports 2002-03 to 2006-07, the departments/Government accepted audit observations involving Rs. 167.87 crore of which only Rs. 79.01 crore had been recovered till 31 March 2008 as mentioned below:

(Rupees in crore)			
Year of Audit Report	Total money value	Accepted money value	Recovery made
2002-03	80.37	48.96	44.54
2003-04	107.31	38.20	1.59
2004-05	54.39	7.11	1.89
2005-06	58.32	12.32	0.28
2006-07	82.38	61.28	30.71
Total	382.77	167.87	79.01

1.15 Amendments in the Acts/Rules

On the basis of audit findings that appeared in the Audit Report (Revenue Receipts) para no. 6.2 of 2002-03 and 5.2 of 2003-04, the State Government amended the Himachal Pradesh Forest Produce Transit (Land Routes) Rules 1978, (for item No. 52 & 53) vide notification dated 19 October 2004.

¹² 2004-2005: Revenue and Public Works Department.
2005-2006: Forest Farming and Soil Conservations, Revenue, Public Works and Irrigation-cum-Public Health Department.