The Report of
the Comptroller and Auditor General of India

on

Revenue Sector

for the year ended 31 March 2012

Government of Himachal Pradesh
Report No. 3 of the year 2012

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PREFACE

1. This Report is prepared for submission to the Governor of the State of Himachal Pradesh under Article 151 (2) of the Constitution of India.

2. The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising Taxes/VAT on Sales, Trade etc., State Excise, Motor Vehicles Tax, Passengers and Goods Tax, Forest Receipts and Other Tax and Non-Tax Receipts of the State.

3. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 as well as those which had come to notice in earlier years but could not be dealt with previous Reports; matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

4. The audit has been conducted in conformity with Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

Chapter-I: General

Increase in tax collection during 2011-12

The revenue raised by the State Government during 2011-12 was ₹ 6,023.12 crore comprising tax revenue of ₹ 4,107.92 crore and non-tax revenue of ₹ 1,915.20 crore, registering an increase of 13 *per cent* over the revenue receipt of 2010-11. The State Government also received ₹ 1,998.37 crore as State's share of divisible Union taxes and ₹ 6,521.37 crore as Grants-in-aid from the Government of India. The total receipts of the Government for the year 2011-12 was ₹ 14,542.86 crore. During the year, the revenue raised by the State Government was 41 *per cent* of the total receipts whereas 59 *per cent* of the receipts was from the Government of India.

Lack of Internal Audit System

The internal audit wing had not been established to ensure compliance with the laws, rules and departmental instructions by way of scheduled audit plan, conduct of audit and follow up. In Forest Department, the auditors were entrusted with the duties of maintenance of service records of IFS, HPFS and gazetted officers.

Low recovery by the Department in respect of audit observations

Out of the revenue implication of ₹ 1,931.70 crore featured in the Audit Reports from 2006-07 to 2010-11, the Departments/ Government had accepted audit observations involving ₹ 1,046.64 crore but an amount of ₹ 75.21 crore could be recovered till March 2012 which was only 7.19 *per cent* of the accepted amount.

Results of audit conducted in 2011-12

The records of 238 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers, Forest Receipts and other Departmental offices were test checked wherein under assessment/ short levy/ loss of revenue etc. aggregating ₹ 1,569.41 crore in 1,021 cases had been pointed out. The Department concerned had accepted under assessments and other deficiencies in 465 cases involving ₹ 91.36 crore but could collect only ₹ 2.39 crore in 142 cases.

Significant audit observations

This Report contains 35 paragraphs relating to short/non-levy of tax, duty and interest penalty etc. and two performance audits titled '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.

It is a matter of concern that similar omissions were pointed out by audit in the Audit Reports for the past several years but the Departments had not taken corrective action. Audit is also concerned that though these omissions were apparent from the records which were made available to us, the departments failed to detect them.

(a) Chapter-II: Taxes/VAT on Sales, Trade etc.

The Assessing Authorities (AAs) while finalising the assessments did not observe the provisions of the Acts and Rules made there under in some cases which resulted in non/short levy/non-realisation of tax/interest aggregating ₹ 17.31 crore.

Audit noticed that AAs had accepted invalid/defective 'C' and 'F' Forms and allowed exemption/ concessional rate of tax. They did not take cognizance either of gross turnover determined on lesser side by the assesses or assessed on the lower side as compared to the certified receipts. AAs had allowed excess input tax credit on the entire local purchases instead of allowing it on proportionate basis on the turnover of purchases actually sold. Cases of irregular allowance of concessional rate of tax by AAs on the interstate purchase of diesel against 'C' Form which was not shown as resold or used in the manufacturing of goods for sale had also been pointed out.

(b) Chapter-III: State Excise

In this chapter, cases contributing to loss of revenue of ₹ 21.93 lakh due to low yield of spirit from molasses in a distillery and non-claiming of license fee/ interest on belated payments of license fee had been commented upon.

(c) Chapter-IV: Stamp Duty

The Registrars/ Sub-Registrars did not observe some of the provisions of the Acts and the rules framed there under as applicable in Himachal Pradesh for levy and collection of the tax which resulted in non/short levy of stamp duty and registration fee of ₹ 132.81 crore

The performance audit of 'Stamp duty and Registration fee including Information Technology Aspect' presents some illustrative cases of non-realization of stamp duty and registration fee, inadequate departmental inspection of field offices and follow up paved way for embezzlement, irregular mutation of equitable mortgages and exchanged properties, incorrect preparation/ determination of market value of property by the *patwaris* and registration of documents on lower rates, transfer of Government land without recovery of lease money, partial utilisation of 'HIMRIS' software and other deficiencies in software etc.

(d) Chapter-V: Taxes on Vehicles, Goods and Passengers

Some of the provisions of the Acts/Rules were not observed by the Transport and the Excise and Taxation Departments and non-recovery of Special Road Tax and penalty from private stage carriages, non-levy and collection of entry tax, non-registration of goods and passenger vehicles and realization of tax thereon resulted in loss of revenue of ₹ 22.08 crore.

(e) Chapter-VI: Forest Receipts

Scrutiny of the records of the Forest Department revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of royalty/penalty/interest etc. of ₹ 344.16 crore.

As regards performance audit of 'Management of Forest Receipts' audit observed laxity on the part of the department in conducting regular inspections of forests by the field functionaries which led to illegal construction of roads, objecting the payment of royalty made by the Corporation on reduced royalty rates applicable for expensive, remote and special hill tracts without any identification of the forests falling under these categories by the Government. Loss of revenue also attributed to non-revision of the royalty rates for 2008-09 on weighted average sale rate as per prescribed procedure and short/ non-handing of resin blazes for tapping. Non-exploitation of salvage lots by the Corporation, being the sole agency for the purpose and inaction on the part of the department to dispose off seized timber have also been commented. Besides, departmental charges and cost of trees were deposited in Compensatory Afforestation Fund Management and Planning Authority account instead of depositing it in the revenue head of the Department resulting in understatement of revenue.

(f) Chapter-VII: Other Tax and Non-Tax Receipts

It was noticed in Multi Purpose Projects and Power Department that energy bills were raised at incorrect rates and surcharge had not been claimed from HPSEBL on delayed payments. The Power department had not objected to the payment for reduced quantity of energy by HPSEBL and non-deposit of accrued interest and electricity duty. The execution of supplementary agreement deed resulted in undue benefit to Power Trading Corporation Ltd. In the audit of Industries Department, cases relating to evasion of royalty on stone blast and short/non-recovery of royalty/ surface/dead rent/ interest were pointed out. These cases involved revenue loss aggregating to ₹ 205.81 crore.

Recommendations

The Government should take suitable steps to put in place:

- a mechanism for ensuring prompt recovery of the amounts in the accepted cases;

- a mechanism for regular inspections of the offices of Registrars and Sub-Registrars by the departmental officers to ensure levy of correct stamp duty and registration fee;
- a centralized lot-wise data of the number of timber and resin lots handed over to the Corporation for exploitation and status of payment;
- a mechanism to check offensive activities in forest land and make penalty provisions to curb such activities without prior approval of the Ministry of Environment and Forest for non-forestry purposes and
- a system for determining the total receipts of *power share* of Government from the power producers in the State and also maintain a complete record of sale of electricity through Power Trading Corporation Ltd. to correctly assess the dues and collection thereof.

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.

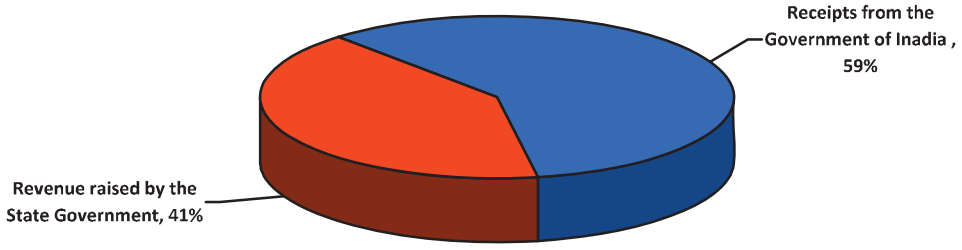
Table – 1.1
Trend of revenue receipts

(₹ 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**	**14,542.86**[1]
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 immoveable/ 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 2010-11 2011-12	113.39 132.69 155.09	1.02 1.04 1.14	0.90 0.78 0.74	1.60
2.	State excise	2009-10 2010-11 2011-12	500.26 561.53 707.36	5.06 5.84 2.58	1.01 1.04 0.36	3.05
3.	Taxes/VAT on sales, trade etc.	2009-10 2010-11 2011-12	1,487.40 2,101.10 2,476.78	15.06 21.85 5.16	1.01 1.04 0.21	0.75
4.	Taxes on vehicle, goods and passengers	2009-10 2010-11 2011-12	222.71 256.48 270.39	2.53 0.97 26.83	1.14 0.38 9.92	3.71

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

(₹ in lakh)

Sr. No.	Head of revenue	Number of meetings held	Number of paras settled	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. Inspite 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.

CHAPTER-II

TAXES/ VAT ON SALES, TRADE ETC.

2.1 Tax administration

Sales Tax/Value Added Tax laws and rules framed thereunder are administered at the Government level by the Principal Secretary (Excise and Taxation). The Excise & Taxation Commissioner (ETC) is the head of the Excise and Taxation Department who is assisted by one Additional ETC, one Joint ETC, eight Deputy ETCs, 14 Assistant ETCs and 69 Excise & Taxation Officers (ETOs). They are assisted by Excise and Taxation Inspectors and other allied staff for administering the relevant Tax laws and rules.

2.2 Trend of receipts

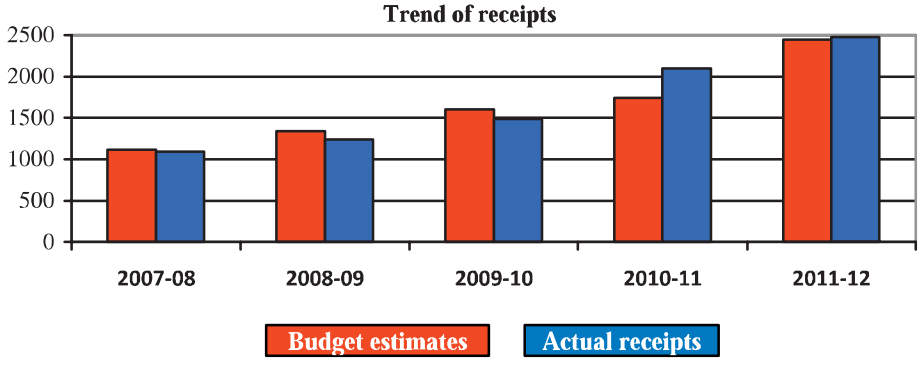
Budget estimates and actual receipts from Sales tax/VAT during the last five years 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the following **Table-2.1** and **Graph-2.1**.

Table 2.1

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual Sales tax/ VAT receipts vis-à-vis total tax receipts
2007-08	1,115.00	1,092.16	(-) 22.84	(-) 2	1,958.18	56
2008-09	1,336.81	1,246.31	(-) 90.50	(-) 7	2,242.49	56
2009-10	1,604.17	1,487.40	(-) 116.77	(-) 7	2,574.52	58
2010-11	1,741.18	2,101.10	359.92	21	3,642.38	58
2011-12	2,444.27	2,476.78	32.51	1	4,107.92	60

Graph -2.1
Trend of receipts



It would be seen from the above that the variation between the budget estimates and the actual receipts came down to the level of (-) two to (-) seven *per cent* during the period 2007-08 to 2009-10 and subsequently rose to 21 *per cent* during 2010-11. The actual receipts of Sales Tax/ VAT for the year 2011-12 was ₹ 2,476.78 crore against the Budget estimates of ₹ 2,444.27 crore.

2.3 Arrears in assessment

The number of cases pending for assessment at the beginning of the years, becoming due during the year, disposed of during the year and pending at the end of each year during the period 2007-08 to 2011-12 as furnished by the Excise and Taxation Department in respect of the taxes/VAT on sales, trade etc., are mentioned in **Table 2.2** below.

Table 2.2

Year	Opening balance	Cases which become due for assessment during the year	Total assessments due	Cases disposed of during the year	Cases remaining at the end of the year	Percentage of disposal (col. 5 to 4)
1.	2.	3.	4.	5.	6.	7.
2007-08	72,760	36,675	1,09,435	45,361	64,074	41
2008-09	64,074	38,760	1,02,834	32,592	70,242	30
VAT	38,319	49,452	87,771	24,581	63,190	
2009-10	70,242	26,736	96,978	39,710	57,268	71
VAT	63,190	76,911	1,40,101	1,28,310	11,791	
2010-11	57,268	25,092	82,360	35,579	46,781	26
VAT	11,791	1,58,703	1,70,494	31,043	1,39,451	
2011-12	46,781	46,519	93,300	33,599	59,701	24
VAT	1,39,451	52,474	1,91,925	35,863	1,56,062	

Audit noticed that the percentage of disposal, which ranged between 26 and 71 *per cent* during the period 2007-08 to 2010-11, has decreased to the level of 24 *per cent* in 2011-12 as compared to previous year.

The Government may monitor the work of the Assessing authorities to bring down the percentage of pending assessments in the interest of revenue.

2.3.1 Action plan of the department to liquidate the pending assessments

In order to reduce the pendency of assessments especially under the Himachal Pradesh VAT Act, 2005, Excise & Taxation Commissioner of the Department, had directed all the Assessing Authorities to:

(i) dispose of all the pending assessment cases upto 2007-2008, while reviewing the Zonal Meeting;

(ii) dispose of pending cases of contractors in view of amended provision of the Act; and

(iii) implement the amended provision of Rule 66 of H.P. VAT Act, 2005, retrospectively also.

These directions had been issued to all AETCs of the Districts and ETO, Kinnaur.

2.3.2 Position of arrears

Table – 2.3

(₹ in crore)

Year	Opening balance of arrears	Additions during the year	Collection by the end of the year	Balance Arrears
2007-08	99.40	39.55	25.56	113.29
2008-09	113.29	32.87	25.78	120.38
2009-10	120.38	172.44	201.32	91.51
2010-11	91.52	181.97	110.76	162.73
2011-12	162.73	197.18	148.53	211.38

The above table shows that the arrears of revenue in respect of taxes/ VAT on sales, trade etc. sharply increased in 2010-11 and 2011-12.

The Government may consider taking suitable steps for collection of arrears in a time bound manner.

2.4 Cost of collection

The gross collection of taxes/VAT on sales, trade etc. revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2007-08 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection of the preceding years were as below in **Table-2.4.**

Table – 2.4

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of expenditure on collection for the preceding year
Taxes/ VAT on sales, trade etc.	**2007-08**	1,092.16	11.35	1.04	0.82
	2008-09	1,246.31	12.88	1.03	0.83
	2009-10	1,487.40	15.06	1.01	0.88
	2010-11	2,101.10	21.85	1.04	0.96
	2011-12	2,476.78	5.16	0.21	0.75

Source: Finance accounts

The above table indicates that the percentage of expenditure on collection was more than the all India average percentage for the years 2007-08 to 2010-11 and was below the all India average percentage in the year 2011-12.

2.5 Internal Audit

The Excise and Taxation Department introduced internal audit system for checking the records relating to sales tax. For this purpose, the Commissioner issued instructions in February 1987, which provided annual audit of all units within 20 days from the completion of the financial year and furnishing of first annotated replies by concerned units within two months from issuance of audit findings.

The Internal Audit Wing (IAW) attached to the office of the Commissioner consists of only two Section Officers. Neither internal audit of any unit was conducted nor pending IRs and Paras cleared by the Wing during the year 2008-09 and 2009-10, as mentioned in **Table 2.5** below.

Table – 2.5

Sl. No.	Year	No. of units required to be audited	No. of units audited by IAW	No. of units pending for audit by IAW	No. of IRs and paras pending at the beginning of the year		No. of IRs settled during the year		No. of IRs and paras outstanding at the end of year	
					IR	Para	IR	Para	IR	Para
1	2008-09	11	0	11	94	731	-	-	94	731
2	2009-10	11	0	11	94	731	-	-	94	731
3	2010-11	11	8	3	94	731	9	99	93	692

Source: Excise and Taxation Commissioner

The above figures show that the internal audit system existing in the Department was not providing reasonable assurance on the adequacy of safeguards against evasion of tax.

The Department had not taken any steps to strengthen the Internal Audit Wing to ensure strict compliance with the provision of the Act and the Rules by various wings and to prevent leakage of revenue.

2.6 Impact of audit

During the last five years (including the current year's Report), audit has pointed out 47 paragraphs of non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, concealments/ suppression of turnover, application of incorrect rate of tax, incorrect computation etc., with revenue implication of ₹ 152.55 crore. Of these, the Department/Government had fully /partially accepted audit observations in 25 paragraphs involving ₹ 4.32 crore and had since recovered ₹ 1.07.crore in 17 paragraphs. The details are shown in the following **Table- 2.6**.

Table 2.6

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2007-08	14	68.24	6	1.59	5	0.40
2008-09	10	31.52	5	1.04	4	0.22
2009-10	08	34.06	4	0.75	2	0.07
2010-11	06	1.42	2	0.08	2	0.04
2011-12	09	17.31	8	0.86	4	0.34
Total	**47**	**152.55**	**25**	**4.32**	**17**	**1.07**

This indicates that the Department had not been able to enforce prompt recovery even in accepted cases.

The Government may consider introducing a mechanism for ensuring recovery against accepted cases in a time bound manner.

2.7 Results of audit

In 2011-12, test check of the records of 11 units relating to VAT/sales tax assessments and other records revealed underassessment of tax and other irregularities involving ₹ 22.26 crore in 241 cases, which fall under the following categories as given in **Table -2.7**.

Table -2.7

(₹ in crore)

Sr. No.	Categories	Number of cases	Amount
1.	Under-assessment of tax	82	10.07
2.	Acceptance of defective statutory forms	33	8.71
3.	Irregular/incorrect/excess allowance of ITC	74	1.90
4.	Other irregularities	52	1.58
Total		**241**	**22.26**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 14.52 crore in 100 cases which were pointed out in audit during the earlier years. An amount of ₹ 0.54 crore was realised in 10 cases during the year 2011-12.

A few illustrative audit observations involving ₹ 17.31 crore are discussed in the following paragraphs.

2.8 Audit observations

Scrutiny of the assessment records of sales tax/value added tax (VAT) revealed several cases of non-observance of provisions of Acts/Rules, non/short levy of tax/interest/wrong deduction of material cost/excess/incorrect allowance of input tax credit/incorrect application of rate of tax etc. as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of Assessing Authorities (AAs) are pointed out in audit repeatedly, but not only do the irregularities persist, these also remain undetected till we conducted audit. There is need for improving the internal control system so that such omissions can be detected and corrective measures be taken.

2.9 Non-observance of provisions of the Acts/Rules

The Himachal Pradesh General Sales Tax (HPGST)/Himachal Pradesh Value Added Tax (HPVAT) Act and Rules provide for:

(i) levy of tax and interest at the prescribed rate;

(ii) correct determination of turnover and

(iii) grant of Input Tax Credit.

The assessing authorities while finalising the assessments did not observe some of the provisions of the Acts/ Rules in the cases mentioned in the paragraphs 2.10 to 2.18. This resulted in non/ short levy/non-realisation of tax/interest of ₹ 17.31 crore.

2.10 Incorrect deduction of cost of material

Seven AETCs[1] (26 contractors)

As per sub section 2 (v) of the Himachal Pradesh Value Added Tax (HPVAT) Act 2005, sale includes transfer of property in goods involved in execution of works contracts. As per ETC's instructions of December 2008 if the material is partly or wholly supplied by the contractee and value thereof is set off against the payment of contractors, the value of the material so supplied shall not be deducted from the Gross Turnover (GTO) for the purpose of assessment of tax which has also been judicially upheld in two cases[2] by the Hon'ble Supreme Court. Further, if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

Audit noticed between October 2011 and March 2012 from the assessment records that the Assessing Authorities (AAs) while finalising (between June 2009 and June 2011) the assessments of 26 contractors for the years falling between 2005-06 and 2009-10, allowed deduction of ₹ 23.45 crore from the GTO on account of material supplied by the Departments to them for the execution of the Departmental works. The deduction allowed was irregular as supply of the material by the Departments to the contractors tantamount to sale. This resulted in underassessment of the tax of ₹ 1.16 crore on which interest of ₹ 75.51 lakh was also leviable (**Appendix-II**).

After audit pointed out between October 2011 and March 2012, the AETC Mandi intimated in September 2012 that the case had been reassessed and additional demand of ₹ 3.54 lakh created and efforts were being made to recover the amount. Further report on recovery and reply of the remaining AETCs had not been received (December 2012).

Audit reported the matter to the Department and the Government between November 2011 and April 2012. The replies have not been received (December 2012).

2.11 Non-levy of interest

Four AETCs[3]

Under section 19 of the HPVAT Act 2005, if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

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1 Chamba: Two contractors; Hamirpur: Three contractors; Kangra: Three contractors; Mandi: One contractor; Shimla: Nine contractors; Sirmour: Two contractors and Una: six contractors

2 In case of N. M. Goel and Co. versus Sale Tax Officer Rajnandgaon and another (1988) 72 STC SC 368 and Rashtriya Ispat Nigam Ltd. versus State of Andhara Pradesh (1998) 109 STC SC 425

3 Chamba, Sirmour at Nahan, Solan and Una

Audit noticed between July 2011 and March 2012 from assessment records that the AAs, while finalising the assessments of 13 dealers between January 2010 and March 2011, for the years falling between 2005-06 and 2009-10, created tax demands of ₹ 18.71 lakh. Audit further observed that in the case of these dealers, the AAs did not levy interest of ₹ 10.34 lakh on the additional demand created upto the date of assessment. This resulted in non-charging of interest of ₹ 10.34 lakh.

After audit pointed out the matter to the Department and the Government between August 2011 and April 2012, the AETC Sirmour at Nahan intimated (October 2012) that interest amounting to ₹ 1.38 lakh had been recovered in case of four dealers and efforts were being made to recover the balance amount. Further report on recovery and reply of the remaining AETCs and the Government has not been received (December 2012).

2.12 Evasion of tax due to acceptance of invalid and defective forms

2.12.1 Invalid and defective 'C' forms

Five AETCs[4]

Section 8 of the Central Sales Tax (CST) Act read with Rule 12 of the CST (R&T) Rules, provides that every dealer, who in the course of interstate trade or commerce, sells to a registered dealer, goods of the classes, specified in the certificate of registration of the purchasing dealer, shall be liable to pay tax at the concessional rate of four *per cent* upto 31 March 2007 (three *per cent* w.e.f. 1st April 2007 and two *per cent* w.e.f. 1st June 2008) of such turnover provided such sales are supported by declaration in form 'C'. Otherwise, tax is leviable at the rate of 10 *per cent* or at the rate applicable under the State Act, whichever is higher upto March 2007 and at the rate applicable in the State with effect from 1st April 2007. Besides, interest at the prescribed rates is also leviable on the unpaid amount of tax. It has been judicially held[5] that production of original 'C' form for claiming concessional rate of tax is mandatory to prevent the form being misused for the commission of fraud and collusion with a view to evade payment of tax.

Test check of the records of five AETCs (between June 2011 and March 2012) revealed that while finalising the assessments of 19 dealers between June 2008 and August 2011 for the assessment years 2005-06 to 2008-09, the AAs allowed concessional rate of tax on interstate sales valued at ₹ 42.57 crore without verifying the declaration forms produced in support of the transactions which were either duplicate/ incomplete or defective instead of original copies of 'C' forms.

The forms were not liable to be accepted at the time of assessment but the concerned AAs did not reject the same. This resulted in short levy of tax of ₹ 6.59 crore including interest of ₹ 2.88 crore **Appendix-III**.

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4 BBN, Kangra, Sirmour, Solan and Una

5 Commissioner Sale Tax versus M/s Prabhu Dayal Prem Narayan (1988) 71 STC (SC) and M/s Delhi Automobiles Private Limited versus Commissioner of Sales Tax (1997) 104 STC 75 (SC)

After the matter was reported to the Department and the Government between June 2011 and March 2012, the Department intimated in December 2012 that eight cases of four AETCs had been reassessed between December 2011 and July 2012 and additional demand of ₹ 5.96 lakh[6] created and recovered. Further report on recovery and replies of the remaining AETCs and the Government had not been received (December 2012).

2.12.2 Misutilisation of 'F' forms

Three AETCs[7]

Section 6-A of the CST Act, read with Rule 12(5) of the CST (R&T) Rules, provides that exemption of tax to a registered dealer is granted in case of branch transfer/consignment sale, provided they are supported by a Declaration Form 'F'. Every dealer, who in the course of interstate trade or commerce, sells to a registered dealer, goods of the classes, specified in the certificate of registration of the purchasing dealer, shall be liable to pay tax at the rate of 10 *per cent* or at the rate applicable in the State under its GST Act, whichever is higher up to March 2007 and at the rate applicable in the State with effect from 1st April 2007 as provided under section 8 of the CST Act read with Rule 12 of the CST (R&T) Rules. Besides, interest at the prescribed rates is also leviable on the unpaid amount of tax.

Scrutiny of records of three AETCs between June 2011 and January 2012 revealed that while finalising assessments of seven dealers from February 2010 to March 2011 for the assessment years 2005-06 to 2009-10, the AAs allowed exemption of tax of ₹ 4.58 crore including interest of ₹ 1.82 crore on transfers of stock amounting to ₹ 185.77 crore against declaration forms 'F' which were duplicate, incomplete, transactions covering more than one calendar month/assessment year and addressed to those branches that were not specified in the registration certificate.

The forms were liable to be rejected at the time of assessment but the concerned AAs did not properly scrutinize the forms. This resulted in non-levy of tax of ₹ 4.58 crore including interest of ₹ 1.82 crore as detailed in **Appendix-IV.**

Audit reported the matter to the Department and the Government between February 2011 and November 2011. The replies have not been received (December 2012).

2.13 Incorrect determination of turnover

2.13.1 Four AETCs[8]

As per Section 2 (v) (zd) of the HPVAT Act 2005, "turnover" means aggregate amount of sale, purchases and parts of sales and purchases made by any dealer and includes any sum charged, on account of freight, storage, demurrage,

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6 AETC BBN; five dealers; ₹ 5.10 lakh Solan; two dealers; ₹ 0.83 lakh and Sirmour; one dealer; ₹ 3,000

7 BBN, Kangra and Solan

8 AETCs Hamirpur, Kangra at Dharamsala, Mandi , and Shimla

insurance and for anything done by the dealer in respect of the goods at the time of or before delivery thereof. Schedule 'A' to section 6 HPVAT Act, 2005, further provides that tax shall be levied at the prescribed rates at every point of sale in respect of goods specified therein. Section 19 of the Act ibid further provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

Audit noticed between October 2011 and March 2012 from assessment records that six dealers were assessed short by ₹ 5.87 crore for the period 2005-06 to 2009-10. The AAs while finalising the assessments of these dealers between November 2008 and February 2011 in some cases did not take cognizance either of gross receipts/turnover determined lesser by the assesses or assessed on lower side to that of certified receipts whereas in some other cases either turnover was taken lesser than the actual work done or was determined on lower side against 'C' forms, though the details of such turnover were available in the assessment files of the dealers. This resulted in short levy of tax of ₹ 95.39 lakh including interest of ₹ 47.42 lakh.

Audit reported the matter to the Department and the Government between February and April 2012. The replies have not been received (December 2012).

2.13.2 Three AETCs[9]

As per Section 2(v) (iv) of the HPVAT Act, sale includes transfer of the right to use any goods for any purpose for cash, deferred payment or other valuable consideration. Schedule A to section 6 HPVAT Act, 2005, further provides that tax shall be levied at the prescribed rates at every point of sale in respect of goods specified therein. Section 19 of the Act ibid further provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

Audit noticed between September 2011 and March 2012 from the trading accounts that four dealers received ₹ 2.06 crore on account of hire charges of machinery for the period 2005-06 to 2009-10. But the dealers did not include the amount of hire charges in their respective returns and tax was not paid on it. The AAs while finalising the assessments of these dealers between January 2011 and March 2011 did not detect the mistake though such receipts were available in the trading accounts. This resulted in short levy of tax of ₹ 49.61 lakh including interest of ₹ 23.98 lakh.

Audit reported the matter to the Department and the Government between November 2011 and April 2012. The replies have not been received (December 2012).

[9] AETCs B. B. N at Baddi, Kangra at Dharamsala and Mandi

2.13.3 AETC Una

As per Section 2(v) of the HPVAT Act, sale means any transfer of property in goods for cash or for deferred payment or for any other valuable consideration other than a mortgage, hypothecation, charge or pledge. It has been judicially held[10] that freight or delivery charges incurred by the selling dealer in making the goods available to the purchaser at the place of sale are includible in sale price. Schedule A to section 6 of HPVAT Act, 2005, further provides that tax shall be levied at the prescribed rates at every point of sale in respect of goods specified therein. Section-19 of the Act ibid further provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

Audit noticed between November 2011 and March 2012 from the assessment records that the AAs, while finalising (between February 2010 and March 2011) the assessments of two dealers for the period 2005-06 to 2007-08, did not levy tax on freight charges of ₹ 1.90 crore received by them. Non-inclusion of the freight charges in the turnover had resulted in underassessment of tax of ₹ 15.92 lakh including interest of ₹ 6.77 lakh.

Audit reported the matter to the Department and the Government between November 2011 and April 2012. The replies have not been received (December 2012).

2.14 Application of incorrect rate of tax

2.14.1 Two AETCs[11]

As per the provisions of HPVAT Act, 2005 and rules framed there under, the tax is leviable on sales made by a dealer as per schedule under section 6. Schedule A to section 6 HPVAT Act, 2005, further provides that tax shall be levied at the prescribed rates at every point of sale in respect of goods specified therein. Section 19 of the Act ibid further provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

Audit noticed between October 2011 and March 2012 that three dealers had made intra state sales valued at ₹ 5.82 crore which was taxable at the rate of 12.5 *per cent.* Audit scrutiny revealed that while finalising (between January 2010 and February 2011) the assessments for the years between 2005-06 and 2009-10 the AAs assessed the sales of ₹ 5.82 crore at the rate of four *per cent* instead of 12.5 *per cent.* This omission resulted in short realisation of tax of ₹ 69.80 lakh including interest of ₹ 20.35 lakh.

After the matter was reported to the Department and the Government between November 2011 and April 2012, the Department intimated in November 2012

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10 Supreme Court Judgment in the case of Black Diamond Beverages versus Commercial Tax Officer (1997) 107 STC 219 (SC): AIR 1997 SC 3550: 1998 (1) SCC 458

11 B. B. N. at Baddi: one dealer: ₹ 36.99 lakh and Una: two dealers: ₹ 32.81 lakh

that case of AETC BBN at Baddi had been reassessed (February 2012) and additional demand of ₹ 13.54 lakh was created and recovered. The reply of the AETC Una and the Government had not been received (December 2012).

2.14.2 Two AETCs[12]

As per the transitional provisions of HPVAT Act, 2005 and rules framed thereunder, a manufacturer who was availing partial exemption under the HPGST Act, may continue to avail partial exemption for the unexpired period under the Act ibid. After expiry of incentive period, tax as provided under section 6 of the Act ibid is leviable. Section 19 of the Act ibid further provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and at the rate of one and a half *per cent* per month thereafter, till the default continues.

Audit noticed between January and March 2012 that four dealers made intra state sales valued at ₹ 2.07 crore taxable at the rate of 3.125 *per cent* and 12.5 *per cent.* Audit further noticed that the AAs while finalising (between July 2010 and November 2010) the assessments for the years between 2005-06 and 2007-08 had wrongly assessed the sales at the rate of one *per cent* instead of partial concessional rate of 3.125 *per cent* applicable in assessments of five years of four dealers whereas concessional rate of 3.125 *per cent* was applied even after the expiry of eligibility for concession instead of 12.5 *per cent* applicable in this case. These omissions resulted in short realisation of tax of ₹ 9.52 lakh, including interest of ₹ 4.27 lakh.

After audit pointed out between October 2011 and March 2012, the AETC Mandi intimated in September 2012 that the cases had been reassessed and additional demand of ₹ 6.16 lakh (including interest and penalty) created and efforts were being made to recover the amount. Further report on recovery and reply of the AETC Hamirpur has not been received (December 2012).

Audit reported the matter to the Department and the Government in November 2011. The replies have not been received (December 2012).

2.15 Application of concessional rate of tax without declaration forms

Two AETCs[13]

Item number 85 of part-I of Schedule A to Section 6 of HPVAT Act, 2005 provides that in case sale is made to the Government departments on declarations in form 'D', such sales are taxable at the concessional rate of four *per cent*. In the absence of the requisite form, tax in this case shall be levied at the rate of 12.5 *per cent*. Section 19 of the Act ibid further provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and

[12] Hamirpur: one dealer: ₹ 4.01 lakh and Mandi: three dealers: ₹ 5.51 lakh.

[13] Chamba: one dealer: ₹ 1.41 lakh and Kangra at Dharamsala: one dealer: ₹ 0.72 lakh.

at the rate of one and a half *per cent* per month thereafter, till the default continues.

Audit noticed between September 2011 and March 2012 that two dealers made intra state sales valued at ₹ 19.79 lakh. The dealers claimed concessional rate of tax of four *per cent* on the context that the sales were made to the Government Departments. Audit noticed that though the dealers had not furnished form 'D', the AAs, while finalising (between November 2010 and March 2011) the assessments, allowed the concessional rate of tax as claimed by the dealers for the year 2009-10. This omission resulted in short realisation of tax of ₹ 2.13 lakh including interest of ₹ 0.45 lakh.

After audit pointed out the cases between November 2011 and March 2012, the ETC Shimla intimated in October 2012 that the cases of the dealers were under process and both the AETCs had been directed to finalise the cases immediately. Further report on recovery and reply of the AETCs has not been received (December 2012).

The matter was reported to the Government between November 2011 and March 2012; their replies have not yet been received (December 2012).

2.16 Incorrect allowance of input tax credit (ITC)

Five AETCs[14]

Under section 11 (3) of the HPVAT Act 2005, ITC shall be allowed to the extent of the amount of input tax paid by the purchasing dealer on the purchase of taxable goods made by him in the State, from a registered dealer. As per notification of May 2007, the amount of input tax credit shall be admissible to a dealer on the purchase value of the goods sold by him during the tax period.

Audit noticed that no provision has been incorporated in the annual returns to establish quantum of sales made from tax paid purchases to regulate adjustment of ITC. Audit also noticed between September 2011 and March 2012 from the trading and profit and loss accounts of 22 dealers available in the assessment files that during the years 2007-08, 2008-09 and 2009-10, the purchase value of the stock in hand was ₹ 10.52 crore, ₹ 0.96 crore and ₹ 2.25 crore respectively. ITC was not admissible to the dealers on closing stock of ₹ 7.28 crore[15] remaining unsold in respect of purchases made within the State during these years. Audit scrutiny revealed that the AAs while finalising (between April 2010 and March 2011) assessments of these dealers for the years 2007-08, 2008-09 and 2009-10, erroneously allowed ITC on the entire local purchases of ₹ 41.43 crore instead of allowing it on proportionate basis on the turnover of purchases actually sold by them during the tax period. This resulted in excess

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14 Chamba: three dealers: ₹ 11.41 lakh; Shimla: five dealers: ₹ 8.89 lakh; Sirmour: six dealers: ₹ 34.78 lakh; Solan: six dealers: ₹ 14.73 lakh and Una: two dealers: ₹ 5.60 lakh

15 Local tax paid purchases involved in the closing stock has been worked out in the ratio of local tax paid purchases to total purchases multiplied by closing stock. This amount has further been apportioned tax rate wise in the same ratio as was of local tax paid purchases.

allowance of ITC of ₹ 49.63 lakh. The dealers are liable to pay interest of ₹ 25.78 lakh on incorrect benefit of ITC passed on to them.

After the matter was reported to the Department and the Government between October 2011 and April 2012, the Department intimated in December 2012 that 13 cases of four AETCs had been reassessed between October 2011 and August 2012 and additional demand of ₹ 17.17 lakh created, out of which ₹ 13.10 lakh[16] were recovered. Further report on recovery and reply of the remaining AETCs had not been received (December 2012).

Audit reported the matter to the Government between November 2011 and March 2012. The replies have not been received (December 2012).

2.17 Wrong exemption of tax

2.17.1 Under the transitional provisions of the HPVAT Act, 2005, any dealer who was availing partial exemption under the repealed Act (HPGST) may continue to avail such exemptions for the unexpired period under the VAT Act. The benefit of partial exemption is not available to the new manufacturers who commenced manufacturing on or after 1st April, 2005.

Audit scrutiny of assessment records in March 2012 of AETC Mandi, revealed that while finalising (April 2010) assessments for the years 2005-06 to 2008-09 of a dealer, the assessing authority had wrongly allowed partial exemption from payment of tax at the rate of 3.125 *per cent* instead of 12.5 *per cent* because the dealer had commenced manufacturing of goods with effect from 21 June 2005. This resulted in wrong allowance of partial exemption of tax of ₹ 7.52 lakh including interest of ₹ 2.94 lakh.

After this was pointed out by audit in March 2012, the AETC Mandi intimated in October 2012 that the case had been reassessed and additional demand of ₹ 8.55 lakh (including interest and penalty) was created (May 2012) and efforts were being made to recover the amount. Further report on recovery has not been received (December 2012).

2.17.2 The Excise and Taxation Department, Government of Himachal Pradesh vide notifications dated July 1999 and June 2009 had allowed concessional rate of Central Excise tax at one *per cent* of the taxable turnover of such goods manufactured for inter state sale/trade by the dealers running industrial units in Himachal Pradesh and are registered with Excise and Taxation Department of HP Government. One of the conditions for availing the concession was that unit located in industrially backward areas should have employed 80 *per cent* of its total manpower from amongst the bonafide Himachalies.

Audit test checked the assessment records of AETC Kangra at Dharamsala and noticed that while finalising (January 2011) assessment of a dealer for the year 2009-10, the AA had not objected to 93 *per cent* employment of bonafide Himachalies in the venture, which was wrongly worked out by the G. M. DIC Kangra at Dharamsala as against the correct employment of 67.74 *per cent* i.e.

[16] AETC Chamba; two dealers; ₹ 1.10 lakh, Shimla; four dealers; ₹ 1.56 lakh, Solan; six dealers; ₹ 9.48 lakh and Sirmour; one dealer; ₹ 0.96 lakh

21 Himachalies out of 31 being employed in the industrial units. Thus, the AA had allowed concessional rate of one *per cent* to the dealer who did not satisfy the condition ibid. This resulted in under assessment of tax of ₹ 52.63 lakh including interest of ₹ 11.98 lakh.

Audit reported the matter to the Department and the Government between March and April 2012. The replies have not been received (December 2012).

2.18 Misuse of declaration forms 'C' by purchasing dealer

AETC Shimla

Section 8 (3) (b) of the CST Act, 1956, provides that every dealer, who in the course of interstate trade or commerce, sells to a registered dealer, goods of the classes, specified in the certificate of registration of the registered dealer purchasing the goods as being intended for resale by him or any rules made by the Central Government in this behalf for use by him in the manufacture or processing of goods for sale or (in the telecommunication network) in mining or in the generation or distribution of electricity or any other form of power, the dealer shall be liable to pay tax at the concessional rate of such turnover provided such sales are supported by declaration in form 'C'. Besides, interest at the prescribed rates is also leviable on the unpaid amount of tax.

Audit test checked the records of AETC, Shimla between October 2011 and January 2012 and noticed that a dealer was engaged in the business of running a resort and made interstate purchase of diesel valued at ₹ 1.94 crore during the year 2007-08 and 2008-09 by using the declaration Form 'C'. Audit scrutiny of return filed by the dealer further revealed that the goods purchased against the 'C' Forms were not shown in the returns as resold or used in the manufacturing of goods for sale. Therefore, the dealer was not entitled for concessional rate of tax on interstate purchase of above goods and liable to pay tax on the purchase of goods at the rate applicable to the sale or purchase of such goods inside the State. The AA finalised the assessments in July 2009 and August 2010 for the assessment years 2007-08 and 2008-09 respectively did not detect the mistake and allowed the grant of concessional rate of tax. This resulted in short levy of tax of ₹ 34.54 lakh including interest of ₹ 11.87 lakh.

After the matter was reported to the Department and the Government in February 2012, the Department intimated that the case had been reassessed (July 2012) and additional demand of ₹ 28.86 lakh was created. Further report on recovery and reply of the Government has not been received (December 2012).

CHAPTER-III

STATE EXCISE

3.1 Tax administration

The Principal Secretary (Excise and Taxation) is the administrative head at Government level. The Department is headed by the Excise and Taxation Commissioner (ETC). The Department has been divided in three Zones[1] which are headed by the Additional ETC (South Zone), Deputy ETC of North Zone and Central Zone. Besides, 22 Excise and Taxation Inspectors under the control of the Assistant Excise and Taxation Commissioners (AETCs) of the respective districts, are deputed to oversee and regulate levy/collection of excise duties and allied levies.

3.2 Trend of receipts

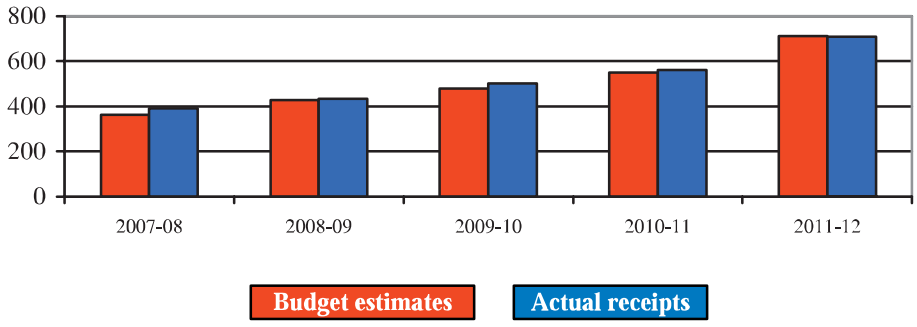
Budget estimates and actual receipts from State Excise during the years 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the following **Table 3.1** and **Graph-3.1**.

Table – 3.1
Trend of receipts

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2007-08	362.69	389.57	26.88	7.41	1,958.18	20
2008-09	428.61	431.83	3.22	0.75	2,242.49	19
2009-10	480.07	500.26	20.19	4.21	2,574.52	19
2010-11	549.46	561.53	12.07	2.20	3,642.38	15
2011-12	709.74	707.36	(-) 2.38	(-) 0.34	4,107.92	17

Graph-3.1
Trend of receipts



It would be seen from the above table that there was no major variation between the actual receipts and budget estimates prepared by the Department indicating therein that the budget estimates were prepared on a realistic basis.

[1] South Zone (Shimla, Solan, Sirmour, Kinnaur and Spiti area), North Zone (Chamba, Kangra and Una) and Central Zone (Bilaspur, Hamirpur, Kullu, Lahaul area and Mandi)

3.3 Cost of collection

The gross collection in respect of state excise revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2007-08 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection were as below in **Table – 3.2**.

Table – 3.2

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of expenditure on collection for the preceding year
State Excise	2007-08	389.57	4.05	1.04	3.30
	2008-09	431.83	4.46	1.03	3.27
	2009-10	500.26	5.06	1.01	3.66
	2010-11	561.53	5.84	1.04	3.64
	2011-12	707.36	2.58	0.36	3.05

Source: Finance Accounts

The above table indicates that the percentage of expenditure on collection was always significantly lower than the all India average percentage during the period 2007-08 to 2011-12.

The Government may continue to monitor this practice of efficient tax collection**.**

3.4 Impact of audit

During the last five years (including the current year's report), audit has pointed out 17 cases of non/short recovery of license fee and interest on late payment of license fee, non-realisation of duty on excess wastage, low yield of spirit from molasses, short recovery of fixed fee etc., with revenue implication of ₹ 14.40 crore. The Department/Government had fully/partially accepted audit observations in nine cases involving ₹ 1.72 crore. The details are shown in the following **Table 3.3**.

Table 3.3

(₹ in lakh)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2007-08	3	127.00	2	124.57	2	109.39
2008-09	3	1,065.00	3	29.13	3	21.62
2009-10	4	147.00	2	6.57	2	2.89
2010-11	4	78.79	1	4.40	1	3.45
2011-12	3	21.93	1	7.11	0	0
Total	**17**	**1,439.72**	**9**	**171.78**	**8**	**137.35**

The Department had so far recovered ₹ 1.37 crore in respect of accepted cases. This indicates that the Department had not been able to enforce recovery even in accepted cases.

The Government may consider introducing a mechanism for ensuring prompt recovery of revenue involved in accepted cases.

3.5 Results of audit

In 2011-12, test check of the records of eight units relating to excise duty, license fee receipts etc., revealed non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ₹ 1.87 crore in 46 cases, which fall under the **Table 3.4** below.

Table – 3.4

(₹ in crore)

Sr. No.	Categories	Number of cases	Amount
1.	Non/ short realisation of excise duty	10	1.00
2.	Non/ short realisation of license fee/ interest/ penalty	31	0.79
3.	Other irregularities	05	0.08
Total		**46**	**1.87**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 57.63 lakh in 19 cases which were pointed out in earlier years. An amount of ₹ 12.19 lakh was recovered in 12 cases during the year 2011-12. A few illustrative cases involving ₹ 21.93 lakh are discussed in the following paragraphs.

3.6 Audit observations

Scrutiny of the records of the Excise and Taxation Department revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of excise duty, fees, interest etc. as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Every year audit points out such omissions in audit on the part of Assessing Authorities (AAs). However, not only do the irregularities persist but also these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit so that occurrence of such cases can be avoided.

3.7 Non-compliance of provisions of the Act/Rules

The Punjab Distillery Rules (PDR), 1932 as applicable to the state of Himachal Pradesh provide:

(i) norms for manufacture of rectified spirit from molasses;

(ii) levy of license fee, additional fee and interest at prescribed rates.

The AETCs did not observe some of the above provisions in the cases mentioned in paragraphs 3.8 to 3.10, which resulted in short/non-levy of additional fee/interest of ₹ 0.22 crore.

3.8 Non-levy of interest on belated payment of license fee

Three (AETCs)[2]

Rule 9.5 of the Punjab Distillery Rules, 1932 as also applicable in HP, stipulates that licensee shall pay quarterly license fee within seven days of the expiry of each quarter. In the event of failure to pay the fee by due date, interest at the rate of 12 *per cent* per annum upto one month and if the default in payment exceeds one month, interest at the rate of 18 *per cent* per annum for entire delay shall be payable. Similarly in case of auctioned vend, the interest at the rate of 10 *per cent* per annum upto one month and 18 *per cent* per annum thereafter in the case of late payment of license fee shall be levied in terms of para 4.5 (a) of Excise announcement for the year 2010-11.

Audit noticed between October and December 2011 from the license fee registers that five distilleries[3] in Baddi and Nahan districts deposited quarterly license fee of ₹ 98.36 lakh belatedly for the year 2010-11. Similarly, audit scrutiny of the M-2 register[4] of Bilaspur revealed that eight licensees had deposited license fee of ₹ 64.64 lakh belatedly. The delay ranged between 4 and 276 days. On these belated payments, interest amounting to ₹ 3.57 lakh was not levied/ demanded by the Department. Thus, non-raising of the demand of interest resulted in understatement of revenue to that extent.

Audit reported the matter to the Department and the Government between November 2011 and January 2012. The replies have not been received (December 2012).

3.9 Low yield of spirit from molasses

AETC Una

As per norms fixed under Rule 37 read with Rule 35 of the Punjab Distillery Rules 1932, as applicable to Himachal Pradesh, 0.373 quintal of molasses shall yield 15.391 proof litres of country spirit or one quintal of molasses will yield 41.26 proof litres of spirit.

Audit noticed in December 2011 from the molasses receipt and issue register and spirit issue register that a distillery[5] used 34,520 quintals of molasses for manufacture of rectified spirit (RS) during 2010-11. Against the yield of RS of 14,24,295 proof litres as per prescribed norms, the actual yield was shown as 13,11,760 proof litres. Thus, 1,12,535 proof litres of RS was short produced for which no reasons were on record. This resulted in presumptive loss of revenue of ₹ 11.25 lakh on short production of rectified spirit.

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2 Baddi (BBN): ₹ 2.07 lakh, Bilaspur: ₹ 0.47 lakh and Nahan: ₹ 1.03 lakh

3 M/s Tiloksons Brewery, Manthapal Distillers, Yamuna Beverage Pvt. Ltd. Himalayan Gold Beverage and Sabaccus Distillery

4 It contains total demand for a particular year against vends and recovery of monthly instalments thereof (like a demand and collection register).

5 M/s Rangar Breweries Ltd., Mehatpur, Una

Audit reported the matter to the Department and the Government in July 2012; the Department stated that the norms of spirit produce from molasses as required under Rule 9.37 of the Punjab Distillery Rules, 1932 as applicable to the State of Himachal Pradesh and the matter would be taken up with the higher authorities. Further report of recovery and reply of the Government have not been received (December 2012).

3.10 Non-claiming of license fee

As per the condition 4.5(c) of Excise announcement 2010-11, if licensee fails to deposit the license fee plus interest upto the last day of the next month or the last instalment by 15th March, the AETC, ETC, in-charge of the district or any other officer authorised or directed would ordinarily seal vend on 1st day of the following month or 16th March as the case my be. This shall be in addition to the penalty provisions that may be brought into operation against the licensee under the Punjab Excise Act, 1914 and the rules framed thereunder. Further condition 4.3 also provides that in case licensee fails to lift the 80 *per cent* Minimum Guaranteed Quota (MGQ) by 15th of March he shall be liable to pay additional license fee at the rate of ₹ 20 per proof liter, besides license fee, for the un-lifted quota that falls short of 80 *per cent* of MGQ.

Audit noticed from the allotment of vends, M-2 registers and lifting of MGQ statement of AETC Bilaspur in October 2011 that unit 9-Jeoripattan had allotted with the MGQ of 16,732.615 pls of CL and IMFL against the total license fee of ₹ 21.83 lakh[6] to a licensee for the year 2010-11. On scrutiny, it was observed that the licensee had defaulted in payment of monthly instalments of license fee of CL and IMFL. The licensee had deposited ₹ 14.19 lakh against the total license fee of ₹ 21.83 lakh but the department did not initiate any action to seal vend and re-allot it to other licensee. The license fee of ₹ 7.64 lakh recoverable from the licensee had not been realised by the Department. As the licensee had not deposited the instalments of license fee on time, interest of ₹ 1.10 lakh was also levied by the AETC. Audit further noticed that the licensee had lifted CL 4201.56 pls and IMFL 6506.14 pls only against the MGQ of 16,732.615 pls which was less than the 80 *per cent* (13,386.092 pls). Thus, on this short lifting of the quota, the licensee had to pay an additional license fee of ₹ 53,568 which was not demanded by the Department. This resulted in non-realisation of the revenue of ₹ 7.11 lakh[7] after adjusting the security deposit.

Audit reported the matter to the Department and the Government in July 2012. The Department stated (September 2012) that process for recovery had been initiated as an arrear of land revenue. Further, report of recovery and reply of the Government have not been received (December 2012).

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6 MGQ of CL 10,102.50 Pls; license fee ₹ 11.42 lakh and IMFL 6,630.115 Pls; license fee ₹ 10.41 lakh

7 Amount payable license fee of ₹ 7.64 lakh+ interest of ₹ 1.10 lakh+ additional license fee of ₹ 0.54 lakh - amount adjusted ₹ 2.17 lakh (Security deposited in shape of FDR)

CHAPTER-IV

STAMP DUTY

4.1 Tax administration

Receipts from stamp duty and registration fee are regulated under the Indian Stamp Act 1899, (IS Act), Indian Registration Act, 1908 (IR Act) and the rules framed thereunder as applicable in Himachal Pradesh are administered at the Government level by the Principal Secretary (Revenue). The Inspector General of Registration (IGR) is the head of the Revenue Department who is empowered with the task of superintendence and administration of registration work. He is assisted by the 12 Deputy Commissioners and 117 *Tehsildars/Naib-Tehsildars* acting as the Registrars and Sub-Registrars (SR) respectively.

4.2 Trend of receipts

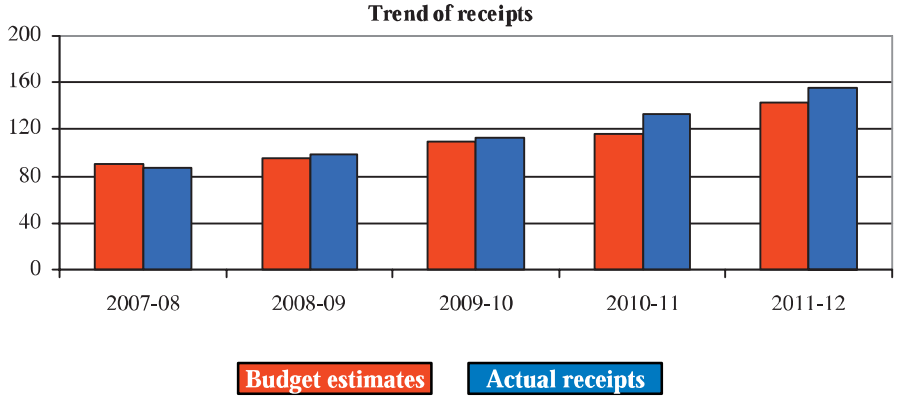
Actual receipts from the stamp duty and registration fee during the last five years 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the **Table No. 4.1** and **Graph 4.1** below.

Table 4.1
Trend of Receipts

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2007-08	90.88	86.99	(-) 3.89	(-) 4	1,958.18	4
2008-09	95.42	98.33	2.91	3	2,242.49	4
2009-10	109.73	113.39	3.66	3	2,574.52	4
2010-11	115.78	132.69	16.91	15	3,642.38	4
2011-12	142.76	155.09	12.33	9	4,107.92	4

Graph 4.1
Trend of receipts



It would be seen from the above that the variation between the actual receipts and the budget estimates prepared by the Department remained between (-) four and three *per cent* except during 2010-11 and 2011-12 when it rose to 15 and 9 *per cent* respectively.

4.3 Cost of collection

The gross collection in respect of stamp duty and registration fee revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2007-08 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection are given in **Table 4.2** below.

Table 4.2

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of expenditure on collection for the preceding year
Stamp duty and registration fee	**2007-08**	86.99	1.01	1.16	2.33
	2008-09	98.33	1.23	1.25	2.09
	2009-10	113.39	1.02	0.90	2.77
	2010-11	132.69	1.04	0.78	2.47
	2011-12	155.09	1.14	0.74	1.60

Source: Finance Accounts

The above table indicates that the percentage of expenditure on collection was always less than the all India average percentage during the period 2007-08 to 2011-12.

The Government may keep this pace of tax collection.

4.4 Impact of audit

During the last five years (including the current year's report), audit has reported 16 audit observations with revenue implication of ₹ 141.53 crore. Of these, the Department/ Government had fully/ partially accepted audit observations in 15 cases involving ₹ 24.08 crore and had since recovered ₹ 16.31 lakh. The details are shown in **Table 4.3** below.

Table 4.3

(₹ in lakh)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2007-08	6	500.76	5	493.29	1	1.73
2008-09	2	186.88	2	186.88	1	1.34
2009-10	2	151.36	2	151.36	1	0.15
2010-11	3	33.31	3	33.31	1	1.16
2011-12	3	13,280.50	3	1,542.76	2	11.93
Total	**16**	**14,152.81**	**15**	**2,407.60**	**6**	**16.31**

This indicates that the Department was not able to enforce prompt recovery even in accepted cases.

The Government may ensure recovery against accepted cases in a time bound manner.

4.5 Results of audit

In 2011-12, test check of the records of 78 units of the Revenue Department, revealed non/short levy of stamp duty and registration fee etc. and other irregularities amounting to ₹ 143.99 crore in 170 cases, which fall under the categories given in **Table 4.4** below.

Table 4.4

(₹ in crore)

Sr. No.	Categories	Number of cases	Amount
1.	Performance Audit of Stamp duty and registration fee including Information Technology aspect	01	132.44
2.	Incorrect determination of market value of property/ exemption on housing loan	110	3.01
3.	Non/short levy of stamp duty and registration fee	51	8.05
4	Other Irregularities	08	0.49
Total		**170**	**143.99**

During the course of the year, the Department had accepted under assessments and other deficiencies of ₹ 6.95 crore in 54 cases which were pointed out in earlier years. An amount of ₹ 40.48 lakh was realised in 30 cases during the year 2011-12.

A Performance Audit of 'Stamp duty and Registration fee including Information Technology aspect' and few illustrative cases involving ₹ 132.81 crore are discussed in the following paragraphs.

4.6 Performance audit of Stamp duty and Registration fee including Information Technology aspect

Highlights

- Non-realisation of stamp duty and registration fee of ₹ 3.36 crore due to non-declaration of certain offices as public offices.

(Paragraphs 4.6.8.1 to 4.6.8.5)

- Inadequacies in departmental inspection of field offices and follow up paved way for embezzlement of ₹ 42.36 lakh.

(Paragraphs 4.6.9.1 & 4.6.9.3)

- Irregular mutation of equitable mortgages and exchanged properties resulted in non/short levy of stamp duty and registration fee of ₹ 3.14 crore.

(Paragraphs 4.6.10.1 & 4.6.10.2)

- Delay in finalization/approval of rates proposed by the DVC resulted in foregoing revenue of ₹ 1.43 crore on account of stamp duty and registration fee.

(Paragraphs 4.6.11.1 & 4.6.11.2)

- Incorrect preparation/determination of market value of property and registration of documents on lower rates, previous years valuation report prepared by *Patwaris* resulted in short realization of stamp duty and registration fee of ₹ 32.30 crore.

(Paragraphs 4.6.12, 4.6.12.1 to 4.6.12.5)

- Transfer of Government land without recovery of lease money resulted in non/short realization of stamp duty and registration fee of ₹ 91.76 crore.

(Paragraphs 4.6.14, 4.6.14.1 and 4.6.14.2)

4.6.1 Introduction

The levy and collection of stamp duty and registration fee are regulated under the Indian Stamp Act, 1899 (IS Act); Indian Registration Act, 1908 (IR Act) and the rules framed thereunder as applicable in Himachal Pradesh (HP). Instruments registrable under the Act such as conveyance, exchange, mortgage, lease, gift, settlement, partition, power of attorney and agreement to lease etc. are chargeable to stamp duty (SD) under the Indian Stamp (HP Amendment) Act, 1976 (HP Act) and registration fees (RF) under the IR Act at the rates prescribed by the State Government from time to time. Stamp duty and registration fees are chargeable on the consideration amount or the market value of the properties as per valuation report of *patwari,* whichever is higher.

The Government of Himachal Pradesh decided in December 2005, for formation of District Market Valuation of Land Committees (DVCs) of designated officers in each district for devising a proper and uniform system of

valuation as the present system did not provide for proper valuation of land located in urban, industrial areas and area near to national and state highways.

4.6.2 Organisational set up

The Principal Secretary (Revenue) is the administrative head at the Government level. The Inspector General of Registration (IGR) is the head of the Department who is empowered with the task of superintendence and administration of registration work. He is assisted by the 12 Deputy Commissioners (DC) and 117 *Tehsildars/Naib-Tehsildars* acting as the Registrars and Sub-Registrars (SR) respectively.

4.6.3 Scope of Audit and audit methodology

Audit test checked the records between September 2011 and March 2012 for the period 2006-07 to 2010-11 maintained in the office of the IGR and 44 out of 128 registering offices (Registrar/SRs). The selection of units was made on the basis of magnitude of sale transactions and prevailing market value of land as per the following stratified random sampling covering 33 *per cent* of units under each category (i) Industrial areas (ii) Places of Tourists attraction (iii) District Headquarters (iv) Other areas. Information from 20 Sub-Divisional Collectors (SDCs) covering selected registering offices, Principal Chief Conservator of Forest (PCCF), Director Industries/State Geologist, Commissioner Excise & Taxation, Revenue branch of HP Secretariat, Director of Energy and H.P. State Financial Corporation was also collected and examined.

For the purpose of the Information Technology (IT) audit, audit test checked between September 2011 and March 2012 the database of 'HIMRIS' applications maintained by the above units using Computer Aided Audit Techniques (CAATs) and Interactive Data Extraction and Analysis (IDEA) for examining the completeness, availability and integrity of data. The existence and adequacy of general IT controls were also examined.

4.6.4 Audit Objectives

The Performance audit was conducted with a view to ascertain:

- the compliance of the prescribed rules and procedures while registering the documents;
- the efficiency and effectiveness of the system for determination, levy and collection of stamp duty and registration fee;
- the adequacy and effectiveness of the internal control system for timely detection of deficiencies for initiating suitable remedial measures and
- the utilization, adequacy and effectiveness of 'HIMRIS'.

4.6.5 Acknowledgment

Audit acknowledges the co-operation of the Revenue Department in providing necessary information and records for test check. An entry conference was held in May 2011 with the Principal Secretary (Revenue) wherein the scope and

methodology for conducting the performance audit were discussed. The performance audit was forwarded to the Department and to the Government in July 2012 and was discussed in the exit conference held in November 2012 with the Additional Chief Secretary (Revenue) to the Government of Himachal Pradesh and the IGR. The views of the Government have been incorporated in the relevant paragraphs.

4.6.6 Trend of revenue

A comparison of the budget estimates (BEs) and actual receipts under stamp duty and registration fee during the years 2006-07 to 2010-11 is given below in **Table 4.5**.

Table 4.5

Trend of Revenue

(₹ in crore)

Year	Budget estimates (BEs)	Actuals	Variation Excess (+) or Shortfall (-)	Percentage of variation over budget estimate
2006-07	86.95	92.47	5.52	6.35
2007-08	90.88	86.99	(-) 3.89	(-) 4.28
2008-09	95.42	98.33	2.91	3.05
2009-10	109.73	113.39	3.66	3.34
2010-11	115.78	132.69	16.91	14.60

The above table shows that the actuals were close to BEs except 2007-08 where it was on lower side.

System deficiencies

4.6.7 Absence of database of revenue foregone

In pursuance of certain defined objectives, the Government has extended exemptions/ remissions in payment of stamp duty and registration fees. A reliable database of revenue foregone on such concessions/ remissions is, therefore, a pre-requisite for informed decision making with regard to such exemptions/remissions.

Audit noticed that no data of revenue remitted due to grant of exemptions was available with the IGR. The same was also not available with the SRs as there was no provisions in the software 'HIMRIS' or otherwise to work out the same. Consequently, the revenue remitted during 2006-07 to 2010-11 on account of such exemptions could not be quantified by the IGR.

4.6.7.1 Non-monitoring of arrears of revenue

Under section 47-A of the IS Act, the cases of undervaluation of properties or those which are under stamped, are required to be referred to the Collector for adjudication within three years. However, there is no time limit to the Collector for finalisation of cases referred to him. The powers of Collectors were delegated to SDCs in June 2008.

(i) Audit noticed that the department had not devised a Management Information System (MIS) prescribing a format to indicate the arrears of revenue, to be sent monthly by each SR to the IGR. Information when called for from the IGR, was not available and had to be called for from the SRs.

Audit test checked the records of 43 SRs[1] and Registrar Hamirpur between September 2011 and March 2012 for the period 2006-07 to 2010-11 and noticed that in 32 SRs, 819 cases involving revenue of ₹ 26.97 crore which were pointed out by audit in earlier years were pending for collection. Out of 819 cases, 471 cases involving ₹ 2.04 crore upto December 2008 had already become time barred by December 2011 and the remaining 348 cases involving ₹ 24.93 crore were still pending for recovery.

(ii) Audit scrutiny further revealed that out of 32 SRs, nine SRs[2] had referred 499 cases involving revenue of ₹ 22.45 crore to the Collectors for adjudication under section 47 A. These cases also include suo-moto action taken by the department as well as cases pointed out by audit during 2000-01 to 2006-07. Out of these, 177 cases involving revenue of ₹ 4.85 crore had been decided upto March 2012 and 322 cases involving ₹ 17.60 crore were still pending for adjudication with SDCs. The remaining 23 SRs had not referred the cases for adjudication. The IGR was unaware of the pendency of arrears and cases pending for adjudication.

On this being pointed out (March 2012) by audit, the Government admitted (November 2012) the audit observations in exit conference and directed the IGR to issue the necessary directions to all the SRs to monitor these aspects through periodical reports/ returns.

The Government may consider prescribing a periodical return of cases of arrears from the SRs to the IGR to facilitate effective monitoring at Apex level and fix a time limit to SDCs to ensure speedy disposal of referred cases.

4.6.7.2 Lack of control over private insurance companies

After opening of insurance sector to private players, various non-banking financial companies (NBFCs) are engaged in life and general insurance activities in the State. Under Article 268 of the constitution of India, insurance stamps to be used on the insurance policies are to be purchased/ collected from agencies within this State as this forms part of state revenue.

Audit collected information from treasuries, relating to sale of stamps to insurance companies during the period 2006-07 to 2010-11 and noticed that none of the NBFCs operating their business in HP had purchased insurance stamps from treasuries of HP state during this period. These NBFCs were

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1 Amb, Aut, Baddi, Bangana, Balichowki, Bharari, Bijhri, Bhoranj, Chamba, Dalhousie, Dehra, Dharampur, Dharamsala, Galore, Hamirpur, Harchakian, Haroli, Jaswan Kotla, Kalpa, Kullu, Karsog, Kasuali, Kotali, Kumarsain, Kundian, Manali, Mandi, Namhol, Nahan, Nalagarh, Nauradhar, Nirmond, Paonta Sahib, Rakkar, Ramshar, Sainj, Shimla (Rural), Shimla (Urban), Shahpur, Solan, Sujanpur, Theog and Thural.

2 Baddi, Kasuali, Mandi, Nahan, Nalagarh, Nirmond, Paonta Sahib, Solan, and Theog

paying consolidated stamps duty in other states where their corporate head offices were located. Thus, the legitimate revenue of insurance stamps used in those transactions by NBFCs in this state which could otherwise come to state exchequer, was pocketed by other states. As there was no regulatory legislation or mechanism in place, no reliable data of business transactions was available with the State Government.

On this being pointed out (March 2012) by audit, the Government admitted (November 2012) the audit observations and assured that necessary data will be collected by the IGR in respect of all the NBFCs operating their business in the State. Further report of progress made in this regard is still awaited.

The Government may consider to put in place a suitable mechanism to monitor activities of these private insurance companies and direct them to pay insurance stamp duty to the State.

4.6.8 Non-declaration of Public offices

In order to widen the scope of implementation of provisions of IS Act and IR Act and also to generate additional sources of revenue under its heads. Sections 6 and 7 of the IR Act, 1908 provides for appointment of public officers who perform registration duties by virtue of their office in addition to their duties whereas in other cases persons specially are nominated to the office. Similar provisions had been made by other States like Karnataka, Gujarat and Rajasthan.

Audit noticed that except the office of Registrars and SRs, no other offices had been declared as public offices by the State Government for the purpose of implementation of provisions of the IS Act. This paved way for non-realisation of stamp duty and registration fee aggregating to ₹ 3.49 crore in the following cases:

4.6.8.1 Toll Contracts

Toll is a tax paid for some liberty or privilege such as for passage over a bridge, or ferry along a highway. It was judicially held (Atma Singh v/s Municipal Board AIR 1994 NOC 272 (All) that auction of right to collect tolls to the highest bidder and deed of agreement executed is covered under the definition of term instrument. Under section 2 (16) (c) of IS Act, any instrument by which tolls are let, are to be treated as lease. It is chargeable with stamp duty.

Audit noticed from the records of the Commissioner, Excise & Taxation that the Department had leased 47 toll barriers in the State on yearly basis for ₹ 147.96 crore under the H.P. Tolls Act 1975 for collection of toll tax during the years 2006-07 to 2010-11. The toll leases were executed between the Excise and Taxation Department and the lessees. Stamp duty amounting to ₹ 2.22 crore was not demanded from the lessees as lease deeds were neither presented to SRs for registration nor powers were vested with the AETCs.

On this being pointed out (March 2012) in audit the Government admitted (November 2012) the audit observations and stated that this being a policy

matter, action will be taken alongwith the other concerned departments accordingly. Further report of progress made in this regard is still awaited.

4.6.8.2 Industrial leases

Article 35 read with article 23 of schedule-I of IS Act, provides that where a lease is granted for premium and the lease purports to be for a term not exceeding 100 years, stamp duty is chargeable at the rate of 3 *per cent* and registration fee at the rate of 2 *per cent* on the amount of premium or fine or advance also. The Industry department had fixed in May 2008 and April 2010, the rates of premium (per square meter) of plots falling in the industrial area of the respective district in the State. Further, the Rule 6.8 (e) of Grant of incentives, concessions and facilities to industrial units in HP, 2004 provides that in case the regular lease deed is entered into between the Department and the allottee after the expiry of a period of two years from the date of allotment of the plot, the lease deed will be done by the department at the allotment rates prevailing at the time of entering into such regular lease deed. The rules further stipulate that in the case of mining leases executed for a term from 10 years to 20 years stamp duty is to be levied at the rate of 3 *per cent* on consideration equal to twice the amount or value of the average annual rent reserved or annual average royalty, considered as rent for the purpose of stamp duty.

(i) Audit test checked the records of nine SRs[3] between June 2010 and March 2012 and noticed that in 52 cases, land measuring 51,963.03 square meters, falling in the industrial area in six districts[4], were leased out to industrialists during 2008 and 2010 for the periods ranging between 20 to 99 years on payment of premium of ₹ 14.41 crore. Audit scrutiny of the records further revealed that SRs while registering these deeds did not levy the stamp duty and registration fee on the consideration amount of premium of ₹ 14.41 crore, fixed by the Industries Department. Consequently, 52 lease deeds executed between 2008 and 2010 were registered at lower consideration of premium of ₹ 5.36 crore worked out at the rate of allotment instead of ₹ 14.41 crore as these leases were registered after two years of allotment. This resulted in short levy of stamp duty and registration fee of ₹ 31.51 lakh as per the details given in the **Appendix-V**.

After this was being pointed out by audit (March 2011), SR Shimla (Rural) stated that the fact of premium charged/chargeable was not mentioned in the leases prepared by Industries Department which led to short recovery of duty/fee.

(ii) Audit test checked the records of SR Manali and Dharamshala between September and November 2011 and noticed that lease money of ₹ 2.82 crore was advanced as lump-sum premium to the Trust/Hotel in five cases in 2010. SRs, while registering the lease documents overlooked the fact of advance money paid in these cases by not including ₹ 2.82 crore in the consideration, which resulted in short realisation of stamp duty and registration fees of ₹ 9.00 lakh.

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3 Amb, Baddi, Kasauli, Kullu, Mandi, Nahan, Paonta Sahib, Shimla (Rural) and Solan

4 Kullu, Mandi, Shimla, Sirmour, Solan and Una

On this being pointed out (March 2012) by audit, the Government admitted (November 2012) the audit observations and stated that instructions had already been issued to all the SRs and Industries department to comply with the orders. Further report of progress made in this regard is still awaited.

4.6.8.3 Mining leases

Audit scrutinised the records of State Geologist between September 2011 and March 2012 and found that 251 mining leases were got registered with the various SRs during 2006-07 to 2010-11 for exploitation of minerals. Audit further noticed after co-relating the records with 10 SRs[5] that 13 lease deeds for terms of 10 to 20 years were registered for ₹ 83.55 lakh calculated at the rate of average annual rent instead of correct consideration of ₹ 1.67 crore (calculated at the rate of twice the amount of the average annual rent reserved). SRs, while registering these documents, overlooked the aspect that consideration for stamp duty be taken at twice the amount of average annual rent reserved/royalty and levied duty/fee of ₹ 3.28 lakh as against ₹ 6.73 lakh. This resulted in short levy of duty/fee of ₹ 3.45 lakh (**Appendix-VI**).

4.6.8.4 Issue of bonds

Section 2.5 (a) of IS Act defines Bond as an instrument, whereby a person obliges himself to pay money to another on condition that the obligation shall be void if a specified act is performed or is not performed as the case may be. Article 15 of the Act ibid prescribes seven rupees and fifty *paisa* for every ₹ 500 or part thereof as stamp duty leviable on bonds.

With prior concurrence of the Finance Department, the issue of bonds for raising capital by H.P. State Financial Corporation (SFC) is regulated by the Industries department.

Audit collected information from the SFC in March 2012 and noticed that after approval of the Government for providing unconditional and irrevocable guarantees, four issues of bonds valued at ₹ 46.55 crore were issued during 2006-07 to 2010-11. These documents were not presented for registration before the SRs concerned, which resulted in non-levy of stamp duty of ₹ 69.83 lakh. The fact of non-payment of stamp duty had been confirmed by the Corporation.

As the Industries Department had not been declared public office under IS Act, the stamp duty of ₹ 69.83 lakh remained unclaimed.

On this being pointed out (March 2012) by audit, the Government admitted (November 2012) the audit findings and assured that appropriate action would be taken in this regard. Further report of progress made in this regard is still awaited.

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[5] Amb, Arki, Chamba, Fatehpur, Gohar, Kullu, Pachhad, Paonta Sahib, Sarkaghat and Una

The Industries Department may incorporate the amount of premium or fine in the leases, before its presentation to Stamp Registrars.

4.6.8.5 Non-sharing of user charges

For computerisation of all registration activities in the office of SR, e-Governance Societies under the Chairmanship of the concerned Deputy Commissioner of respective district have been functioning since September 2005. These Societies collect user charges at approved rates of the Government. Similar Societies in Transport Department are sharing 25 *per cent* of the charges so collected by depositing the same to Government account.

Audit enquiries with the department revealed that whole amount collected on account of user charges was being retained by the respective societies and no portion was being paid into Government account, even though free facilities at Government cost were being availed. IGR did not possess any data with regard to the collection, expenditure and cost of collection of these societies.

The Government may consider recovering service charges from these societies or fix a percentage to be retained out of user charges as in the case of Transport Department.

Deficiencies in Internal Control Procedure and Internal Audit

4.6.9 Inadequacy in departmental inspections and follow up

As per Para 179 of the Registration Manual all registrars (DCs) in the State are required to inspect all SR offices of their district once in a year. Further, all the Sub Divisional Officers (civil) are also required to inspect all the SRs with in their jurisdiction once in a year. In the Registration department, the IGR is required to conduct annual inspection of the Registrars/SRs. As per notification of February 2002, these officers have been conferred with the powers of Stamp Auditors as specified under standing order No. 5 of Financial Commissioner. The order further stipulates that no SR office should be left without detailed inspection for a longer period than six months.

Audit noticed from the records that as per prescribed schedule, 650 units were required to be inspected by different officers during the period 2006-07 to 2010-11 against which only 25 units were covered resulting in shortfall of 625 units as mentioned below in **Table 4.6**.

Table 4.6

Year	Units to be inspected	Inspections conducted	Shortfall	Percentage of shortfall
2006-07	130	6	124	95
2007-08	130	1	129	99
2008-09	130	7	123	95
2009-10	130	3	127	98
2010-11	130	8	122	94
Total	**650**	**25**	**625**	**96**

From the above table it is seen that shortfall in inspection ranged between 94 and 99 *per cent*.

Audit test checked the records of IGR office and noticed that inspections of 13 SRs had been conducted during 2006-07 to 2010-11 by him. Out of these, six units had been covered under present performance audit. Audit further noticed that four SRs[6] were unaware of any inspections ever conducted by the IGR.

Audit further test checked the inspection notes of SR Shimla (Rural) and SR Manali conducted by IGR and DC Kullu in November 2010 and January 2011 respectively, covering period from January 2010 to December 2010. Audit found that in the case of SR Shimla (Rural), only two inspections were conducted between 1996 and 2000 but there was no follow up. The inspection notes were not available with them. Apart from other omissions, recovery of ₹ 3.37 lakh pointed out in these inspection notes were yet to be effected despite lapse of period ranging between 12 and 16 years since last inspections. These facts had been recorded by IGR in the present inspection note also.

In case of SR Manali, DC Kullu had certified in para 16(d) of the inspection note that registration fee was being deposited regularly whereas ₹ 11.97 lakh for this period had neither been entered in cash book nor deposited in the treasury resulting in embezzlement of the Government revenue to that extent.

The inspection conducted by DC Kullu proved to be perfunctory as embezzlement continuing since January 2010 remained undetected.

After this was pointed out by audit (November 2011), the D C Kullu while admitting the audit observations stated in April 2012 that necessary directions had been issued to all SRs to maintain such books. Follow up from other quarters was awaited.

4.6.9.1 Non maintenance of minute book

Para 74 (i) of Registration Manual provides that a minute book in which inspecting officer should record their remarks is to be maintained in each registration branch.

Audit test checked the records of 44 SRs between September 2011 and March 2012 and noticed that minute books had not been maintained by these SRs for the period from 2006-07 to 2010-11. This reflects non-compliance of provisions of manual.

On this being pointed out (July 2012) by audit, the Government admitted (November 2012) the audit observations and stated that norms were being prescribed and will be circulated in due course of time. Further report of progress made in this regard is still awaited.

4.6.9.2 Internal Audit

Internal Audit Wing (IAW) of an organization is a vital component of the internal control mechanism and is generally defined as control of all controls to

[6] Nahan (2), Ramshahar, Kasauli (2) and Nauradhar

enable the organisation to assure itself that the prescribed systems are functioning reasonably well.

Audit noticed during performance audit that no internal audit system had been devised by the department in the State.

The department intimated in January 2011 that as no staff had been provided due to shortage of man power and resources, internal audit system had not been introduced in the Department.

On this being pointed out (July 2012) in audit, the Government assured that internal audit system will be strengthened shortly. Further report of progress made in this regard is still awaited (December 2012).

4.6.9.3 Embezzlement/Undue retention of Government money

Under the HP Financial Rules, 1971, every Government servant is personally responsible for the money, which passes through his hands and for the prompt record of receipts and payments in the relevant account as well as for the correctness of the account in every respect. It further stipulates that all departmental receipts collected during the day should be credited into the treasury on the same day or latest by the morning of the next working day. Every officer receiving money on behalf of Government should maintain a cash book in the prescribed form and close it daily after it is completely checked. All monetary transactions should be entered in the cash book as soon as they occur and attested by the head of the office or the officer authorized in this behalf, in token of check. Before attesting the cash book, he should satisfy himself that the amount have been actually credited into the treasury or the Bank. The remittances made into the treasury are required to be reconciled by 15th of the next month positively.

(i) Audit noticed between November 2011 and December 2011 from the records of SRs Manali and Paonta Sahib that in 1,286 cases an amount of ₹ 135.24 lakh (SR Manali ₹ 97.04 lakh and SR Poanta Sahib ₹ 38.20 lakh) was collected as registration and miscellaneous fee[7] between September 2009 and July 2011. Audit cross checked the receipt books/cash books generated on computer with that of treasury and found that an amount of ₹ 92.88 lakh (SR Manali: ₹ 72.94 lakh and SR Paonta Sahib: ₹ 19.94 lakh) only were deposited in the treasury and remaining amount of ₹ 42.36 lakh[8] were neither entered in the cash book nor deposited in the treasury. Audit scrutiny further revealed that entries in the cash book were neither attested by the head of the offices nor by any other officers authorised in this behalf. This resulted in embezzlement of Government money of ₹ 42.36 lakh.

After this was pointed out by audit (November 2011), the Deputy Commissioner (DC) Kullu while admitting the audit observations informed in April 2012 that no special rules had been framed by the Government for conducting periodical inspection of SRs under his control. This shows that the

7 Pasting fee and coping fee

8 SR Manali: ₹ 24.10 lakh and Paonta Sahib: ₹ 18.26 lakh

DC was unaware of the codal provisions. As regards the embezzlement, the DC stated that the same could not be detected because of administrative reasons and visits of VIPs. The plea taken was not a valid reason to allow embezzlement of Government money. Follow up from other quarters was awaited (December 2012).

The Government stated in exit conference (November 2012) that matter had already been under the police investigation and defaulter officials have been suspended/arrested.

(ii) Audit noticed from the records of 21 SRs[9] that an amount of ₹ 1.98 crore collected as registration and miscellaneous fee between 2006-07 and 2010-11 were deposited in the respective treasuries with delay ranging between 2 to 1058 days. The Department however, did not ensure that the Government receipts collected were deposited promptly in the treasury. This resulted in temporary misappropriation of Government money of ₹ 1.98 crore.

(iii) Audit further noticed from the records of 13 SRs out of 44 test checked units that ₹ 25.18 crore[10] was deposited in various treasuries between 2006-07 and 2010-11 but had not been reconciled by them.

The Government may consider:

(i) streamlining/strengthening the existing financial procedures by making the departmental inspections mandatory and

(ii) software may be modified to block entry after generation of the day's cash book and each entry of the cash book may be got attested by the competent authorities.

4.6.10 Non/short-levy of stamp duty and registration fee

4.6.10.1 Irregular mutation of equitable mortgages

Article 6 of Schedule IA appended to HP Act provide for levy of stamp duty at the rate of ₹ 24.45 per ten thousand or part thereof on instruments of agreements of deposit of title deeds, pawn or pledge evidencing security for the repayment of money advanced or to be advanced. Equitable mortgages for securing loans from banks are also covered under Article 6 above. Instruments of pawn or pledge, if unattested, are exempted from stamp duty. As per Government's directions of 2004, a simple note of the fact of loan from particular bank is required to be recorded on the *Jamabandi* on the basis of memorandum of equitable mortgages furnished by the banks, such entry would have no evidentiary value as the equitable mortgage was not a registered document.

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9 Baddi, Balichowki, Bhoranj, Bijhri, Bharari, Galore, Hamirpur, Kasauli Kotli, Kumarsain, Kullu, Manali, Mandi Nahan, Namhol, Nirmand, Nauradhar, Paonta Sahib, Sainj, Solan and Thural

10 Balichowki: ₹ 4.51 lakh, Dharamsala: ₹ 80.61 lakh, Galore: ₹ 13.75 lakh, Hamirpur: ₹ 1.30 crore, Karsog: ₹ 72.12 lakh, Kasauli: ₹ 1.94 crore, Kullu: ₹ 5.06 crore, Nalagarh: ₹ 1.12 crore, Paonta Sahib: ₹ 1.02 crore, Shimla (Rural): ₹ 7.16 crore, Shimla (Urban): ₹ 2.27 crore and Solan: ₹ 93.14 lakh

Audit test checked the records and mutations registers of 11 *patwar* circles of two SRs[11] which revealed that in 48 cases, loans of ₹ 182.39 crore were advanced by various banks on the basis of equitable mortgages recommended by SDCs. Entry to this effect was required to be made in the *Jamabandi*[12] whereas these mortgages were entered by the *patwaris* in their *Roznamchas*[13] and in the mutation registers. SRs, while conducting inspection of *patwar* circles overlooked the provisions and attested the mutations in favour of the banks similar to those as for registered mortgages. The loans so advanced by the banks got fully secured as the attested document got full evidentiary value but without realisation of stamp duty and registration fee of ₹ 56.07 lakh.

On this was being pointed out (July 2012) by audit, the Government stated (November 2012) that necessary directions have already been issued to all the SRs to effect the recovery as pointed out by the Audit. Further report of recovery is still awaited (December 2012).

4.6.10.2 Exchanged properties

Under Section 17 of the IR Act, 1908, instruments of exchange of properties are compulsorily registrable and attract levy of stamp duty/registration fee at the rate of 3 *per cent* and 2 *per cent* prescribed in Schedule IA of HP Act, for a consideration equal to the value of the property of the greater value as set forth in such instruments. Further Paragraphs 8.4 to 8.6 of H.P. Land Records manual stipulates the detailed inspection of register of mutation of estate by field Kanungo and Stamp Registrars before attesting such mutations. As per the clarification/ instructions issued by the IGR in November 2010 wherein all registering officers are directed to reiterate compulsory registration of deeds of exchange of properties having value of ₹ 100 and above and charge stamp duty/ RF as prescribed.

Audit test checked the mutation registers of 121 *patwar* circles of 10 SRs[14] between December 2011 and March 2012 and found that in 357 cases pertaining to mutations of exchange of properties involving ₹ 78.31 crore were attested between 2006-07 and 2010-11 on the basis of entries recorded by the *patwaris* in the *roznamchas*. The instruments of exchange of property were not prepared and presented for registration which led to deprivation of stamp duty ₹ 2.35 crore and registration fee of ₹ 23.19 lakh as details given in **Appendix-VII**. SRs while inspecting/attesting mutation registers overlooked the provisions of the Act/ Rules despite instructions of IGR and did not detect the mistake.

On this being pointed out (July 2012) by audit, the Government stated (November 2012) that necessary directions would be issued to all the SRs to recover the outstanding amount of tax. Further report of recovery is awaited.

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11 Mandi: four Patwar circles: 29 cases: ₹ 83.32 crore and Paonta Sahib: seven Patwar circles: 19 cases: ₹ 99.07 crore

12 Document containing details of land

13 Daily diary of events

14 Amb, Bangana, Bhoranj, Hamirpur, Nahan, Nalagarh, Paonta Sahib, Shimla (Rural), Solan and Sujanpur

These mistakes committed by *patwaris* were authenticated by the SRs during inspections. The coverage of inspections was therefore, inadequate. Non-adherence to the prescribed provisions of the Act/ Rules resulted in loss of revenue.

4.6.11 Delay in finalisation/ approval of rates proposed by the District Valuation Committee (DVC)

The IGR in September 2003 clarified that for the calculation of market value in urban/industrial areas and areas adjoining in the roads/ highways, where transaction of land takes place for non agriculture/ commercial activities, the Registering Officer may after registering such instrument refer the case to the Collector for determination of market value. The Government in December 2005 decided for formation of DVC of designated officers in each district for devising a proper and uniform system as present system of valuation did not provide for proper valuation of land located in urban areas, industrial areas and areas near to national/state highways.

Audit noticed between September 2011 and March 2012 that despite lapse of a period of over six years the decision of the Government had remained on papers as rates of land had not been finalized by six DVCs of six districts[15]. Besides, rates fixed and forwarded by the remaining six committees to the Government between February 2007 and June 2009 were also not approved except Kinnaur district. Thus, rates recommended by five DVCs were not implemented which led to deprivation of potential revenue of ₹ 1.43 crore as discussed in succeeding paragraphs.

4.6.11.1 Sale of land to industrial units

Audit test checked the records of two SRs[16] in Sirmour district in March 2011 and noticed that during 2009-10, permission was granted by the government in 17 cases for purchase of land for setting up industry with direction to realise the stamp duty and RF on its prevailing market value. Scrutiny further revealed that the valuation of the land was done on the basis of land mentioned in *Jamabandi* whereas rates recommended by DVC for these areas were on the higher side. The rates recommended by the DVC could not be applied in the absence of approval from the Government which resulted in foregoing revenue of ₹ 1.15 crore on account of SD and RF.

4.6.11.2 Sale of land in urban areas

Audit test checked the records of two SRs[17] in December 2011 and noticed that 28 sale deeds were registered for consideration amount of ₹ 2.23 crore as per classification of land mentioned in revenue records during 2009-10. The market value of these sale deeds was ₹ 7.46 crore as per rates recommended by the DVCs for these areas. This resulted in short determination of consideration of ₹ 5.23 crore and non-realisation of SD and RF of ₹ 28.16 lakh.

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15 Bilaspur, Hamirpur, Kangra, Kinnaur, Shimla and Sirmour

16 Nahan and Poanta Sahib

17 Paonta Sahib and Shimla (Urban)

On this being pointed out by audit, SRs stated that there were no instructions for charging higher rates pending approval from Government. The reply was not in line with the provisions of Section 47-A. However, the inherent deprivation of revenue due to non-approval of rates by the Government can not be ruled out. The SRs were aware of the fact of the appreciation in the market value of these properties, which led to non-adherence of prescribed procedures.

On being pointed out by audit the fact of non-finalization of rates in May 2011, the Government in January 2012 notified certain parameters on which the rates of land were to be fixed, which were to be applicable from April 2012. The delay of a period of over six years to decide this vital issue and non-referring the cases under section 47-A resulted in foregoing additional revenue.

Compliance deficiencies

4.6.12 Incorrect preparation of valuation report by *Patwaris*

As per clarifications issued by the IGR in July 1997, June 1998 and October 2004, market value of land is to be worked out on the basis of mutations done during the preceding 12 months. The registering officer is also required to verify the consideration shown in the sale deeds with valuation reports prepared by the concerned *patwari*. Under the IS Act, stamp duty and registration fee on documents presented for registration is to be levied on consideration amount or market value whichever is higher. Under the Himachal Pradesh Land Record Manual 1992 (Appendix-XXI) the *patwaris* are responsible for preparation of valuation report of the land.

Audit test checked the records of 44 SRs between September 2011 and March 2012 and noticed that for registration of 565 documents between 2008-09 and 2010-11 the *patwaris,* had taken value of the land ₹ 48.23 crore in the valuation report instead of ₹ 92.18 crore as per mutations done during preceding 12 months. The registering officers did not point out the mistake while registering these documents. This resulted in short realisation of stamp duty of ₹ 2.07 crore and registration fee of ₹ 17.17 lakh as per the details given in **Appendix-VIII**.

On being pointed out the cases by audit between September 2011 and March 2012, three SRs[18] intimated between November 2011 and March 2012 that ₹ 4.68 lakh had been recovered and efforts were being made to recover the balance amount. The reply of remaining SRs is awaited (December 2012).

The Government may consider making provisions for mapping *mohal-wise* concurrent feeding of registered documents in the software 'HIMRIS'.

4.6.12.1 Incorrect determination of market value of properties

Audit test checked the records of 19 SRs[19] between September 2011 and March 2012 and noticed that consideration amount of properties set forth in 229

[18] Baddi: ₹ 20,000, Hamirpur: ₹ 2.08 lakh and Harchakian: ₹ 2.40 lakh

[19] Baddi, Bhoranj, Bijhri, Chamba, Dharmshala, Galore, Hamirpur, Kasauli, Kullu, Kumarsain, Manali, Mandi, Nahan, Nalagarh, Paonta Sahib, Shimla (Rural), Shimla (Urban), Solan and Theog

documents registered during 2008-09 to 2010-11 was ₹ 85.64 crore. Audit further noticed that the market value of these properties worked out to ₹ 292.87 crore as per valuation report prepared by the concerned *patwaris*. The registering officers, while registering these documents did not correlate this consideration with that of the valuation reports. This resulted in short realization of stamp duty of ₹ 10.42 crore and registration fee of ₹ 8.22 lakh as per the details given in the **Appendix-IX**.

On being pointed out the cases by audit between September 2011 and July 2012 to the Government and the department, the IGR intimated (May 2012) that in respect of SR Hamirpur the notices had been issued to the defaulters to deposit the amount while in respect of SR Nalagarh, 18 cases had been sent to the Collector for adjudication in September 2011. However, the Government stated (November 2012) that irregularities pointed out by the audit would be taken care of. Further report on recovery was awaited.

4.6.12.2 Registration of document on previous years valuation report

As per clarification issued by the IGR in July 1997, June 1998 and October 2004, market value of land is to be worked out on the basis of mutations done during the preceding 12 months. If there is no sale in the area for the preceding twelve months, the market value is to be worked out on the basis of sale deeds registered in the adjoining revenue village.

Audit noticed from the records of SR Nahan that Deed No. 90/2009 was registered in February 2009 for a consideration amount of ₹ 9.00 lakh worked out on the basis of valuation report prepared by the *patwari* for the year 2006. The valuation report was to be prepared on the rates applicable from February 2008 to January 2009. On these rates the actual value of property worked out by audit to ₹ 97.23 crore. The registering officer while registering the document did not detect the mistake which resulted in short realization of stamp duty of ₹ 4.86 crore and registration fee of ₹ 0.07 lakh.

On this was being pointed out (July 2012) by audit, the Government stated (November 2012) that necessary directions had already been issued to all the SRs to effect the recovery as pointed out. Further report of recovery is still awaited.

4.6.12.3 Registration of document on lower rates of adjoining *mohal*

(i) Audit test check the records of SR Paonta Sahib and noticed that a deed[20] was registered in July 2009 for sale of 125 bigha of land alongwith the constructed factory located in *mohal* Rampur Banjaran for a consideration of ₹ 8.21 crore on the basis of the valuation report of adjoining Dudhli *mohal* as there was no valuation of land available for preceding 12 months in this *mohal*. Audit further noticed that the rates of Dudhli *mohal* was lower than the another adjoining *mohal* of Rampur Majhri. The *patwari* had also recorded and qualified this fact in the valuation report of *mohal* Dudhli. The market value of the land and factory in Rampur Majhri was ₹ 299.55 crore as per rates

[20] No 872/2009

applicable, whereas the document was registered for a consideration of ₹ 8.21 crore. SR while registering the document, overlooked the fact recorded on the valuation report of the *patwari*, which resulted in short realisation of stamp duty of ₹ 14.57 crore.

After audit pointed out the matter to the Government and the department between September 2011 and March 2012, the SR Paonta Sahib while admitting audit observation, stated in September 2011 that the case had been sent to Sub-Divisional Collector Paonta Sahib in September 2011 for determination of market value of the property under Section 47-A. Further report was awaited (December 2012).

(ii) Audit test checked the records of SR Shimla (Urban) in February 2012 and found that 2598.51 square meters of land was sold (Deed No. 176/2010) alongwith built up structure for a consideration of ₹ 1.29 crore in Lakkar Bazar m*ohal* in April 2010. Though valuation of land of Lakkar bazaar was available on record, the market value of the land was assessed on the basis of valuation of adjoining Kali Bari *mohal* which was on lower side as compared to the rates of Lakkar bazaar *mohal*. The market value of land as per rates of relevant *mohal* was ₹ 3.07 crore. SR while registering the document overlooked this aspect which resulted in short realisation of stamp duty of ₹ 8.93 lakh.

The Government stated (November 2012) that necessary directions had issued to all the SRs to effect the recovery as pointed out by the audit. Further report was awaited.

4.6.12.4 Short levy of stamp duty on instruments of auctioned industrial units

The highest bid amount of auctioned property is the market value for the purpose of levy of stamp duty and registration fees.

Audit noticed from the record of SR Amb in March 2012 that two instruments of auction/ sale of industrial units were registered in October 2007 for consideration amount of ₹ 41.50 lakh instead of ₹ 1.06 crore as the highest bid amount of auctioned property recorded on the instruments itself. This resulted in short realisation of stamp duty of ₹ 3.23 lakh.

After audit pointed out the matter to the Government and the department between September 2011 and July 2012, the Government stated (November 2012) that necessary directions had been issued to all the SRs to effect the recovery. Further report was awaited (December 2012).

4.6.13 Incorrect exemptions on loans

The Government extended exemption/ remissions in payment of SD and RF in pursuance of certain defined objectives. Audit noticed that incorrect exemptions from duty/ fee were allowed in 14 cases by six SRs as discussed below.

4.6.13.1 Non-agriculture loans

The HP co-operative Agricultural and Rural Development Bank Act, 1979 provides that loans other than short term may be advanced by the bank for different agricultural purposes and no stamp duty and registration fee is to be charged in these cases. The Government also clarified in April 2004 that stamp duty and registration fee was leviable in all cases where loans had been secured for purposes other than agricultural purpose.

Audit noticed from the records of five SRs[21] that 11 instruments were executed during 2009-2010 in favour of beneficiaries for obtaining loans of ₹ 50.55 lakh for non- agricultural purposes[22] from HP Co-operative Agriculture and Rural Development Bank. The SRs while registering these documents allowed exemption from payment of stamp duty and registration fee though the same were leviable. Thus, irregular exemption resulted in non-realisation of SD/RF of ₹ 1.73 lakh.

4.6.13.2 Housing loans

As per notifications dated March 2002 and August 2004, issued under IS Act 1899, mortgage deeds executed by the employees of Himachal Pradesh State Government, their public sector undertakings and autonomous bodies, for securing house building loan from banks, construction or purchase of a dwelling house for their own use, were exempted from payment of stamp duty and registration fee. The Government clarified in April 2005 that mortgage deed executed for taking advance for dwelling purposes from banks by employees of banks were not exempted from stamp duty and registration fee.

Audit test checked the records of two SRs[23] and noticed that the registering authorities had allowed exemption from payment of stamp duty and registration fee of ₹ 0.77 lakh on the house building loans of ₹ 21.90 lakh during 2009-2010 treating bank employees as Government employees. The exemption was not available in these cases which resulted in non-realization of stamp duty and registration fee of ₹ 0.77 lakh.

On being pointed out the matter by audit to the Government in July 2012, the Government admitted (November 2012) the audit observations and stated that necessary directions had been issued to the SRs to effect the recovery. Further report of recovery was awaited.

4.6.14 Transfer of Government land without recovery of lease money

Under Section 2 (7) of the IR Act lease include a counterpart, *kabuliyat*, an undertaking to cultivate or occupy and an agreement to lease. Further lease of immovable property for any term exceeding one year is required to be compulsorily registered under Section 17 (d) of the Act ibid. Under Article 35 (C) of Schedule IA of IS Act, SD at prescribed rates is to be charged on

[21] Bijhri, Nalagarh, Nahan, Ramshehar and Theog

[22] Purchase of goods carriers, purchase of vehicles and construction of shopping complex etc.

[23] Dharamsala and Nahan

premium, or fine or advance in addition to rent reserved. The sanction for diversion of forest land for construction of power projects is granted by the Government of India to the Independent Power Producers (IPP) on fulfillment of certain conditions.

(i) Audit scrutinised the information collected from the office of the Director Energy H.P. Shimla and noticed that sanction for conversion of 853.87 hectares of forest land for non-forestry purposes was accorded in favour of 89 Power Projects during January 2005 to January 2010. Out of these, five lease deeds[24] were executed between 2006-07 and 2007-08 and lease deeds for 84 Power Projects were not executed. Out of which, 24 power projects had been commissioned and in 60 power projects the work of construction of projects was under progress. This indicated that the land involved in these projects was in the possession of IPPs without registration of lease deeds with the concerned SRs. Consideration amount of lease money of ₹ 88.26 crore[25] was not realised by the Revenue Department for want of finalization of these lease deeds. This resulted in non-realisation of stamp duty and registration fee of ₹ 2.85 crore on the consideration amount of ₹ 88.26 crore as per details given in **Appendix-X**.

(ii) Under Section 17 of the Registration Act 1908, non-testamentary instruments which acknowledge the receipt or payment of any consideration of account of the creation, declaration, assignment, limitation or extinction on any such right, title or interest is a compulsorily registrable document. There is no provision in Act/Rules to exempt from payment of stamp duty and registration fee, autonomous body like Director of Mushroom Research Centre (MRC) run by Indian Council of Agricultural Research.

Audit scrutinised the information collected from the office of the SR Solan in March 2012 and found that approval of the Government for transfer of 18,092 square meters of Government land was accorded in favour of Director MRC Solan in May 2008 subject to payment of latest market value of land to State Government. The Director MRC (August 2009) paid the amount of ₹ 53.78 lakh as the market value of land to the University instead of depositing the same in Government account. The mutation of the land was, however, attested in favour of the Director MRC in May 2011, without payment of SD and RF. The exemption from the payment of SD and RF was incorrect as the Director MRC is an autonomous body. This resulted in loss of revenue of ₹ 53.78 lakh and non-levy of SD and RF of ₹ 2.93 lakh.

4.6.14.1 Misclassification of sale instruments

Under Section 54 of the Transfer of Property Act 1882, sale is a transfer of ownership exchange for a price paid or promised, or part paid and part-promised. In the case of tangible immovable property such transfer can be made only by a registered instrument. Further, Section 2(10) of IS act 1899, provides that 'conveyance' includes a conveyance on sale and every instrument

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[24] M/s Sarvani Hydro Power Project; M/s Karchham Wangtoo; M/s NFL, Tidong; M/s Mang Ram Energy Development Pvt. Ltd. and M/s Himachal Sorang Power Pvt. Ltd.

[25] Worked out on the basis of lease money of ₹ 13.29 lakh per hectare decided in the case of Karchham Wangtoo Power Project in 2007-08

by which property whether immovable or movable is transferred is chargeable to duty under Article 23 of the Schedule-I A. The essence of conveyance is the transfer of property or interest therein and the transfer is inferred from the language of the documents, which may be in the form and guise of agreement or memorandum of agreement. Delivery of tangible immovable property takes place when the seller places the buyer or such person as he directs, in possession of the property.

Audit noticed that two instruments of agreement valuing ₹ 1.60 crore were registered with SR Shimla in September 2008. The owner of the land (first party) had received the whole amount from the second party and agreed to transfer the possession of the land at the time of execution of these agreements. The agreements contained all the ingredients of the conveyance and were required to be charged stamp duty as per Article 23 of schedule-I A. However, the registering authorities classified these instruments as agreements instead of deeds of conveyance and did not levy SD and RF. This mistake resulted in non-levy of SD and RF of ₹ 8.52 lakh.

On being pointed out by audit, the matter to the Government and the Department between September 2011 and July 2012, the Government stated (November 2012) that necessary directions had been issued to SR Shimla to effect the recovery. Further report was awaited.

The Government may consider issuing necessary instructions to registering officers for in depth scrutiny of the recitals of the instruments to properly classify them in accordance with the content of the instrument rather than the title of the instrument to avoid evasion of duty/ fee.

4.6.15 Computerisation of the registration activities

Computerisation of the Revenue Department in the State was started in 2005 for registration of various documents. National Informatics Centre (NIC) had developed software known as 'HIMRIS' (Himachal Registration Information System). The computerisation was implemented initially in SR offices at Shimla and Dharamshala in 2005 and has now been extended to 91 out of 117 SRs upto March 2012.

4.6.15.1 Absence of IT Support System

The NIC developed the software 'HIMRIS' for providing technical support to the Department. This software is used by the Sub-Registrar offices to register various instruments. An IT Steering Committee comprising of the users and the top management is essential for overseeing development and implementation of any IT system.

Audit noticed that the department is yet to formulate and document an IT policy. The department has not constituted any planning/ steering committee for monitoring the implementation of IT application. System is being run with technical support from NIC. Source code and access to the system is with NIC only and the Department does not have any designated official to look after its computerised activities.

4.6.15.2 Project Documentation

Before taking up an IT project, it is necessary to evolve a long/short term IT policy addressing the methodology of developing, acquiring, implementing and maintaining the information systems and related technology.

Audit found that relevant documents such as User Requirement Specification (URS), System Design Document (SDD) and User Manual were not available with the Department.

4.6.15.3 Inadequacies in implementation of general controls

General controls create the environment in which the application systems and application controls operate e.g. IT policies, standards and guidelines pertaining to IT security and information protection. The observations in this regards are given in the succeeding paragraphs.

4.6.15.4 Lack of security system

The information security system through physical and logical controls restricts access to the system only to authorised individuals.

Audit noticed that no security policy had been formulated and documented by the Department. No guidelines had been issued to the SRs for protection of hardware and software from possible risks e.g. fire, theft or natural calamity etc. Preventive and detective measures like installing and updating antivirus software, user's ID and passwords were left to the discretion of the SRs.

4.6.15.5 Logical Access Control

It was observed that although each and every operator had different user ID and password, the operators share their password with each other and in case of unavailability of any one of the users, the work of that user was being done by the other users by utilising his/her password. This informal methodology adopted was full of risks of loss of trail for any un-authorised entries. There was no documented password policy circulated specifying the need to change the password periodically. The password in 'opr_mas' table is not stored in an encrypted form which exposes the system to the risks of un-authorised access, tampering of data and consequent data loss.

Audit noticed that in five SRs[26] the work pertaining to SR was being done by the registration clerks as the system was not available with the SR.

4.6.15.6 Physical access controls

Physical access controls are aimed at ensuring that only those officers/ officials who have been authorised by management have physical access to the computer systems.

[26] Balichowki, Bangana, Manali, Mandi and Sujanpur

Audit noticed that in all the test checked SRs, the parties after duly filling up necessary forms and depositing the requisite fee/dues, brought the documents to the concerned computer operator inside the computer centres. The unauthorised entry of persons put the system and data at risk of unauthorised intentional/ accidental manipulation/destruction.

4.6.15.7 Environmental control

Environment controls are aimed at ensuring that the assets are not put to risk. This requires that risk assessment and preventive measures be undertaken prior to implementing the project.

Audit noticed that the Department had neither undertaken any risk assessment nor put any preventive measures like disaster management plans, business continuity plans etc. in place before putting the system in use.

4.6.15.8 Lack of change management control

Once a system is implemented, change management controls should be put in place to ensure that the changes to the system are authorised, tested and documented and to see that there is adequate audit trail. The request for changes should be signed by the designated authorities of the Department and all the changes should be tested before they are put to use in the live environment.

Audit noticed that there was no laid down authorisation procedure related to changes/modifications carried out in the 'HIMRIS' software. There was absence of trail in the software as to whether the changes sought for had been carried out and approved only after due testing. There was no documentation of the changes sought for and their approval and testing, though lots of changes had been made in the software as per need of the State for updating dates, enhancing facilities or for other reasons.

In the absence of such documents, it would be difficult for any organization to ensure smooth and error free operation of its software systems or proper recovery in case of system breakdown and the system would also be exposed to the possibility of unauthorised changes. The SRs would also be unable to keep track of all changes incorporated in the software.

4.6.15.9 Partial utilisation of software

- Though the 'HIMRIS' software provides for scanning of instruments at the time of registration, audit found that this facility is not being used by any of the test checked SRs.

- The system provides system generated cash book, yet in 14 SRs[27] the cash book was maintained manually which defeat the very purpose of computerisation.

[27] Aut, Balichowki, Bangana., Chamba, Dalhousie Dharampur ,Harchakian, Jaswan Kotla, Nahan, Nalagarh, Ramshehar, Shimla (Rural) and Sujanpur-Tihra

4.6.15.10 Deficiencies noticed in the software

- The password in 'opr_mas' table is not stored in an encrypted form.
- The audit trail is not available in the software. Though users had been created and stored in the 'opr_mas' table, the data tables do not had the user name in the absence of which it was impossible to locate as to who entered the data.
- The system does not had the procedure to issue receipts for amount received on account of mistake in calculation of registration fee etc. and other recoveries e.g. recovery at the instance of audit etc.
- The system does not calculate average rate (*Ausat Ek Sala*) from mutation done in the patwar circle of in the adjoining circles and the same was being done by the *partwaris.*
- The system does not prohibit further entries after the close of a day's business and printing of daily cash summary which resulted in embezzlement of government money as pointed out by audit.
- The system did not have provision for automatic generation of treasury challan.

4.6.15.11 Deficiencies noticed in data

- The names of the presenter of instruments were vague in 70 cases in five SRs[28].
- The market value was found nil in 3,151 cases in five SRs[29].
- In the process of registering a document the party presents the document to registration clerk who after verification makes necessary entries in the software and forwards the same to the SR for further scrutiny and approval. Once the document was approved by the SR, a computer generated receipt in Form No. 8 is issued to the presenter and a copy of the same is kept in the office.

Audit noticed that in six SRs[30], the SRs did not check the entries made by the registration clerk in 21 cases. Thus, stamp duty/registration fee calculated wrongly by the system/remained undetected. However, in such cases, though the corrections were made subsequently manually on the computer generated receipts, yet the database of 'HIMRIS' remained unchanged. Hence, the data maintained in the 'HIMRIS' was not complete and authentic.

After audit pointed this out in July 2012, the Government while admitting all the points taken in the IT aspect assured (November 2012) that the 'HIMRIS' software was being updated with the technical support from NIC. Further report was awaited.

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[28] Balichowki : eight cases, Chamba : six cases, Dharamsala: five cases, Shimla (Rural): 23 cases and Thural : 28 cases

[29] Chamba: 895 cases, Dalhousie: 352 cases, Kasauli: 637 cases, Solan: 1190 cases and Thural: 77 cases

[30] Chamba-one case, Dalhousie-six cases, Hamirpur-8 cases, Kasauli-one case, Manali-one case and Nahan- four cases

4.6.16 Conclusion

Stamp duty and Registration fee is important tax revenue of the State. Evasion of stamp duty and registration fee is commonly effected through undervaluation of properties, non-presentation of documents to Registrars/SRs and short payment of stamp duty by the executants on documents. Non-adherence to the prescribed system led to wide spread leakages of revenue which remained undetected. The internal controls are deficient as is evidenced by the shortfall in the number of departmental inspections and absence of internal audit system.

Recommendations

The State Government may consider for:

- devising a system whereby the registration Department ensures co-ordination with various departments/agencies to monitor realisation of proper stamp duty and registration fee on instruments presented before them by declaring them public offices.
- providing for regular inspections of the offices of Registrars and SRs by the departmental officers to ensure levy of correct stamp duty and registration fee.
- prescribing a foolproof management information system to control monitoring at apex level.
- fixing a time limit to cover the entire State with need based, adequate and effective IT applications.
- securing, need-based and effective IT application to cover all the Sub Registrar offices.

4.7 Other Audit observations

Scrutiny of the records of Revenue Department relating to revenue realised from stamp duty and registration fee revealed several cases of non-observance of the provisions of the Acts/ Rules resulting in non/ short levy of stamp duty and registration fee and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Audit points out such omission each year, however, not only do the irregularities persist but also remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening internal audit so that such omissions can be avoided, detected and corrected.

4.8 Non-observance of the provisions of the Acts/Rules

The Indian Stamp Act, 1899 (IS Act), Indian Registration Act, 1908 (IR Act) and the rules framed thereunder as applicable in Himachal Pradesh and Rules provide for:

(i) levy and collection of Stamp Duty and registration fee at the prescribed rate and

(ii) Stamp Duty and Registration fee are chargeable on the consideration or the market value of the properties as per valuation report of patwaris, whichever is higher.

The Revenue Department did not observe some of the provisions of the Act/ Rules in cases as mentioned in the subsequent paragraphs for levy and collection of the tax. This resulted in non/short levy of stamp duty and registration fee of ₹ 36.96 lakh.

4.9 Incorrect preparation of valuation report by *Patwaris*

14 Sub Registrars (SRs)[31]

As per clarification issued by the IGR in July 1997, June 1998 and October 2004, market value of land is to be worked out on the basis of mutations done during the preceding 12 months. The registering officer is also required to verify the consideration shown in the sale deeds with valuation reports prepared by the concerned *patwari*. Under the Indian Stamp Act, stamp duty and registration fee on documents presented for registration is to be levied on consideration amount or market value whichever is higher. Under the Himachal Pradesh Land Record Manual 1992 (Appendix-XXI), the *patwaris* are responsible for preparation of valuation report of the land.

Audit test checked the documents of sale deeds of 14 SRs between April 2011 and February 2012 and noticed that the *patwaris,* while preparing the valuation report, considered the amount of consideration set forth in 167 documents, instead of market value of the land recorded on the face of the documents.

[31] Badoh, Bharwai, Jaisinghpur, Jawali, Jogindernagar, Jubbal, Junga, Kandaghat, Krishangarh, Nadaun, Rajgarh, Rampur, Sarahan and Shilai

These 167 documents were registered for ₹ 11.77 crore during 2009-10 and 2010-11 whereas the actual market value of these documents was ₹ 16.99 crore. The Registering officers while registering these documents did not point out the mistake. This resulted in short realisation of stamp duty of ₹ 26.23 lakh and registration fee of ₹ 4.70 lakh, as detailed in **Appendix-XI**.

After Audit pointed out the cases between April 2011 and February 2012, the IGR intimated between August and December 2012 that out of ₹ 17.71 lakh, an amount of ₹ 7.25 lakh had been recovered in respect of nine SRs[32] and efforts were being made to recover the balance amount. The remaining SRs stated that irregularities would be re-examined as per the Act/ Rules and compliance would be intimated to audit accordingly.

The matter was reported to the Government between May 2011 and March 2012. The replies have not been received (December 2012).

4.10 Short realisation of stamp duty and registration fee on lease deed

Sub-Registrar, Naina Devi

Article 35 of schedule-I of IS Act, 1899, provides that where a lease is granted for a fine or premium or for money advanced in addition to rent received, the same duty as applicable to conveyance (No. 23), is chargeable. As per the Indian Stamp (Himachal Pradesh Amendment) Act 1970, where lease purports to be for a term not exceeding 10 years and 100 years, stamp duty is chargeable at the rate of three *per cent*. Besides, registration fee at the rate of two *per cent* subject to maximum of ₹ 25,000, is also leviable in terms of Government of Himachal Pradesh, Department of Revenue notification dated 18 March 2002. Further, the rule 6.8 (e) of Grant of incentives, concessions and facilities to industrial units in HP, 2004 provides that in case the regular lease deed is entered into between the Department and the allottee after the expiry of a period of two years from the date of allotment of the plot, the lease deed will be done by the Department at the allotment rates prevailing at the time of entering into such regular lease deed. The Industries Department had fixed (June 2009) the rates of premium (per square meter) of plots falling in the industrial area of the respective districts in the State.

Audit test checked the documents of lease deeds of Stamp Registrar Naina Devi in October 2011 and found that in eight cases, land measuring 23,312 square meters falling in the industrial area of Bilaspur district was allotted to the parties between January 2002 and February 2007. These deeds were leased out during April 2009 and June 2010 for the period ranging from 95 to 99 years. Scrutiny further revealed that SR Naina Devi while registering the documents did not levy the stamp duty and registration fee on the prevailing consideration amount of premium, fixed by the Industries Department for the years in which the cases were leased out. Consequently, eight lease deeds executed between April 2009 and June 2010 were registered at the consideration of premium of ₹ 78.78 lakh

[32] SRs Bharwain; ₹ 30,785, Jawali; ₹ 1.39 lakh, Jogindernagar; ₹ 45,000, Jubbal: ₹ 1.15 lakh, Junga; ₹ 61,000, Krishangarh; ₹ 57,000, Rampur; ₹ 2.20 lakh, Sarahan; ₹ 16,000 and Shilai; ₹ 41,000

instead of ₹ 2.33 crore. This resulted in short realisation of stamp duty and registration fee of ₹ 6.02 lakh.

After Audit pointed out the cases in November 2011, the Department while admitting the audit observations intimated (December 2012) that directions had been given to the SR Naina Devi to recover the outstanding amount from the lease holders. Further report on recovery and reply from the said SR had not been received (December 2012).

The matter was reported to the Government in November 2011. The reply has not been received (December 2012).

CHAPTER-V

TAXES ON VEHICLES, GOODS AND PASSENGERS

5.1 Tax administration

The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicle Acts and rules made thereunder and are under the administrative control of the Director Transport, who is assisted by a team of officers/staff in the performance of his duties relating to levy and collection of receipts from the Motor Vehicles. The receipts from the goods and passengers tax are regulated under the provisions of the Himachal Pradesh Passengers and Goods Taxation Act 1955, which are administered by the Excise and Taxation Commissioner of the state.

5.2 Trend of receipts

Budget estimates and actual receipts from taxes on motor vehicles, goods and passengers tax during the last five years 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the **Table 5.1** and **Graph 5.1** below.

Table 5.1

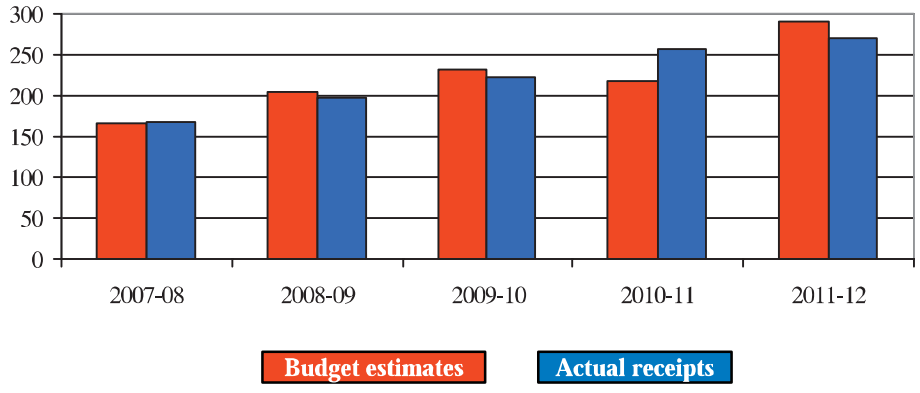
Trend of receipts

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2007-08	166.35	168.84	2.49	2	1,958.18	9
2008-09	205.16	197.92	(-) 7.24	(-) 4	2,242.49	9
2009-10	232.52	222.71	(-) 9.81	(-) 4	2,574.52	9
2010-11	217.19	256.48	39.29	18	3,642.38	7
2011-12	290.44	270.39	(-) 20.05	(-) 7	4,107.92	7

Graph 5.1

Trend of receipts



It would be seen from the above that the variation between the actual receipts and the budget estimates prepared by the Department remained between (-) seven and two *per cent* except during 2010-11 when it rose to 18 *per cent*.

5.3 Cost of collection

The gross collection in respect of taxes on vehicles, goods and passengers revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2007-08 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection are given in **Table 5.2** below.

Table 5.2

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of expenditure on collection for the preceding year
Taxes on vehicles, goods and passengers	2007-08	168.84	2.73	1.62	2.47
	2008-09	197.92	1.75	1.00	2.58
	2009-10	222.71	2.53	1.14	2.93
	2010-11	256.48	0.97	0.38	3.07
	2011-12	270.39	26.83	9.92	3.71

Source: Finance Accounts

The above table indicates that the percentage of expenditure on collection was always lower than the all India average percentage during the period 2007-08 to 2010-11 and in 2011-12 it was higher by 6.21 *per cent*. The reasons for the same were called for but no reply was received.

5.4 Impact of audit

During the last five years (including the current year's Report), audit has reported 40 audit observations with revenue implication of ₹ 107.81 crore. Of these, the Department/Government had accepted audit observations in 34 cases involving ₹ 46.18 crore and had since recovered ₹ 6.09 crore. The details are shown in the **Table 5.3** below.

Table 5.3

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2007-08	09	05.65	9	05.48	7	0.87
2008-09	10	06.62	6	03.67	6	0.97
2009-10	06	61.65	5	32.13	5	3.55
2010-11	08	11.81	8	02.98	5	0.16
2011-12	07	22.08	6	01.92	6	0.54
Total	**40**	**107.81**	**34**	**46.18**	**29**	**6.09**

This is indicative of the fact that the Department had not been able to enforce prompt recovery even in accepted cases.

The Government may ensure recovery against accepted cases in a time bound manner.

5.5 Results of audit

In 2011-12, test check of the records of 61 units relating to token tax, special road tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under the National Permit Scheme revealed under assessment of tax and other irregularities involving ₹ 24.40 crore in 289 cases, which fall under the following categories in the **Table 5.4** below.

Table 5.4

(₹ in crore)

Sr. No.	Categories	Number of cases	Amount
1.	**Non/short realisation of**		
	• Token tax and composite fee	129	3.43
	• Passenger and goods tax	17	0.48
2	**Evasion of**		
	• Token tax	44	1.03
	• Passenger and goods tax	18	0.58
3.	**Other irregularities**		
	• Vehicles tax	79	18.86
	• Passenger and goods tax	02	0.02
Total		**289**	**24.40**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 2.53 crore in 125 cases, which were pointed out in earlier years. An amount of ₹ 52.68 lakh was realised in 69 cases during the year 2011-12.

A few illustrative cases involving ₹ 22.08 crore are discussed in the following paragraphs.

5.6 Audit observations

Scrutiny of the records in the offices of the Transport Department relating to revenue received from taxes on vehicles, goods and passengers revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty/token tax and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Audit points out such omission each year, however, not only do the irregularities persist but these also remain undetected till an audit is conducted. There is need for the Department to improve the internal control system including strengthening internal audit so that such omissions can be avoided, detected and corrected.

5.7 Non-observance of the provisions of the Acts/Rules

The Himachal Pradesh Motor Vehicles Taxation Act (HPMVT), 1972 and Rules provide for:

(i) payment of motor vehicles tax/token tax by the owner of the vehicle at the prescribed rate;

(ii) token tax to be paid in advance and within the prescribed period and

(iii) payment of special road tax, permit renewal fees/registration fee at prescribed rate.

The Transport Department did not observe some of the provisions of the Act/Rules in cases as mentioned in the subsequent paragraphs for levy and collection of the tax. This resulted in non/short realisation of tax/permit renewal fee of ₹ 22.08 crore.

5.8 Non-recovery of Special road tax/penalty

Five RTOs[1]

As per Transport Department's notification dated 26 July 2006, if Special Road Tax (SRT) is not paid on due dates, a penalty at the rate of 25 *per cent* per annum of the SRT shall be leviable which shall not exceed the amount of total SRT due.

Audit scrutiny of the SRT Registers of five RTOs (between October 2011 and February 2012) revealed that the SRT for the period from April 2010 to March 2011 aggregating ₹ 12.48 crore[2] was neither being demanded by the RTOs nor deposited by the Himachal Road Transport Corporation (HRTC) till March 2011. The delay in deposit of tax ranged between 13 months and 24 months. Minimum penalty of ₹ 4.80 crore was also leviable upto March 2012 which has not been levied.

After audit pointed out (October 2011 and February 2012), the Director (Transport) Shimla intimated in August 2012 that in case of RTO Dharamsala and RTO Mandi notices have been issued to HRTC to deposit the outstanding amount of SRT while remaining RTOs intimated that either notices will be issued to the defaulters to deposit the tax or action would be taken as per the provisions of the Act/Rules.

Audit reported the matter to the Department and to the Government between November 2011 and March 2012; no reply has been received (December 2012).

5.9 Non/short realisation of SRT by Private Stage Carriages (PSCs)

5.9.1 Non-payment of SRT by PSCs

As per the HPMVT (Amendment) Act, 1999, there shall be levied, charged and paid to the State Government, SRT on all transport vehicles used or kept for use in Himachal Pradesh and will be payable in advance on the 15th of every month. If the owner of a vehicle fails to pay the SRT due within the prescribed period, the taxation authority after giving opportunity of being heard, shall direct the owner to pay the penalty at the rate of 25 *per cent* per annum of the tax due. The rates of SRT are based on the classification of routes on which vehicles are plying such as national highways, state highways, rural roads and local buses/ mini buses operating within a radius of 30 kilometers. The rates of SRT for the

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1 Dharamsala, Hamirpur, Mandi, Nahan and Shimla

2 Dharamsala: ₹ 4.87 crore, Hamirpur: ₹ 97.62 lakh, Mandi: ₹ 2.76 crore Nahan: ₹ 93.67 lakh and Shimla: ₹ 2.94 crore

above routes are as 6.04 *paise*, 5.03 *paise* and 4.03 *paise* per seat per kilometer respectively effective from 1 April 2005.

Audit scrutiny between October and November 2011, of the SRT Registers of RTO Shimla revealed that in 22 cases out of 210 test checked cases, SRT amounting to ₹ 21.84 lakh for the period 2010-11 was not paid by the owners of the vehicles of PSCs. The RTOs neither initiated any action for the recovery of SRT dues nor issued any notices to the owners of the vehicles. Besides, penalty of ₹ 5.40 lakh at the prescribed rate was also leviable for non-payment of tax.

Audit reported the matter to the department and to the Government between November 2011 and December 2012; their reply has not been received (December 2012).

5.9.2 Short realisation of SRT by PSCs

Six RTOs[3]

Audit scrutiny between July 2011 and March 2012, of the SRT Registers of six RTOs further revealed that in 82 cases out of 1874 test checked cases the SRT was payable for the period 2009-10 and 2010-11 amounting to ₹ 124.26 lakh. Against this, the owners of the PSCs paid ₹ 75.12 lakh only. This resulted in short realisation of SRT of ₹ 49.14 lakh[4]. The RTOs neither initiated any action to recover the SRT from the defaulters nor issued any notices to the owners of the vehicles to deposit the tax.

On this being pointed out by audit (July 2011 and March 2012), the Director (Transport) Shimla intimated in August 2012 that ₹ 4.32 lakh had been recovered by the RTO Dharamsala from eight vehicles while RTO Mandi intimated in March 2012 that an amount of ₹ 52,292 had been recovered from the three vehicles and notices had been issued to the remaining defaulting owners of vehicles to deposit the outstanding amount of tax.

Audit reported the matter to the Department and the Government between September 2011 and April 2012. The reply has not been received (December 2012).

5.10 Non-realisation of token tax

36 Registering and Licensing Authorities (RLAs), seven RTOs and State Transport Authority (STA) Shimla

Under the Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972, and rules made thereunder, token tax by vehicle owners is payable in advance quarterly or annually in the prescribed manner. As per Transport Department's notification dated 11 June 2007, token tax in the case of construction

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3 Dharamsala, Hamirpur, Kullu, Mandi, Solan and Una

4 2010-11: Dharamsala: 16 vehicles: ₹ 8.40 lakh, Hamirpur: 11 vehicles: ₹ 4.25 lakh,, Kullu: 17 vehicles: ₹ 8.60 lakh, Mandi: five vehicles: ₹ 0.79 lakh, Solan: 28 vehicles: ₹ 19.51 lakh, and Una: five vehicles: ₹ 3.67 lakh and 2009-10: Dharamsala: two vehicles: ₹ 0.24 lakh and Solan: 28 vehicles: ₹ 3.68 lakh

equipments vehicles and crane mounted vehicles (based on the maximum prescribed mass) were leviable at the rate of ₹ 8,000 (light), ₹ 11,000 (medium) and ₹ 14,000 (heavy) per annum with effect from June 2007. If an owner of motor vehicle fails to pay the tax due within the prescribed period, the taxation authority after giving him an opportunity of being heard, shall direct him to pay in addition to tax, a penalty at the rate of 25 *per cent* per annum of the tax due.

Audit test checked between April 2011 and March 2012 the Token Tax Registers and data maintained in 'VAHAN' software of 36 RLAs[5], seven RTOs[6] and STA Shimla and noticed that out of 34,316 test checked vehicles, token tax amounting to ₹ 2.61 crore for 7,162 vehicles[7] for the years 2008-09 to 2010-11, was not deposited by the vehicle owners. There was nothing on record to indicate that any initiative had been taken by the taxation authorities to recover tax from the defaulters. This resulted in non-recovery of token tax of ₹ 2.61 crore. Besides, penalty at the prescribed rate was also leviable for non-payment of tax.

After audit pointed out the cases between April 2011 and March 2012, the Director (Transport) intimated between October 2011 and September 2012 that nine RLAs and two RTOs, had recovered token tax of ₹ 16.52 lakh in respect of 431 vehicles[8] and efforts were being made to recover the balance amount. The remaining taxation authorities intimated (between April 2011 and March 2012) that either notices will be issued to the defaulters to deposit the tax or action would be taken as per the provisions of the Act/ Rules.

The matter was reported to the Government between May 2011 and April 2012; their replies have not been received (December 2012).

5.11 Non-payment of Entry Tax

Four RLAs and two RTOs[9]

According to the Himachal Pradesh Tax on Entry of Goods into Local Area Act, 2010 and amendment made by the Excise and Taxation Department vide notification of October 2010 under section 4 (2) of the Act ibid, entry tax at the rate of five *per cent* shall be deposited by the owners of vehicle on the invoice

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5 Anni, Arki, Baijnath, Barsar, Bilaspur, Chachayot at Gohar, Chamba, Chopal, Dehra, Dharamsala, Ghumarwin, Hamirpur, Jawali, Jogindernagar, Kandaghat, Kangra, Karsog, Kullu, Mandi, Nadaun, Nahan, Nalagarh, Nicahr, Palampur, Pangi, Paonta Sahib, Pooh, Rampur, Reckong-peo, Sarkaghat, Shimla (Rural), Shimla (Urban), Solan, Sundernagar, Theog and Una

6 Dharamsala, Hamirpur, Kullu, Mandi, Shimla, Solan and Una

7 Buses/stage carriages: 440 cases: ₹ 68.19 lakh; Construction equipment vehicles: 305 cases: ₹ 27.33 lakh; Goods carriers/other vehicles: 3,749 cases: ₹ 86.76 lakh; Tractors: 1,207 cases ₹ 21.05 lakh and Maxi/motor cabs: 1,461 cases: ₹ 57.49 lakh

8 RLAs Anni: 15 vehicles: ₹ 35,350, Arki: 65 Vehilcle: ₹ 3.92 lakh, Bilaspur: one vehicle ₹ 8,000, Ghumarwin: eight vehicles: ₹ 35,500, Karsog: 14 vehicles: ₹ 56,000, Mandi: three vehicles: ₹ 24,000, Nalagarh: 65 vehicles: ₹ 3.68 lakh, Sarkaghat: four vehicles: ₹ 10,000, Sundernagar: 68 vehicles: ₹ 2.56 lakh, Una: 160 vehicles: ₹ 3.06 lakh, and RTOs Dharamsala:10 vehicles: ₹ 88,750 and Mandi: 19 vehicles: ₹ 76,400

9 RLA Kandaghat, Kullu, Shimla (Urban), Una, RTO Kullu and Una

value of the motor vehicles purchased from any place outside the State for use in the State and register-able in Himachal Pradesh under the Motor Vehicle Act, 1988. Further provided that no Registering and Licensing Authority shall register such motor vehicle unless the person making application for registration furnishes proof of having deposited the tax payable under this section from the Assessing Authority.

Audit noticed between July 2011 and February 2012 from the registration files of the vehicles maintained in four RLAs and two RTOs, that entry tax amounting to ₹ 11.51 lakh for 73 vehicles[10], for the period from October 2010 to March 2011 at the prescribed rate was not deposited by the owners of the vehicles with Excise and Taxation Department as no proof of having deposited the entry tax was found in the registration file of the vehicles. The concerned RLAs/RTOs had neither initiated any action for the recovery of entry tax due nor issued any notices to the owners of the vehicles. This resulted in non-recovery of tax of ₹ 11.51 lakh.

On this being pointed out by audit between July 2011 and February 2012, the Director (Transport) intimated in August 2012 that in respect of RLA Shimla and Una an amount of ₹ 2.01 lakh[11] had been recovered from 31 vehicles and notices have been issued to the remaining defaulting owners of vehicle to deposit the outstanding amount of tax.

Audit reported the matter to the Government between August 2011 and March 2012; their replies have not been received (December 2012).

5.12 Non-deposit of user charges

15 RLAs and RTO Shimla

The Government of Himachal Pradesh vide Notification dated 3 September 2005 accorded approval to the formation of e-Governance Societies one at the level of Directorate of Transport and one each at the district level for computerisation of all transport related activities in the offices of the RLAs. These e-Governance Societies have been functioning since September 2005 under the Chairmanship of the concerned Deputy Commissioner of the respective districts. The Societies collect user charges as approved by the Government and 25 *per cent* of these charges are required to be deposited in the Government account.

Audit noticed from the Service charges collection registers of 15 RLAs[12] and RTO Shimla between April 2011 and January 2012 that e-Governance Societies collected ₹ 92.90 lakh on account of user charges during 2009-10 and 2010-11. However, 25 *per cent* of receipts collected on account of user charges which

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10 RLA Kandaghat: seven vehicles: ₹ 72,000, Kullu: seven: vehicles: ₹ 1.74 lakh, Shimla (Urban): 10 vehicles: ₹ 2.48 lakh, and Una: 29 vehicles: ₹ 1.66 lakh, RTO Kullu 10: vehicles: ₹ 1.93 lakh and Una: 10 vehicles: ₹ 2.98 lakh

11 RLA Shimla: two vehicles: ₹ 34,756 and Una: 29 vehicles: ₹ 1.66 lakh

12 Arki, Barsar, Bhoranj, Chamba, Chopal, Dehra, Hamirpur, Kandaghat, Kullu, Nadaun, Nahan, Nalagarh, Shimla (Rural), Solan and Theog

worked out to ₹ 23.23 lakh[13] was not deposited in the Government account as required. Thus, ₹ 23.23 lakh remained out of the Government account, which also resulted in understatement of revenue to that extent. The schedule of periodical payment of 25 *per cent* of the user charges and interest/penalty to be levied in case of delayed payments etc. had not been prescribed by the Government.

After audit pointed this out, the Director Transport intimated between March 2012 and May 2012 that two RLAs[14] deposited an amount of ₹ 3.45 lakh in the Government account. However, the remaining RLAs intimated that the matter was taken up with the Chairmen of e-Governance Societies to deposit the amount. Further reply had not been received (December 2012).

The matter was reported to the Government between May 2011 and March 2012; their reply have not been received (December 2012).

5.13 Passengers and Goods tax

The Himachal Pradesh Passengers and Goods Taxation (HPPGT) Act, 1955 and the rules made thereunder provide that the owners of contract carriages and goods carriers shall register their vehicles with the concerned Excise and Taxation Officers and pay passenger and goods tax at the prescribed rates either monthly or quarterly as may be opted by them.

5.14 Non-registration of Goods and Passenger vehicles with Excise and Taxation Authorities

Eight AETCs[15]

Under the Himachal Pradesh Passengers and Goods Taxation (HPPGT) Act and the rules made thereunder, owners of stage/ contract carriages and goods carriers are required to register their vehicles with the concerned excise and taxation offices and pay passenger tax and goods tax at the prescribed rates. Administrative instructions issued in December 1984 stipulate that the Excise and Taxation Department shall take suitable measures to ensure registration of all vehicles under the HPPGT Act and for that purpose maintain close co-ordination with the RLAs/RTOs. For failure to apply for registration, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of ₹ 500 is also leviable.

Audit cross verified the registration records between August 2011 and March 2012 of four RLAs and eight RTOs with that of eight AETCs and noticed that

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13 2009-10: ₹ 3.56 lakh (Arki:₹ 0.71 lakh, Barsar: ₹ 0.68 lakh; Bhoranj: ₹ 0.61 lakh; Kandaghat ₹ 0.25 lakh; Nadaun ₹ 0.77 lakh and Theog: ₹ 0.54 lakh)
2010-11 : ₹ 19.67 lakh (Arki: ₹ 1.40 lakh; Barsar: ₹ 0.76 lakh; Bhoranj: ₹ 0.74 lakh Chamba: ₹ 1.10 lakh : Chopal: ₹ 0.58 lakh; Dehra: ₹ 1.17 lakh; Hamirpur: ₹ 1.74 lakh Kandaghat; ₹ 0.35 lakh ; Kullu: ₹ 0.80 lakh; Nadaun : ₹ 0.87 lakh; Nahan: ₹ 0.58 Nalagarh: ₹ 3.15 lakh; Shimla (Rural): ₹ 1.73 lakh, Solan: ₹ 1.72 : lakh, Theog: ₹ 0.61 lakh and RTO Shimla: ₹ 2.37 lakh)

14 Arki: ₹ 2.10 lakh and Bhoranj: ₹ 1.35 lakh

15 Baddi: 41 vehicles, Bilaspur: 178, Dharamsala: 60, Kullu: 145, Nahan: 211, Shimla: 392, Solan: 124 and Una: 307 vehicles

out of 5,535 test checked commercial vehicles, which were newly registered with the concerned RLAs and RTOs during 2009-10 and 2010-11, 1,458 vehicles[16] were not found registered with the Excise and Taxation Department as required under the HPPGT Act. Audit noticed that there was no co-ordination between the concerned RLAs/RTOs and AETCs to ensure the registration of all the vehicles with them. As a result, tax amounting to ₹ 42.38 lakh[17] for 2009-10 and 2010-11 was not realised from the owners of the vehicles. Besides, a minimum penalty of ₹ 7.73 lakh was also leviable.

On this was being pointed out by the audit between August 2011 and March 2012, the ETC Shimla intimated in October 2012 that an amount of ₹ 10.84 lakh (Passengers Tax: ₹ 4.25 lakh and Goods Tax: ₹ 6.59 lakh) had been recovered from the owners of 393 vehicles in seven districts[18] and efforts were being made to recover the balance amount. Further report on recovery and reply of remaining amount had not been received (December 2012).

Audit reported the matter to the Government between September 2011 and April 2012. The reply has not been received (December 2012).

5.15 Non-realisation of Goods and Passenger tax

Eight AETCs and ETO Reckong-Peo

Under the Himachal Pradesh Passenger and Goods Taxation (HPPGT) Act and rules made thereunder, owners of vehicles are required to pay tax etc. at the prescribed rates either monthly or quarterly. However, if the owner of a vehicle fails to pay the tax due, the taxation authority may direct him to deposit the tax due alongwith a penalty not exceeding five times of the amount of tax so assessed subject to a minimum of ₹ 500.

Audit noticed between August 2011 and March 2012 from the demand and collection registers maintained in eight AETCs[19] and ETO Reckong-Peo, that in 1,011 vehicles[20] out of 4,718 test checked vehicles, passenger and goods tax amounting to ₹52.50 lakh for the period from April 2009 to March 2011[21] was not paid by the owners of the vehicles. The AAs did not issue demand notices

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16 Passenger vehicles: 362 (2009-10: six vehicles also repeated in 2010-11) and Goods vehicles: 1,096: (2009-10: 81 vehicles also repeated in 2010-11)

17 Passenger vehicles: 362: ₹ 9.27 lakh (2009-10: six vehicles: ₹ 6,000 and 2010-11: 362 vehicles: ₹ 9.21 lakh) and Goods vehicles: 1,096: ₹ 33.11 lakh (2009-10: 81 vehicles: ₹ 1.28 lakh and 2010-11: 1,096 vehicles: ₹ 31.83 lakh)

18 Bilaspur: 46 vehicles: ₹ 1.96 lakh, Kangra at Dharamsala: seven vehicles: ₹ 0.33 lakh, Kullu: 117 vehicles: ₹ 1.84 lakh, Nahan: 67 vehicles: ₹ 1.40 lakh, Shimla: eight vehicles: ₹ 0.08 lakh, Solan: 50 vehicles: ₹ 2.97 lakh and Una: 98 vehicles: ₹ 2.26 lakh

19 Baddi: 43 vehicles, Bilaspur: 98 vehicles, Dharamsala: 65 vehicles, Kullu: 184 vehicles, Nahan: 61 vehicles, Shimla: 210 vehicles, Solan: 96 vehicles, Una: 106 vehicles and ETO Reckong-Peo: 148 vehicles

20 Passenger vehicles: 381: ₹ 22.05 lakh and Goods vehicles: 630: ₹ 30.45 lakh

21 April 2009 to March 2010: 162 vehicles: ₹ 6.55 lakh and April 2010 to March 2011: 1,011 vehicles: ₹ 45.95 lakh (162 vehicles for 2009-10 also repeated in 2010-11)

to the owners of the vehicles. This resulted in non-realisation of tax of ₹ 52.50 lakh besides, minimum penalty of ₹ 5.87 lakh[22] is also leviable on these cases.

On this being pointed out by the audit between August 2011 and March 2012, the ETC Shimla intimated in September 2012 that an amount of ₹ 16.35 lakh (Passengers Tax: ₹ 7.94 lakh and Goods Tax: ₹ 8.41 lakh) had been recovered from the owners of 378 vehicles in eight districts[23] and efforts were being made to recover the balance amount. Further report on recovery and reply of remaining AETCs had not been received (December 2012).

Audit reported the matter to the Government between September 2011 and April 2012; their replies have not been received (December 2012).

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22 Minimum penalty on 162 vehicles for 2009-10: ₹ 0.81 lakh and on 1,011 vehicles for 2010-11: ₹ 5.06 lakh

23 Bilaspur: 76 vehicles: ₹ 3.36 lakh, Kangra at Dharamsala: 15 vehicles: ₹ 0.94 lakh, Kullu: 142 vehicles: ₹ 5.37 lakh, Nahan: 18 vehicles: ₹ 1.02 lakh, Shimla: 32 vehicles: ₹ 1.10 lakh, Solan: 15 vehicles: ₹ 0.83 lakh, Una: 14 vehicles: ₹ 0.79 lakh and ETO Reckong-Peo: 64 vehicles: ₹ 2.94 lakh

CHAPTER-VI

FOREST RECEIPTS

6.1 Tax administration

The Principal Chief Conservator of Forests (PCCF) heads the Forest Department under the administrative control of the Principal Secretary (Forests) who is assisted by eight Conservators of Forests (CFs) in 37 territorial divisions. Each CF controls the exploitation and regeneration of forest activities being carried out by divisional forest officers (DFOs) under their control. Each DFO is in-charge of assigned forest related activities in his territorial division.

6.2 Trend of receipts

The budget estimates and the actual receipts from forest during the years 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the **Table 6.1** and **Graph 6.1**.

Table 6.1

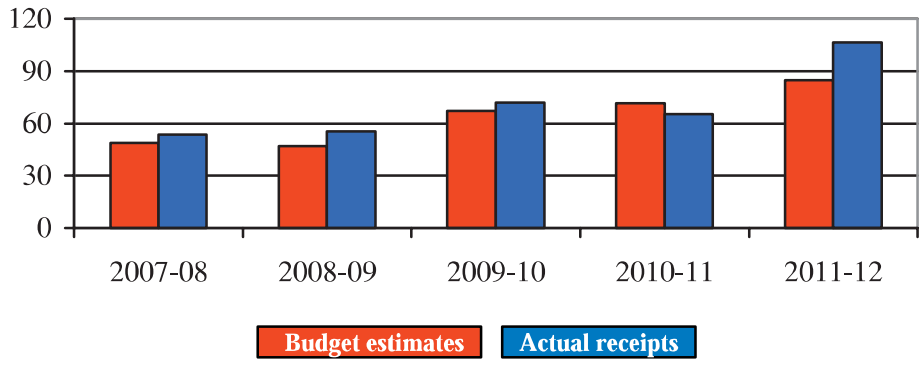
Trend of receipts

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total (tax & non-tax) receipts of the State	Percentage of actual receipts vis-à-vis total tax/non-tax receipts
2007-08	48.64	53.60	4.96	10	3,780.61	1
2008-09	46.94	55.40	8.46	18	3,998.73	1
2009-10	67.16	72.11	4.95	7	4,358.18	2
2010-11	71.77	65.44	(-) 6.33	(-) 9	5,337.69	1
2011-12	84.78	106.54	21.76	26	6,171.21	2

Graph 6.1

Trend of receipts



It would be seen from the above that variations between the budget estimates and the actual receipts remained between seven and 18 *per cent* during the years 2007-08 to 2009-10 and came down to the level of (-) nine *per cent* in 2010-11 whereas in 2011-12 it rose to 26 *per cent*.

6.3 Impact of audit

During the last five years (including the current year's report), audit has featured 42 audit observations with revenue implication of ₹ 371.17 crore. Of these, the Department/Government had fully/partially accepted 23 paragraphs involving ₹ 15.38 crore and had since recovered ₹ 2.27 crore in 14 cases. The details are shown in the **Table 6.2** below.

Table 6.2

(₹ in lakh)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2007-08	12	1,074.00	8	896.90	7	141.11
2008-09	10	513.00	7	378.06	6	85.61
2009-10	06	780.00	3	217.12	0	0.0
2010-11	06	333.74	2	1.81	1	0.62
2011-12	08	34,416.26	3	44.15	0	0
Total	**42**	**37,117.00**	**23**	**1538.04**	**14**	**227.34**

This is indicative of the fact that the Department had not been able to enforce prompt recovery even in accepted cases.

The Government may consider introducing a mechanism ensuring recovery against accepted cases in a time bound manner.

6.4 Results of audit

In 2011-12, test check of the records of 28 units relating to forest receipts revealed non/short recovery of royalty, non-levy of interest/extension fee and other irregularities involving ₹ 390.92 crore in 228 cases, which fall under the following categories in the Table 6.3 below.

Table 6.3

(₹ in crore)

Sr. No.	Particulars	Number of cases	Amount
1.	Performance audit of 'Management of Forest Receipts'	01	62.96
2.	Non/short recovery of royalty	34	14.36
3.	Non-levy of interest	19	1.12
4.	Non-levy of extension fee	11	0.34
5.	Other irregularities	163	312.14
Total		**228**	**390.92**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 312.70 lakh in 100 cases which were pointed out in earlier years. An amount of ₹ 38.39 lakh was realised in 10 cases during the year 2011-12.

A Performance audit of 'Management of Forest Receipts' and few illustrative cases involving ₹ 344.16 crore are discussed in the following paragraphs.

6.5 Performance audit of *Management of Forest Receipts*

Highlights

- Laxity in regular inspections of forests on the part of the field functionaries of department led to illegal construction of 27 roads measuring 42.9 kms and non-realisation of damage bills of ₹ 2.65 crore.

(Paragraph 6.5.11)

- Reduction in royalty rates from the base rates for expensive, remote and special hill tracts without identifying the forests falling under these categories during the period 2008-11 resulted in loss of revenue of ₹ 29.31 crore.

(Paragraph 6.5.12)

- Non-revision of royalty rates on weighted average sale rate as per prescribed procedure, during the year 2008-09 resulted in loss of revenue of ₹ 1.66 crore.

(Paragraph 6.5.13)

- Against the prescription of Working Plans/Forest Manual, the department carved one blaze per *chil* tree instead of two blazes and short/ non-handing over of resin blazes for tapping, resulted in loss of revenue of ₹ 3.17 crore.

(Paragraphs 6.5.21 & 6.5.21.1)

- The Corporation, being the sole agency for exploitation of forests, failed to exploit 17,761.38 cu.m of timber involving revenue of ₹ 1.86 crore.

(Paragraph 6.5.22)

- Inaction on the part of the department to dispose of 517.6127 cu.m of seized timber in 216 cases resulted in blocking of revenue of ₹ 2.27 crore.

(Paragraph 6.5.22.3)

- Rebate of royalty of ₹ 76.47 lakh allowed in 35 cases without fulfilling the conditions.

(Paragraph 6.5.24)

- Non-claiming of interest on belated payment of royalty resulted in short recovery of revenue of ₹ 44.74 lakh.

(Paragraph 6.5.30)

6.5.1 Introduction

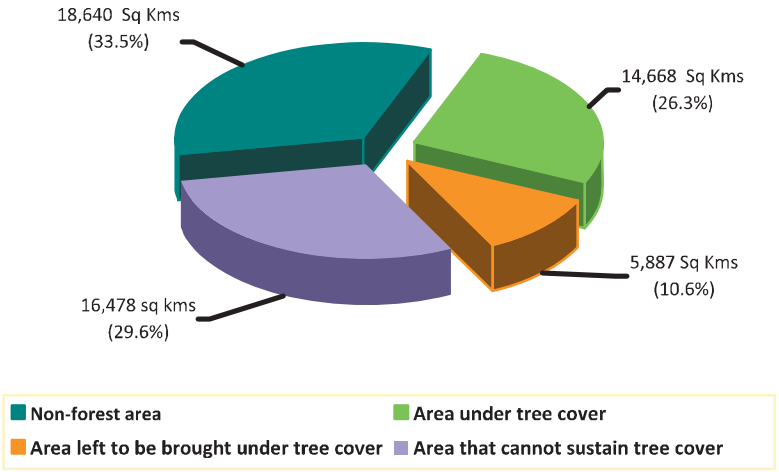
Management of forests receipts is governed by the provisions of Indian Forest Act (IFA), 1927, Forest Conservation Act (FCA), 1980 and decisions of the State Government on recommendations of the statutorily constituted "Pricing Committee" (PC) determining the price or rate of royalty of standing volume of trees, terms and conditions for supply of resin, resin blazes, and other forest produce. After the nationalisation of forests, the exploitation work was

entrusted to the Himachal Pradesh State Forest Corporation (Corporation), as a sole agency. The major source of forest receipts are (i) royalty on sale of resin, timber, extension fee, interest on belated payment of royalty, damage bills etc. received from the Corporation and (ii) cost of trees realisable from the user agency, permit fee, penalties and compensation of offences under IFA, 1927.

The status of forest cover as against the total geographical area of the state as of March 2011 is given in **Graph 6.1** below.

Graph 6.1

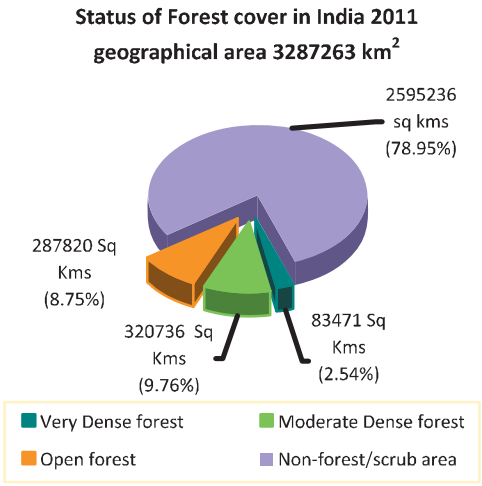
Status of forest cover in the State

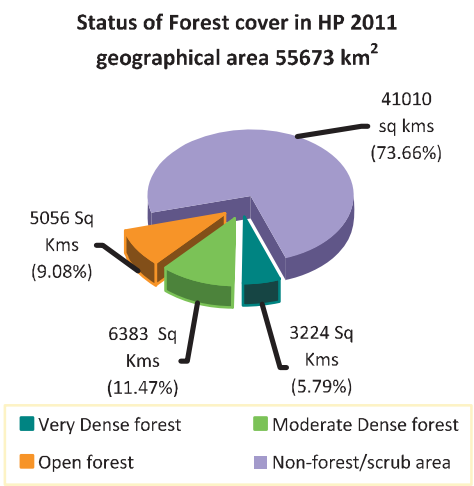


Source: Forest survey of India

According to National Forest Policy, resolution of Government of India dated May 1952, 60 *per cent* of the total geographical area in a hilly state like Himachal Pradesh should be under forests to fulfill both protective and productive functions. The area notified in the above resolution as forest in Himachal Pradesh was 39 *per cent* and was not under fully stocked tree cover. As per projection, it should have been possible to have *50 per cent* of the geographical area under forest by the year 2000 AD. However, in 20 years period from the year 1991-92 to 2010-11, the Department could increase its forest under tree cover marginally from 11,780 sq kms to 14,668 sq kms. i.e. the 5.2 *per cent* of the geographical area.

Himachal Pradesh State Sector Policy and Strategy 2005, aimed to bring 35.5 *per cent* of the total geographical area of the state under tree cover, whereas the department had covered only 26.3 *per cent* as on March 2011. No time schedule had been fixed to achieve this target of 35.5 *per cent* in the Policy and Strategy.





6.5.2 Organizational set up

Principal Secretary (Forest) is the administrative head at the Government level. Principal Chief Conservator of Forest (PCCF) is the head of the Department who is responsible for making policy decisions, budgetary control, direction and overall working of the Department and assisted by eight Conservators of Forests (CFs). Controlling activities being carried out by Divisional Forest Officers (DFOs) in 36 territorial divisions under their control. Each DFO is in-charge of assigned forest related activities.

6.5.3 Functions of the Department

The Department is mainly responsible for preserving the environment, protecting the forests and bringing new areas under plantation. A scientific approach is adopted for exploitation of forests so that forest wealth is optimised.

6.5.4 Audit objectives

Performance audit was conducted with a view to:

- assess the implementation of provisions of IFA, rules and instructions issued from time to time for marking, felling and conversion of timber lots and extraction of resin from chil trees;
- verify the follow up of recommendations made by the pricing committee;
- examine the forest exploitation activities, payment of dues and realisation of Government revenue;
- examine compliance of prescribed rules and procedures with consequent revenue loss in the event of deviation and
- examine if there exists an effective and adequate system of internal control.

6.5.5 Scope of audit and audit methodology

Audit test checked the records of ten forest divisions[1], out of 36 divisions besides information/ data obtained from PCCF for the period 2006-07 to 2010-11 from May 2011 to March 2012. The selection of divisions was carried out by applying the sampling technique probable proportionate to size without replacement.

6.5.6 Acknowledgement

Audit acknowledges the co-operation of the Forest Department in providing necessary information and records for audit scrutiny. An entry conference was held with Additional Chief Secretary (Forest) in September 2011, in which the objectives, scope and methodology of audit were discussed. In the course of the performance audit, the audit observations were issued to the divisions. The performance audit report was forwarded to the Government in August 2012 for their response. The exit conference was held in October 2012 with the Pr. Secretary (Forests) and Pr. Chief Conservator of Forests. The views of the Government have been incorporated in the relevant paragraphs.

6.5.7 Revenue collection management

Revenue as royalty of timber, resin lots, damage bills, interest on belated payments, extension fee etc. is paid by the Corporation and conveyed to divisions and cost of trees, compensation, penalties etc. are collected at division level.

6.5.8 Trend of revenue

A comparison of budget estimates (BEs) and actual receipts under Forest Receipts Head during the years 2006-07 to 2010-11 is given in **Table 6.4** below.

Table 6.4
Trend of revenue

(₹ in crore)

Year	B.E.	Actual	Excess (+) Shortfall (-)	Percentage of variation
2006-07	98.00	45.55	(-) 52.45	(-) 54
2007-08	48.64	53.60	4.96	10
2008-09	46.94	55.40	8.46	18
2009-10	67.16	72.11	4.95	07
2010-11	71.77	65.44	(-) 6.33	(-) 09

Source: Finance Accounts

The Department attributed shortfall in receipts during 2006-07 to deposit of funds on account of Net Present Value (NPV) and Compensatory Afforestation (CA) into Compensatory Afforestation Fund Management and Planning Authority (CAMPA) instead of Government account and less realisation of revenue from the Corporation. In 2010-11, shortfall was due to less lifting of timber by consumers and less recovery of damage bills etc. Excess over BEs

[1] Anni, Chopal, Dalhousie, Karsog, Kinnaur, Pangi, Palampur, Rampur, Rohru and Shimla

from 2007-08 to 2009-10 was due to recovery of compensation and more sale of timber.

System deficiencies

6.5.9 Working Plans

Working Plan (WP) of a division is an important document prescribing treatment for regeneration, management and exploitation of forest keeping in view different growth pattern, hygiene of forests and needs of the people. WPs are generally prepared for a period of 10 to 15 years and got approved from the Government of India Ministry of Environment and Forests. The forest produce resulting from these operations generate revenue for the Department. Non-existence of WP may cause major deterrence and unscientific impact on the growth and regeneration of the forests. Thus, the WPs should be prepared and approved well in advance in the interest of the environment as well as revenue.

Audit scrutiny of WPs revealed that the WPs of 17 divisions[2] prepared between 1981-82 and 1996-97 had expired between 1995-96 and 2010-11. These WPs were not revised despite the lapse of period ranging between one year and 16 years though there was an independent WP Wing in the department under the charge of a CCF (WP) for the purpose.

After this was pointed out by audit, the Department stated (August 2012) that all efforts were being made to revise the WPs in time. 24 WPs had been revised and approved by GoI whereas 12 WPs were revised and submitted to GoI for approval. For the remaining, efforts were afoot to revise the WPs.

The Government had also reiterated in October 2012 during exit conference that all efforts were being made to revise the WPs.

6.5.10 Inspection of lots and Forests

PCCF instructed (July 2004) that Range Officer (RO) should check minimum of 25 *per cent*, Assistant Conservator of Forests (ACF) 15 *per cent*, DFO 10 *per cent* and the CF 2 *per cent* of marking of trees to be handed over to the Corporation. Besides, exploitation of lots is to be checked twice in a month by RO and once in a month by ACF and DFO and CF while on tour during the currency of working of lots in order to ensure adequate control and check. The results of checking/ inspection were required to be mentioned in the detailed inspection notes and specific references were to be made in the monthly tour diaries of the officers. Further, the Principal Secretary decided (January 2008) that field functionaries of department will carry out the inspection of forests in each month i.e. CF one compartment of different divisions, DFO and ACF: One compartment in each range, RO: one compartment in each block, BO: one compartment/ forest in each beat and Forest Guard all the forests in his jurisdiction for detecting illicit felling, encroachment, mining, quarrying, status of boundary pillar etc. The implementation of the schedule is to be monitored closely by him.

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[2] Division-wise Expiration year of WPs: Anni: 2011-12, Churah: 2007-08, Dalhousie: 2007-08, Rampur: 2007-08, Kullu-Parvati: 2008-09, Kutlehar: 2010-11, Lahaul: 2007-08, Nachan: 2006-07, Rajgarh: 2005-06, Rohru: 2008-09 and Seraj: 2001-02

Audit scrutiny of inspections notes and lots files of 10 divisions between May 2011 and March 2012 revealed that in six divisions[3] exploitation works of timber and resin lots had not been checked by the departmental authorities to the extent prescribed in the instructions of July 2004; however, in four divisions[4] checking was done partially by ROs and ACFs. The RO, ACF and DFO/ CF did not check at least twice and once in a month, the felling, conversion, resin tapping, carriage works etc., during the working of the lots. Similarly, audit also noticed that field functionaries of department did not carry out the inspection of the forests as prescribed in departmental instructions of January 2008. No checking/ inspection notes were maintained or references made in the monthly tour diaries and also no such notes were issued by any of the officers/ officials to the authorities concerned in cases where any such inspections or checking had ever been carried out.

No periodical returns with regard to checking/ inspection of forests and lots had been prescribed by the PCCF. This shows lack of monitoring mechanism at higher levels to ensure whether the concerned officers/ officials have exercised prescribed checks/ inspection or not in compliance to these instructions.

After this was pointed out, the Government stated in October 2012 that detailed instructions had already been issued to all field officers to ensure proper inspection of all works. However, the instructions were being reiterated and monitoring would be done.

6.5.11 Administrative failure

As per Indian Forest Act, 1927, any act causing damage by negligence or deliberately felling of a tree or clearing of land for cultivation or any other purpose in protected forest etc., is an offence and punishable with imprisonment for a term of up to six months or with fine up to ₹ 500. As per State Government instructions, 1951, it is the duty of every beat forest guard to take cognizance immediately of a forest offence committed to issue the damage report (DR), get the damage accepted by the offender also to seize the forest produce and the implements used in committing the offence. The forest offence cases can either be compounded by the forest officer himself or if he is not competent to compound, the cases be registered with the police. Forest Conservation Act, 1980 provides that forest land cannot be diverted for non-forestry purposes without the prior approval of the Government of India, Ministry of Environment and Forests (MOEF).

Audit scrutiny of the records of offence cases and damage bills of Karsog division revealed that HPPWD and Block Development Officer (BDO) had constructed 23 and 4 roads respectively measuring 42.9 kms without the prior approval of GOI during the period 1997-98 to 2008-09 on 34.2 hectares of forest land. Audit noticed that field functionaries of forest department could not detect the construction of roads at the initial stage and failed to stop the work, which were carried out by the HPPWD and BDO for years together. Moreover,

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[3] Chopal, Dalhousie, Karsog, Rampur, Rohru and Shimla

[4] Anni 25 *per cent* by RO in 2008-09, Kinnaur 15 *per cent* by ACF in 2008-09, Palampur 39 *per cent* by RO in 2010-11 and 10 *per cent* by DFO in 2010-11 and Pangi 25 *per cent* by RO and DFO

neither any DR was issued nor cases were registered with the police. Audit further noticed that after the intervention of Hon'ble High court of Himachal Pradesh, damage bills for ₹ 1.38 crore, were issued to HPPWD and BDO between October 2010 and August 2011 after a delay ranging between one and twelve years. The department did not obtain acceptance for these damage bills from the offenders or close the roads. No action had been taken to obtain the approval of GOI to divert the forest land for non forestry purpose and carry out other afforestation/environment protection works in these cases for which a sum of ₹ 2.65 crore[5] was payable to department in CAMPA and revenue account.

After this was pointed out in audit, the Department stated (March 2012) that illegal construction of roads had been detected by the concerned field staff in time and action was taken accordingly. Damage bills had been issued/ raised to quarters concerned and disciplinary action taken against the officials involved in such cases.

The Government stated in October 2012 that action had been initiated against the defaulting officials and instructions issued to the field functionaries that no road would be constructed in violation of FCA.

The reply is not acceptable as the roads were constructed during the period 1997-98 to 2008-09 but damage bills were issued between October 2010 and August 2011 without chalking out the DRs and outcome of the disciplinary action taken against the official is still awaited (December 2012).

The Government may consider to put in place a mechanism to make penalty provisions to curb such activities and see that no road is constructed without prior approval of Ministry of External Affairs for non-forestry purposes.

6.5.12 Injudicious reduction of royalty rates

In order to decide the criteria for charging of royalty on the timber lots handed over to the Corporation, the Pricing Committee (PC) in its meeting held on 18 August 2001 approved that a percentage of weighted average sale rates of a specie obtained during preceding year would be the royalty rate of such specie for the current year. The rates so fixed are applicable uniformly for the whole State except Dodra Kawar for which special concessional rates are fixed in view of the difficult working conditions and higher working cost of timber extraction in that area. On this approved criteria, the PC in its meetings held on 9 January 2009, 30 March 2010 and 3 May 2011 fixed the royalty rates for timber lots handed over to the Corporation during 2008-09, 2009-10 and 2010-11 respectively with a provision that the rates so fixed would be reduced by 76 *per cent*, 72 *per cent* and 69 *per cent* in respect of *Deodar, Kail, and Rai/ Fir/chil* /Broad Leaves species respectively for areas falling under the category of expensive and remote localities and special hill tracts including Dodra Kawar.

Audit noticed from the lot files, periodical dues registers and statements of royalty prepared by the Corporation and records available with the Forest

[5] NPV/Environment value ₹ 1.98 crore, CA ₹ 54.04 lakh, Departmental charges ₹ 9.46 lakh and contingency ₹ 2.70 lakh

Department that in 11 divisions[6], 188 high lying lots of timber having standing volume of 2,46,639.5 cums. of *deodars, kail* and *Rai/ Fir* trees were handed over to the Corporation for exploitation during the years 2008-09, 2009-10 and 2010-11. Though the Government had not made any classification of expensive and remote areas for charging reduced royalty rates in those areas where the timber lots were available, the Corporation itself worked out and paid royalty of ₹ 9.89 crore to the Forest Department, at the reduced rates applicable to special hill tracts of expensive and remote localities at par with the rates applicable to Dodra Kawar areas, by adopting a classification notified by the Government for traveling allowance (TA) and transfer purposes, instead of ₹ 35.84 crore at full rates (**Appendix-XII**) as worked out by audit. Thus, injudicious reduction in royalty rates by the Corporation, resulted in under recovery of revenue of ₹ 25.95 crore and VAT of ₹ 3.36 crore for the Government and an undue benefit to the Corporation.

After audit pointed this out, the Department admitted the audit observation and stated (May 2011) that reduced rates were applied without conducting any survey/ study to classify the expensive, remote and special hill tracts. The PCCF, further reiterated in the PC meeting held in May 2011 that rates of royalty fixed in 2008-09 were not based on sound forest management practices because parameters of expensive and remote localities and special hill tracts[7] classification for TA purposes cannot be applied to timber extraction work and it was decided to work out the economics of lots in future.

The Government admitted (October 2012) the audit observation regarding injudicious reduction of royalty rates in respect of all high lying lots, at par with the rates applicable to Dodra Kawar and agreed to review this decision in the next PC meeting, in view of the fact that roads have reached almost in every corner of the State.

6.5.13 Non-revision of royalty rates

As per PC decision of August 2001, royalty rates for each year were to be fixed based on weighted average sale rate of preceding year.

Audit noticed from the lots and payment files of 11 divisions[8] that the Corporation during 2008-09 exploited 268 lots having volume of 76,117.76 cums. The sale rates of 2007-08 were increased from 10 to 42 *per cent* for

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6 Anni: 41 lots: 40210.32 Cums.: ₹ 2.74 crore, Chamba: 11 lots: 18281.03 cums.: ₹ 1.33 crore, Chopal: 34 lots: 35278.593 cums.: ₹ 6.59 crore, Churah: 30 lots: 31110.18 cums. ₹ 4.31 crore, Dalhousie: three lots: 6578.91 cums.: ₹ 87 lakh, Kinnaur: five lots: 14730.89 cums.: ₹ 1.12 crore, Nachan: 4 lots: 1588.075 cums.: ₹ 10 lakh, Parvati: nine lots: 33877.39 cums.: ₹ 2.46 crore, Rampur 18 lots: 41855.995 cums.: ₹ 3.94 crore, Rajgarh 23 lots: 7466.634 cums.: ₹ 1.27 crore, Seraj 10 lots: 15661.46 cums.: ₹ 1.22 crore

7 The remote areas, which are not connected by roads and rivers and involved high cost of extraction of timber.

8 Bilaspur: 2722.55 cums. ₹ 4.90 lakh, Dalhousie: 5261.0772 cums. ₹ 9.53 lakh, Dharamsala: 9055.42 cums.: ₹ 16.25 lakh, Karsog: 349.631 cums.: ₹ 64,000, Kunihar: 2880.879 cums. : ₹ 4.92 lakh, Nurpur: 5295.348 cums. ₹ 9.99 lakh, Pangi: 1002.548 cums. ₹ 3.57 lakh, Palampur: 4981.60 cums.: ₹ 8.87 lakh, Rohru: 27935.46 cums.: ₹ 61.66 lakh, Shimla: 1386.087 cums. : ₹ 3.92 lakh and Una: 15247.16 cums.: ₹ 23.37 lakh

different species. However, the royalty rates for 2008-09 were not revised as per weighted average sale rates of the preceding year. Thus, non-revision of royalty rates of 2008-09 resulted in loss of revenue of ₹ 1.48 crore and VAT of ₹ 18.45 lakh worked out on the basis of weighted average sale rates of 2007-08.

On being pointed out by audit, the Government had accepted (September 2011) the audit observations in entry conference in which it ensured that any dues because of non-revision of rates would be recovered from the Corporation. However, the Government stated in October 2012 during exit conference that this decision would be reviewed.

6.5.14 Non-rounding off royalty rates to nearest rupee

PC in its meeting held in February 2007 had decided that royalty rates per blaze may be fixed by rounding off to nearest rupee.

Audit scrutiny of PC decision dated March 2010 and list of blazes handed over for tapping revealed that the committee fixed the resin royalty rates at ₹ 27.70 and ₹ 33.70 instead of ₹ 28 and ₹ 34 for tapping season 2008 and 2009. The Corporation had tapped 38,93,856 resin blazes[9] during these seasons. Thus, non-rounding of royalty rates resulted in loss of revenue of ₹ 11.68 lakh.

After audit pointed this out, the Department admitted the fact and stated (January 2012) that revised bill would be raised to the Corporation for payment of balance amount.

The Government stated (October 2012) that observation of the audit was well taken and they were in the process of taking corrective/ remedial measures.

6.5.15 Non-recovery of registration fee from resin tappers

Under Himachal Pradesh Resin and Resin Products (Regulation of Trade) Act as amended in 2002 and rules made there under, every tapper of resin including the Corporation is to be registered with the division concerned on payment of registration fee of 10 *paisa* per blaze.

Audit scrutiny of handing over lists of resins and statement of payments revealed that during 2006 to 2010 tapping seasons, department had handed over 97,36,024 blazes to the Corporation for tapping. However, the department did not claim the registration fee of ₹ 9.74 lakh from the Corporation resulting in non-realisation of revenue to that extent.

After this was pointed out (August 2012), the Department stated (September 2012) that the Corporation had been exempted from the registration fee for resin tapping vide decision of PC dated September 2007. The reply of the Department is not in order, as the Government had not issued any notification to exempt the Corporation from payment of registration fee yet. The Government

[9] Resin season 2008: 20,26,206 blazes ₹ 6.08 lakh and Resin season 2009: 18,67,650 blazes ₹ 5.60 lakh

stated (October 2012) that this was a policy matter and was being taken with the Corporation.

6.5.16 Non-fixation of time schedule for payment of differential amount

The PC in its meeting dated March 2010 fixed the tentative rate of resin blazes for 2010 resin season at ₹ 35 per blaze. Final royalty rates were fixed by the PC in its meeting of May 2011 at ₹ 65.35 *paise* per blaze.

Audit noticed from the statement of payment of resin blazes that the Corporation had paid ₹ 5.53 crore as royalty at the tentative rate of ₹ 35 per blaze for 15,79,517 blazes for tapping season 2010 on scheduled dates. However, the differential amount of ₹ 4.79 crore (₹ 10.32 crore - ₹ 5.53 crore) on account of royalty of these blazes after fixation of the final rate of ₹ 65.35 per blaze had not been demanded by the department. This resulted in non-realisation of revenue to that extent. Besides, interest of ₹ 39.52 lakh for non-payment of differential amount from May 2011 to March 2012 had also accrued.

This shows the lacuna in the system as the Department had not fixed any time schedule to realise the differential amount or contested this in PC meeting.

After this was pointed out by audit (August 2012), the Department stated (August 2012) that royalty was paid by the Corporation on the basis of fixation of tentative royalty. Final royalty is calculated on the basis of sale rate of 'N' grade resin at the end of the year and then only differential amount becomes payable. Reply is not acceptable as the payment for 2010 season had not been received till date (December 2012).

The Government in October 2012 had also agreed to fix the time schedule to pay the differential amount.

6.5.17 Recovery of dues as Arrears of Land Revenue (ALR)

The forest Department is responsible for recovery of dues pertaining to its own Department. If Government dues cannot be recovered by means available with the department, such arrears are certified as ALR. These cases referred to Collector of the district concerned or the officer who has been delegated such powers provided under the Himachal Pradesh Land Revenue Act, 1953 (Act No. 6 of 1954). The Government of Himachal Pradesh (Revenue Department) delegated the powers of Collector under the Act ibid to the DFOs to exercise powers of Collectors of their respective forest divisions. The work of exploitation of forest was undertaken by private contractors upto 1980-81.

(i) Audit scrutiny of the information supplied (January 2012) by the Department revealed that in 138 cases of outstanding revenue for the years 1955-56 to 1980-81 pertaining to seven circles[10] involving an amount of ₹ 2.09

[10] Bilaspur: 17 cases ₹ 8.66 lakh, Chamba: 30 cases: ₹ 87.04 lakh, Dharamsala: seven cases ₹ 15.02 lakh, Kullu: one case: ₹ 1.01 lakh, Nahan: four cases: ₹ 2.43 lakh, Rampur: 13 cases: ₹ 47.15 lakh and Shimla: 66 cases: ₹ 47.32 lakh

crore was recoverable from contractors. These cases were pending for recovery as arrears of land revenue as of March 2011. The department had not devised any system to recover the pending arrears in a time bound manner even after elapse of 30 to 50 years.

After this was pointed out, the Department stated (January 2012) that the cases had been referred to the Collectors concerned to recover the outstanding dues but the same were pending there.

The Government had also assured in October 2012 that process of recovery of old dues was very cumbersome and took considerable time. However, the directions were being issued to the field offices to expedite the ALR cases.

(ii) In two divisions[11], 37 cases, pertaining to 1958-59 to 1985-86 involving arrears of ₹ 16.98 lakh, were not referred to the Collector for recovery as ALR. Thus, outstanding dues were pending in the books of the department for the last 25 to 50 years without any efforts for its recovery or its write off after obtaining the approval of the competent authority.

After this was pointed out by audit, the Government stated (October 2012) that they were emphasizing to all field functionaries to make cases of ALRs in time.

The Department may ensure submission of write off proposals to the competent authorities in cases where the outstanding dues are irrecoverable.

6.5.18 Internal Control Mechanism

Internal control and internal checks are prescribed to ensure efficient and smooth working of a system and to see that rules, departmental instructions, codes and manuals are adhered to effectively. A built-in internal control mechanism and compliance of applicable rules, thus contribute in achieving reliability of financial reporting, effectiveness and efficiency in departmental operations. Internal control is effected through various returns and maintenance of registers.

Audit scrutiny of records of the PCCF revealed that centralised data of timber lots, resin lots, royalty due and others dues, payment made and balance dues recoverable from the Corporation in a particular year was not being maintained in the direction office and the Department was totally unaware of its legitimate dues. No monitoring system by way of maintenance of registers and submission of returns on collection of revenue from the Corporation by the field units at regular interval of time had been prescribed by the apex level.

After this was pointed out (August 2012), the Government had assured in October 2012 that centralized data would be maintained.

The Government may consider to:

(i) prescribe the PCCF to that PCCF should maintain a centralised lot-wise data of number of timber and resin lots handed over to the Corporation

[11] Kinnaur: 19 cases: ₹ 11.07 lakh and Shimla: 18 cases: ₹ 5.91 lakh

for exploitation and total royalty due, recovered/paid by the Corporation and balance recoverable in a year in respect of each unit under his control.

(ii) prescribe periodical returns to monitor the exploitation of lots and recovery of dues from the Corporation.

6.5.19 Reconciliation with the Corporation

The PC decided in February 2005 that joint reconciliation of outstanding dues would be made on quarterly basis at the level of Divisional Managers (DM)/ DFOs and at the level of CFs/ Directors. In case the Corporation fails to pay the reconciled dues within 90 days, it will have to pay interest on that amount up to the date of its actual realisation, at the rates approved by the PC from time to time.

Audit noticed from the reconciliation statements of the ten divisions that an amount of ₹ 14.64 crore[12] was recoverable from the Corporation on account of royalty of timber, resin, damage bill, extension fee and interest as on 31.3.2011. Audit scrutiny revealed that quarterly reconciliation of number of trees, resin blazes etc., lots handed over for exploitation and dues payable had not been carried out by any of the test checked divisions. However, in four divisions[13] an amount of ₹ 11.78 crore had been reconciled once in a year between January 2006 and March 2011 but royalty reconciled had not been paid by the Corporation even after a lapse of 3 to 1903 days up to March 2011.

Audit asked for detailed information from PCCF during April 2011, and the Department stated (August 2012) that reconciliation was still in progress in some circles and final position of dues would emerge after completion. Thereafter, it would be ensured that the Corporation makes the payment.

The Government stated (October 2012) that all CFs/ DFOs had been instructed to reconcile the outstanding dues with the Corporation at the earliest.

6.5.20 Internal Audit

Internal audit is intended to provide reasonable assurance for prompt and efficient service. It ensures compliance with the laws, rules and departmental instructions. It helps in correct assessment, speedy collection of revenue and prevention and detection of fraud and other irregularities.

The department had one Dy. Controller-cum-Financial Advisor and a Section Officer to conduct the internal audit. Audit noticed that these auditors had not conducted internal audit of any of the 11 forest divisions test checked in audit but were entrusted with the duties of maintenance of service records of IFS, HPFS and other gazetted officers of the department. As no internal audit had been conducted, the assignments such as helping the department in assessment

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12 Anni: ₹ 68 lakh, Chopal: ₹ 3.07 crore, Dalhousie: ₹ 1.12 crore, Karsog: ₹ 2.37 crore, Kinnaur: ₹ 1.06 crore, Palampur: ₹ 26 lakh, Pangi: ₹ 89 lakh, Rampur: ₹ 96 lakh, Rohru: ₹ 4.15 crore and Shimla: ₹ 8.13 lakh

13 Anni: ₹ 19 lakh, Kinnaur: ₹ 10.50 crore, Karsog: ₹ 76 lakh and Rampur: ₹ 33 lakh

of demands, speedy recovery of dues and prevention of fraud and to neutralize the incidence of financial irregularities to the bare minimum were not fulfilled. It was also noticed that 868 inspection reports containing 1,806 audit paragraphs involving ₹ 543.96 crore of financial effect were pending as on 31st March 2012 for settlement from 1970-71 onwards. It was noticed in audit that the internal audit wing of the forest department had not made any compliance/ efforts to get these huge numbers of paragraphs settled which were pending for the last 42 years.

After this was pointed out (August 2012), the Government had stated in October 2012 that matter would be taken up with Finance Department to strengthen the internal audit.

Compliance deficiencies

6.5.21 Short/ non-handing over of resin blazes

6.5.21.1 H.P. Forest Manual volume-IV and instructions of Principal Secretary (Forests) to Government of H.P. dated April 2007 has prescribed that two blazes are to be carved per *chil* tree having girth 1.9 meter or dia above 60 cms. and above. As per working plan of Chopal forest division, two blazes are proposed to be carved for the *Chil* trees of Class IIB and above having dia of 50 cms. and above.

(i) Audit noticed from handed over lists of resin blazes in five divisions[14] that the divisions had enumerated and handed over 27,34,952 blazes during 2006-10 tapping seasons out of which 3,13,225 *chil* trees were of dia 50 cums. (in respect of Chopal) and more than 60 cums. (other divisions) on which two blazes were required to be carved. The divisions had carved only one blaze per *chil* tree irrespective of class of tree where two blazes were to be carved. This resulted in non-tapping of 3,13,225 blazes and loss of revenue of ₹ 1.01 crore.

On being pointed out by audit, DFO Karsog stated (March 2012) that two blazes would be carved per *chil* tree in future. DFO Rampur stated (December 2011) that it was not feasible to carve two blazes as no space was left for tapping. The reply of DFO Rampur was not acceptable as prior approval of CF was required to certify that there was no space for two blazes.

The Government stated in October 2012 that all the CFs had been directed to submit the reply.

(ii) PCCF vides instructions dated September 2001 fixed the minimum diameter for resin tapping as 35 cms. applicable from the 2002 resin-tapping season in respect of trees to be tapped for the first time. For the old lots which were already under tapping or which had been tapped earlier but which left out for enumeration and could be tapped now, the tappable dia would continue to be 30 cms at breast height and above.

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[14] Chopal: 144897 blazes: ₹ 41.97 lakh, Dalhousie:19905 blazes: ₹ 8.23 lakh, Karsog: 100782 blazes: ₹ 34.13 lakh, Palampur: 10606 blazes ₹ 3.72 lakh and Rampur: 37035 blazes: ₹ 13.31 lakh

In Bilaspur and Chopal Divisions 16,11,466 blazes were available to be handed over to the Corporation during 2006-10 resin tapping seasons as per the WPs. However, after reducing 10,33,122 blazes (99,032 blazes deleted and 9,34,090 tapped during 2006-10) from total 16,11,466 blazes, 5,78,344 blazes were not handed over to the Corporation for resin tapping during these seasons by the department which resulted in loss of revenue of ₹ 2.16 crore[15].

After audit pointed this out, DFO Bilaspur stated (June 2011) that blazes were handed over after conducting the joint inspection and trees were kept under rest and had no space for tapping. The reply is not acceptable because enumeration results were not in consonance with the prescriptions of the WP and prior approval of Government was not obtained to deviate from the prescribed guidelines. The reply from Chopal division had not been received (December 2012).

The Government stated in October 2012 that all the CFs had been directed to submit the reply.

6.5.21.2 Irregular deletion of resin blazes

As per PCCF instructions dated May 2000, prior approval of the CF concerned was required for deletion of resin blazes in a particular year. This approval was required to be obtained before the commencement of tapping season and handing over of blazes to the Corporation.

Audit noticed from the resin blazes records of three divisions[16] that 1,90,808 resin blazes were not handed over for tapping to Corporation during 2006-11 resin tapping seasons. The prior requisite approval of the CF to delete these blazes had not been obtained. Thus the deletion of blazes without seeking prior approval of CF was irregular and resulted in loss of revenue of ₹ 80.34 lakh.

After this was pointed out, DFO Shimla stated (September 2011) that shortfall in handing over of blazes was due to fresh enumerations and increase of tappable dia from 30 cu.ms. to 35 cums. as per PCCF instructions of December 2010. The reply is not acceptable as this condition was applicable for *chil* trees brought under tapping for the first time during tapping season 2002 whereas aforesaid deletion pertains to 2006-11 tapping seasons. The replies from remaining divisions had not been received (December 2012).

The Government stated in October 2012 that all the CFs had been directed to submit the reply.

6.5.22 Non-exploitation of timber

After nationalisation of forest exploitation work, the Corporation being a sole agency was entrusted with the work of forest exploitation. The PC in its meeting dated September 2007 decided that lots will be taken back if these are returned with plausible reasons within six months from the date of handing over.

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15 Bilaspur: (3,61,754 blazes) ₹ 1.36 crore and Chopal: (2,16,590 blazes) ₹ 80 lakh

16 Chopal, Rampur and Shimla

Audit noticed from the lot files of three divisions[17] that 25 lots containing 8,468 trees having standing volume of 17,761.138 cums. were handed over to the Corporation during 2007-08 to 2009-10 for exploitation. The Corporation did not exploit these lots even after the lapse of one to five years for the reasons that no tenderer came forward to bid or there was non-quoting of reasonable rates in the tender. The department had not taken any decision either to take back the lots or to get it exploited till March 2010 when the decision of back possession in case of Rohru and Dalhousie was taken by PC. However, in respect of Palampur division, nine lots partly exploited were taken back during 2010 without plausible reasons. Thus, the Department had failed to get the lots exploited by the Corporation which was the sole agency and lost legitimate revenue of ₹ 1.65 crore and VAT of ₹ 21 lakh.

After the matter was pointed out (July 2012), the Government stated (October 2012) that reports were awaited from CFs regarding raising of bills of royalty to the Corporation.

6.5.22.2 Short seizure of timber

As per instructions of the State Government (April 1951), a damage report in order to take cognizance of a forest offence is required to be prepared/ issued immediately by the beat forest guard. In case, the offender is unknown, an immediate report is required to be made and got signed by the nearest *lambardar* or influential person. The beat guard will submit damage report to the RO immediately in case of serious offences. The RO is required to investigate the cases and forward to the DFO for assessment of compensation or sanction of prosecution.

Audit noticed from the records of offence cases of two divisions[18], between August and September 2011 that 92 green trees having standing volume of 161.530 cums. were felled illicitly by the offenders in different ranges[19] of the divisions between October 2008 and June 2010. The FIRs were lodged between January 2009 and February 2010 with the Police only for 28 illicitly felled trees and seven DRs for nine trees had been issued against the unknown offenders.

Audit scrutiny revealed that no FIR and DR was issued in respect of remaining 55 illicitly felled trees[20] against any offenders. Audit noticed that in Tindi range (Lahaul at Keylong division), cases of illicit felling could not be detected by the field staff on its own but came to be known when a anonymous complaint had been received in January 2009 and through media. Tindi range was left unsupervised during the occurrence of illicit felling because field staff was either absent or on leave. The division had made no alternative arrangements to supervise the range. Even after registration of FIR and joint inspection with the

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17 Dalhousie: 10 lots/2589 trees, 2586.108 cums., ₹ 16.08 lakh, Palampur: nine lots/2065 trees, 1988.03 cums., ₹ 12.36 lakh and Rohru:- six lots/3814 trees, 13187 cums., ₹ 136.37 lakh

18 Lahaul at Keylong: 57 trees, 101.995 cu.ms., ₹ 35.89 lakh + VAT ₹ 4.49 lakh (as worked out by the division) and Shimla: 35 trees 30.721 cu.ms. ₹ 12.62 lakh + VAT ₹ 1.58 lakh

19 Bhajji, Mashobra, Taradevi (Shimla) and Tindi (Lahaul) ranges

20 Lahaul at Keylong: 39 trees and Shimla: 16 trees

Police only 28.814 cu.ms timber could be seized. This shows that divisional functionaries had not been vigilant enough which enabled offenders to take away huge quantity i.e. 132.716 cu.ms of timber after illicit felling. The laxity on the part of field staff in timely detection of the offences and reporting them to higher-ups and Police resulted in short seizure of timber and loss of revenue of ₹ 54.58 lakh including VAT ₹ 6.07 lakh.

On being pointed this out by audit, the DFO Shimla stated (September 2011) that forests were open wealth and staff had made all efforts to check the illicit felling but still stray incidents took place. The reply of DFO was not acceptable because the field functionaries were required to take adequate measures to protect the forest wealth. The reply from Lahaul division had not been received.

The matter was reported to the Department and the Government in August 2012. The Government stated in October 2012 that they were getting the factual position from CF (December 2012).

6.5.22.3 Blocking of revenue due to non-disposal of seized timber

Section 52 of IFA provides for seizure of property liable to confiscation. As per departmental instructions April 1951, either the seized timber or forest produce should be kept in the spurdagi (safe custody) of a sapurdar[21] or with the concerned field staff after it is accounted for in form-17. The timber/ forest produce so accounted for is required to be disposed after the offence has either been compounded or decided by the court. The PCCF instructed (April 1999) all the CF that where the spurdagi of forest produce was taken for unduly long period, the concerned investigating officer should be asked to procure the orders of competent court for auctioning the seized property within 15 days, to reduce expenditure on ward & watch and deterioration/ pilferage of such produce.

Audit noticed from the timber forms of seven divisions[22] that in 216 cases 517.6127 cums. of timber of different species seized between 2006-07 and 2010-11, had not been disposed of by the Department as mentioned in **Appendix-XIII**.

The value of seized timber at market rates of 2010-11 worked out to ₹ 2.27 crore. Audit found that 62 cases having 226.4499 cu.m of timber were pending with various courts/ Police and balance 150 cases were involving 291.1628 cums. timber with the investigating/ divisional authorities. Despite instructions of the PCCF, the investigating authorities had neither taken any steps to procure orders from the competent courts/ Police for disposal of timber involved in court cases nor towards the disposal of timber lying in their custody.

Non-disposal of seized timber resulted not only in blocking of the Government revenue but also in incurring expenditure on ward and watch. No periodical

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21. A lambardar or any reliable person of a place

22 Anni: 29 cases: vol: 67.453 cums. ₹ 29.27 lakh, Chopal: 66 cases: vol.180.265 cums. ₹ 84.33 lakh, Karsog: 21 cases: vol. 20.399 cums. ₹ 6.21 lakh, Pangi: 10 cases: 9.853 cums. ₹ 4.49 lakh, Rampur: 11 cases: 38.4378 cums. ₹ 15.69 lakh, Rohru: 45 cases: vol.: 124.644 cums. ₹ 52.10 lakh and Shimla: 34 cases: 76.5609 cums. ₹ 34.73 lakh

return at the apex level has been prescribed to monitor the quantity of timber seized/ disposed of.

On this being pointed out by audit (March 2012), DFO Karsog stated (March 2012) that action to dispose of the timber would be taken immediately and DFO Shimla stated (September 2011) that the matter to dispose of the timber is under process. The replies of remaining divisions had not been received.

The matter was reported to the Department and the Government in August 2012. The Government stated (October 2012) that field functionaries were instructed and a request had been made to Police Department to ensure timely disposal of the seized material.

6.5.23 Non-levy of penalty in illicit felling of trees

The PC decision of September 2007 and as per clause-7 and 16 (a) of the standard agreement lease deed, the marked trees for felling shall remain at the risk of the lessee (Corporation) after a fortnight from the date of communication of acceptance of proposal by lessee. The lessee shall be responsible for any damage caused to the forest produce if worked negligently or deliberately. The lessee is bound to pay the price at lease or the prevailing market rates, whichever is higher alongwith a penalty of 100 *per cent*. If the lessee refuses to acknowledge/ accept the damage bill preventive steps like stopping of works etc. are to be taken immediately.

(i) Audit noticed from the records of offence cases of Rohru division that nine *chil* trees having standing volume of 37.56 cu.ms. were felled illicitly in March 2011, in the compartment DPF Salantoo under Forest Range Sarswatinagar, which was handed over to the Corporation for extraction of resin in lot No. 1 of 2010-11. Audit further noticed that the DFO referred the matter to the Executive Engineer PWD Haridwar, on the grounds that adjoining villagers of Uttrakhand State had felled the trees for construction of road instead of issuing the damage bill to the Corporation who was under obligation for payment of all damages in the lot area. As a result, revenue of ₹ 12.34 lakh (price of trees at market rates and penalty) including VAT could not be realised.

The matter was reported to the Department and the Government in August 2012. The Government stated (October 2012) that all the CFs had been directed to submit the reply.

(ii) In DFO Pangi, audit noticed (October 2011) that four trees having standing volume 4.53 cu.ms. valuing ₹ 2.18 lakh, were felled illicitly in lot No. 8 of 2007-10 by the Corporation. Audit scrutiny revealed that while claiming the damage bill, the division did not include the penalty leviable under the terms and conditions of standard agreement deed. The omission resulted in loss of revenue of ₹ 2.18 lakh.

On being pointed out (October 2011) by the audit, the DFO Pangi stated that revised bill would be issued to the Corporation. Further reply of the division had not been received (December 2012).

The matter was reported to the Department and the Government in August 2012. The Government stated (October 2012) that all the CFs had been directed to submit the reply.

6.5.24 Irregular rebate of royalty

The PC prescribed certain conditions for grant of concessional rates of royalty for trees declared unfit after being marked for exploitation. For this purpose, if the volume of rotten (unfit) trees is more than 5 *per cent* of the total marked volume, a joint inspection is required to be conducted by Sub Divisional Manager (SDM) and ACF within a period of two months after felling of trees. These officers would certify that unfit trees would not yield any sound log/ pole of specified size. These trees were required to be deleted from the marking lists and no royalty was to be paid for the same. The PCCF also clarified in September 2004 that it should be certified in the joint inspection that a tree cannot yield one sound pole/ log of a specified size and no tree be shown as unfit in the marking list/ abstract which is to be determined after felling.

Audit noticed from the records of six divisions[23] that 35 lots of 22,893 trees having standing volume of 44,885.056 cu.ms. of various species were handed over to the Corporation for exploitation during 2006-07 to 2010-11. Audit observed that a rebate of ₹ 63.10 lakh of royalty had been allowed by these divisions on the request of the Corporation. The joint inspection of 32 lots in respect of 2,336 trees having standing volume 6335.651 cu.ms. was conducted to decide rotten (unfit) volume of these trees. However, audit noticed that certificate to the effect that tree did not yield sound log/ pole of three meters length had not been recorded. As a result, a rebate of ₹ 63.10 lakh allowed by the Department was irregular. In Rampur division three lots of 344 trees, having volume 982.143 cu.ms. where results of joint inspection were not on record but rebate of ₹ 4.88 lakh was allowed. Therefore, total rebate in royalty of ₹ 67.98 lakh and VAT of ₹ 8.49 lakh allowed by the divisions was irregular.

On being pointed out (September 2011) by audit, DFO Shimla stated (September 2011) that joint inspection had been carried out in accordance with instructions.

The reply is not acceptable as in joint inspection it was not certified that trees would not yield a log/ pole of specified size as is required under instructions of the PCCF issued in September 2004. The replies of the remaining divisions had not been received (December 2012).

The matter was reported to the Department and the Government in August 2012. The Government stated in October 2012 that the CF had been directed to submit the reply.

[23] Anni: 170 trees 1266.611 cums. ₹ 6.19 lakh, Chopal: 1046 trees 2004.994 cums. ₹ 37.07 lakh, Kinnaur: 46 trees, 300.44 cums. ₹ 2.03 lakh, Rampur: 696 trees 2726.926 cums. ₹ 15.56 lakh, Rohru: 82 trees 390.96 cums. ₹ 2.44 lakh and Shimla: 640 trees 627.863 cums. ₹ 4.69 lakh

6.5.25 Non-claiming of royalty

The Pricing Committee (PC) in its meeting held in May 2011 had fixed the royalty rates for road alignment. The lots, which are near to National or State Highways (SH) at the rate of 100 *per cent*, and other road lots at the rate of 50 *per cent* with a view that trees being exploited are growing in high density where their exploitation is easy and timber of these green trees fetches a good market price.

Audit scrutiny of periodical dues register of Dalhousie division revealed that in widening of Sihunta-Draman State Highway road, the division had marked three lots having standing volume of 758.7906 cums. in the alignment of SH road to be handed over to the Corporation for exploitation during 2010-11. The royalty of these lots at full rates was chargeable at ₹ 32.14 lakh which was not demanded by the department which resulted in non-recovery of ₹ 32.14 lakh from the Corporation.

On being pointed out by audit, the DFO stated (June 2012) that a bill of ₹ 31.88 lakh had been raised against the Corporation. The Government stated (October 2012) that the Conservator of Forest had been directed to submit the reply.

6.5.26 Short recovery of revenue

As per departmental instructions September 1991, the cost of trees standing on the forest land diverted/ transferred for non forest purposes is to be recovered from the project authorities at the prevailing market rates before handing over the area, in whose favour the approval for transfer of forest land has been granted by the GOI. The standing trees coming in the alignment of a project to be undertaken by the user agency are marked and handed over to the Corporation for exploitation.

Audit noticed from the FCA cases of three divisions[24] that in four cases, 1,547 trees and 1,415 saplings having standing volume 360.4745 cums. were coming in the alignment of projects which were marked for felling during 2007-11. The department had charged cost of trees at ₹ 30.62 lakh whereas demand at the prevailing market rates worked out to ₹ 43.60 lakh. This resulted in short recovery of revenue of ₹ 12.98 lakh and VAT of ₹ 1.73 lakh.

On this being pointed out (January 2012) by audit, DFO Palampur stated (January 2012) that matter would be taken up with the user agency to realise the revenue. DFO Shimla stated (September 2011) that cost of trees was realised at the rates fixed for the year during which the proposal for diversion of forest land was prepared (February 2005). The reply of DFO Bilaspur had not been received (December 2012).

The reply of DFO Shimla is not acceptable as the user agency paid the cost of trees during October 2007and hence the rates of 2007 were applicable. The

[24] Bilaspur: 1192 trees 360 saplings, 186.54 cums. ₹ 7.76 lakh, Palampur: 136 trees, 32.575 cums. ₹ 1.03 lakh and Shimla: 219 trees 1055 sapling, 141.335 cums. ₹ 4.19 lakh

Government stated (October 2012) that the CF had been directed to submit the reply.

6.5.27 Incorrect application of volume factor

Working Plan of Kinnaur forest division operative from 1999-00 to 2014-15 prescribes different volume factors for dry and wet zone for determining the volume of *Deodar, Fir* and *Kail* species.

Audit scrutiny of the FCA cases of Kinnaur division revealed that in one case forest land diverted in July 2008 for non forestry purposes fell in Nichar (wet zone) and Kalpa (dry zone) forest ranges of the division. The standing volume of 25 Deodar trees in Nichar works out to 82.54 cums. as per volume factor applicable for wet zone instead of 64.96 cums. according to dry zone worked out by the department. This resulted in under determination of 17.58 cums. of standing volume of timber and consequent loss of revenue of ₹ 8.37 lakh including VAT ₹ 1.15 lakh.

On being pointed out by the audit the omission to the Division in November 2011; the Government stated (October 2012) that they were getting report from Conservator of Forest. If there was any mistake in application of volume factor, corrective measure would be taken.

6.5.28 Short realisation of revenue of forest produce and compensation

For diversion of forest land for non-forestry purposes, prior approval of MOEF is required to be obtained. Notification under section 68 of IFA, 1927 empowers the DFO to realise the value of forest produce from the project authority at market rates.

Audit noticed from the lots files and damage bills in March 2012 of Karsog division that HPPWD had constructed a road in April 2009 from Lotla Nallah to Chowasisidh involving 0.60 hectare of forest land without the prior approval of the MOEF and 25 trees of various species felled/ damaged illicitly in the night hours having standing volume 78.41 cums. of timber. The damage was assessed to the tune of ₹ 33.60 lakh for felling/ damaged trees including breaking of forest land into roads and the same had been verified by the DFO. The DR was issued and the FIR lodged with the Police against the offender. Audit scrutiny revealed that the division had seized the timber and handed over the same to the Corporation as economic lot No. 1 of 2010-11 as directed by CF Mandi and realised ₹ 3.52 lakh. The division had raised the damage bill of ₹ 4.82 lakh in August 2011 for breaking of forest land only whereas no bill including penalty for trees felled illicitly was issued and got accepted from HPPWD as required. Thus, non-observance of the codal provisions and laxity on the part of the field staff to raise the damage bill and get it accepted by the PWD resulted in loss of revenue of ₹ 25.26 lakh[25] (price of trees at the market rate alongwith penalty) which could not be realised.

[25] Damage assessed ₹ 33.60 lakh - claimed ₹ 4.82 lakh – realised ₹ 3.52 lakh

On being pointed out (March 2012) by audit, the DFO Karsog admitted (June 2012) that cost of trees was not included in the damage bill issued in August 2011. The matter was reported to the Department and the Government in August 2012. The Government stated (October 2012) that the CF had been directed to submit the reply.

6.5.29 Non-exploitation of Bamboo

Keeping in view the conditions and objects of management of bamboo forests, WP of the Bilaspur forest division operative from 1994-95 to 2008-2009 has prescribed three years felling cycle for bamboo felling as the clump starts deteriorating after 5th year. Non-exploitation of bamboo crop prevents fresh growth of coppice, which eventually forms the future bamboo crop.

Audit scrutiny of lots files and working plan of Bilaspur division revealed that 715.95 hectares of bamboo forests had been prescribed for felling between 2006-07 and 2010-11 felling cycles in the WP. However, no bamboo forests were handed over to the Corporation for felling during the above period. This resulted not only in loss of revenue of ₹ 12.72 lakh[26] but also in hampering future growth of bamboo.

On being asked (June 2011) the reasons for non-handing over of bamboo areas for exploitation, the division stated that the bamboo areas were not exploited due to non-availability of fit crops, as the clearing operations which help in future growth of bamboos, had not been carried out due to non-availability of funds.

The reply is not acceptable as in case the three years felling cycle of bamboo forests was adhered to, there was no reason for the crop to be unfit for exploitation, since bamboo clumps start deteriorating only after fifth year. Non-exploitation of bamboo resulted in non-availability of crop and non-availability of funds for clearing operation.

The matter was reported to the Department and the Government in August 2012. The Government stated in October 2012 that the CF had been directed to submit the reply

The Government may take immediate steps to resolve the basic issues for timely exploitation of bamboo from bamboo forest becoming unfit for exploitation.

6.5.30 Non-levy of interest

The PC in its meeting dated February 2005, decided that the Corporation would pay interest at the rate of 9 *per cent* per annum on belated payment of royalty. Further, the PC in its meeting dated August 2008, in view of ban imposed on removal of trees by the Hon'ble High Court, decided that one extra year for working of high lying lots of 2008-09 be allowed without charging interest on royalty.

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[26] Royalty rates for the years 2008-09 to 2010-11 has been adopted on the basis of royalty rates for the year 2007-08

Audit noticed from the royalty payment records of four divisions[27] that 39 lots were handed over to the Corporation for exploitation during the period 2002-05 to 2010-11. Royalty of ₹ 2.49 crore payable between March 2005 and November 2011, however, was paid late between April 2008 and January 2011. The delay in payment of royalty ranged between 196 and 879 days, after excluding the exemption period of one year. Interest of ₹ 44.74 lakh though leviable was not charged by the department for belated payment of royalty.

On being pointed out by audit, the DFO Pangi stated (October 2011) that bill was being raised to Corporation to realise the amount of interest and DFO Dalhousie stated (March 2012) that the bill had been raised. The replies from the remaining divisions had not been received (December 2012). The Government stated (October 2012) that the CF had been directed to submit the reply.

6.5.31 Under assessment of compensation and damages

Under Section 68 of the IFA, the DFOs fix the rates of compensation for compounding of various forest offences in the divisions. The value of forest produce is to be charged at the market rate. For the first offence, the market rates plus compensation is to be charged and for the second and subsequent offences committed during calendar year, double the rates are chargeable.

Audit scrutiny of compounding registers of two divisions[28] revealed that in six cases the offenders committed second and subsequent offences between 2008 and 2010 in the same calendar year by throwing debris on forest land. The compensation was chargeable at ₹ 25.16 lakh from offenders against which the division had recovered ₹ 12.58 lakh. The omission resulted in under assessment of compensation of ₹ 12.58 lakh.

After audit pointed out the omission, DFO Shimla stated (September 2011) that period of DRs pertains to two different financial years and thus double rates were not realised while compounding the offences. The reply is not acceptable as the notification under Section 68 issued by DFO Shimla had categorically mentioned that double the rates to be charged for second and subsequent offence committed in a calendar year. The reply of DFO Kinnaur had not been received (December 2012). The Government stated in October 2012 that the CF had been directed to submit the reply.

6.5.32 Non-crediting/ non-levy of departmental charges

As per PCCF letter of March 2003, the amount realised on account of the departmental charges was to be deposited as revenue of the department instead of depositing it in Compensatory Afforestation (CA) head.

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27 Chopal: royalty ₹ 95.46 lakh, Interest ₹ 20.69 lakh, Dalhousie: royalty ₹ 18.80 lakh, Interest ₹ 4.15 lakh, Pangi: royalty ₹ 72.89 lakh, Interest: ₹ 5.50 lakh and Rampur: royalty ₹ 61.40 lakh Interest: ₹ 14.40 lakh

28 Kinnaur: ₹ 9.48 lakh and Shimla: ₹ 3.10 lakh

(i) Audit scrutiny of the FCA cases of four divisions[29] revealed that in 16 cases of diversion of forests land for non-forestry purposes, the divisions had realised ₹ 6.99 crore inclusive of departmental charges of ₹ 1.07 crore on account of CA. The departmental charges of ₹ 1.07 crore were deposited in the CAMPA account instead of depositing it in the revenue head of the Government. Thus, non-deposit of departmental charges in the Government account resulted in understating of revenue to that extent.

On this being pointed out (September 2011), the DFO Shimla stated (September 2011) that amount of departmental charges along with CA and NPV was deposited in CAMPA account and the same was released from time to time to the State for plantation work.

(ii) In Rampur division, audit noticed that in one case for the year 2009-10, while claiming the cost of CA of ₹ 13.95 lakh from the user agency, division did not include the departmental charges of ₹ 2.44 lakh. This resulted in non-levy of departmental charges of ₹ 2.44 lakh.

The Government stated (October 2012) that the issue had been taken up with CAMPA authorities and would follow the instructions/ clarification given by them.

6.5.33 Non-forfeiture of unclaimed security deposits

Rule 12.7 of the Himachal Pradesh Financial Rules, 1971, Vol-1, provides that deposits not exceeding five rupees unclaimed for more than three complete years shall, at the close of the March in each year, be credited to the Government account. As per terms and conditions for felling of trees in private areas, basic and CA securities are to be levied from private contractors. Both the securities are to be released after fulfilling the terms and conditions specified in the approved felling programme.

Test check of security deposit register of Bilaspur division revealed that during the period 1998-99 to 2005-06 in 1,120 cases, security of ₹ 62.46 lakh (basic security: ₹ 28 lakh and CA: ₹ 34.46 lakh) was realised from the contractors. In 228 cases, securities of ₹ 14.03 lakh[30], were released/forfeited. However, in the remaining 892 cases, the security deposited of ₹ 48.44 lakh was neither released nor forfeited in the relevant head of account by the Department, despite the fact that period of three years or more had elapsed.

The Government stated (October 2012) that they were asking CFs to act in a time bound manner to clear the balance.

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29 Bilaspur: five cases: ₹ 26.36 lakh, Chopal: three cases: ₹ 2.34 lakh, Kinnaur: five cases: ₹ 77.25 lakh and Shimla: three cases: ₹ 79,000

30 Amount released: 98 cases; ₹ 4.88 lakh and amount forfeited: 130 cases; ₹ 9.15 lakh

Recommendations

The State Government may consider to:

- maintain a centralised lot-wise data of number of timber and resin lots handed over to the Corporation for exploitation and total royalty due, recovered/ paid by the Corporation and balance recoverable in a year in respect of each unit under the control of PCCF. Periodical returns thereof may be prescribed to monitor the exploitation of lots and recovery of dues from the Corporation etc.

- develop a mechanism to ensure that instructions and orders issued from time to time for inspection of forests, marking of trees, checking in timber lots in respect of felling, conversion, carriages, resin tapping works etc. are complied with, by the field units of the Department.

- implement its orders with regard to duties assigned to internal audit so that an effective mechanism is developed to exercise control on the working of the Corporation/ department at all levels.

- take appropriate steps to submit cases to the authorities competent to write off amounts where the outstanding dues are irrecoverable.

- work towards reconciliation of royalty, interest, damage bills extension fee etc. and resin lots, number of trees with the Corporation on regular basis and raise demands promptly to realise the revenue.

- issue suitable instructions to all departments to check offensive activities and make penalty provisions to curb such activities without the prior approval of MoEF for non-forestry purposes.

6.6 Other Audit observations

Scrutiny of the records in the divisions of the Forest Department relating to revenue realised revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of royalty/penalty/interest and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Audit points out such omissions each year, however, not only do the irregularities persist but also remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

6.7 Non-observance of instructions of the Government

The instructions issued under the Indian Forest Act, 1927, by the Government/ Department provide for:

(i) recovery of the cost of trees standing on forest land allotted to user agencies;

(ii) charging of the market value of all trees including sapling;

(iii) marking of the trees falling on road alignment;

(iv) payment of interest for delay in payment of royalty by the Himachal Pradesh State Forest Corporation (HPSFC) and

(v) tapping of resin from the trees of a prescribed diameter and height.

Audit noticed non-compliance of some of the above rules/instructions in some cases. These have resulted in non-realisation of Government revenue of ₹ 281.20 crore and are discussed in the following paragraphs 6.8 to 6.14.

6.8 Non-levy/ wrong deposit of departmental charges

6.8.1 Hamirpur forest division

As per instructions of Principal Chief Conservator of Forests (PCCF), Himachal Pradesh, issued in May 2004, Departmental charges at the rate of 17.5 *per cent* were to be charged in the case of Compensatory Afforestation (CA) schemes to cover the establishment and infrastructure charges of the Department.

Audit scrutiny of the CA bills raised by the department, revealed in December 2011 that two cases of diversion of forest land for non-forestry purposes were approved by the Government of India. Divisional Forest officer (DFO) while claiming the cost of CA of ₹ 5.29 lakh from the user agency did not include the departmental charges of ₹ 0.93 lakh. The reason for non-inclusion of the departmental charges was sought (December 2011) from the Department, no reply had been received. This resulted in non-realisation of the revenue to that extent.

The matter has been reported to the Department and to the Government in January 2012; no reply has yet been received from them (December 2012).

6.8.2 Six forest divisions[31]

As per PCCF letter of March 2003, the amount realised on account of the Departmental charges was to be deposited as revenue of the Department instead of depositing it in compensatory afforestation head.

Audit noticed between June 2011 to February 2012, that six forest divisions had realised ₹ 19.60 crore inclusive of departmental charges of ₹ 2.77 crore[32] on account of Compensatory Afforestation in respect of 18 cases of diversion of forest land for non-forestry purposes. The departmental charges were deposited in CAMPA[33] account instead of depositing it in the revenue head of the Department. Thus, non-deposit of departmental charges in the Government account resulted in understating of revenue to that extent.

The matter has been reported to the Department and to the Government between July 2011 and March 2012. No reply has yet been received from them (December 2012).

6.9 Wrong/ short crediting of cost of trees

6.9.1 DFO Poanta Sahib

As per the instructions of the PCCF of 1991, the standing trees coming in the alignment of a project are marked and handed over to Himachal Pradesh State Forest Corporation (HPSFC) for exploitation. The cost of trees, recovered from the user agency is required to be deposited into the Government treasury under the receipts head of the Forest Department.

Audit noticed in January 2012 from the Compensatory Afforestation bills for the year 2009-10 and 2010-11 of the division that in one case, approval by the GOI/MoEF for diversion of 732.78 hectares forest land for non-forestry purposes, was received in March 2010 after payment of Net Present Value (NPV), Compensatory Afforestation charges and cost of trees. The cost of 3,56,725 trees of different species[34] having standing volume of 2,55,934.68 cums. coming in the alignment of the projects with market value of ₹ 277.19 crore was deposited in adhoc CAMPA account by the user agency instead of revenue head of the Department. Thus, non-deposit of cost of trees into Government account resulted in understating the revenue to that extent.

The omission was pointed out to the Department and the Government in March 2012. The reply was not received (December 2012).

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31 Nahan, Nalagarh, Paonta Sahib, Seraj at Banjar, Suket at Sundernagar and Theog

32 Nahan: ₹ 1.31 lakh, Nalagarh: ₹ 6.62 lakh, Paonta Sahib: ₹ 2.04 crore, Seraj at Banjar: ₹ 2.54 lakh, Suket at Sundernagar: ₹ 59.38 lakh and Theog: ₹ 3.20 lakh.

33 Compensatory Afforestation Fund Management and Planning Authority

34 *Ban, Chil, Mango, Kail, Khair, Kikkar, Kosh, Kunish, Neoza, Popular, Rai, Simbal, Shisham and other B/L*

6.9.2 Three DFOs[35]

The Government of India in the favour of the user agency grants the approval for diversion of the forests land for non-forestry purposes. The cost of trees, at prevailing market rates, coming in the project/ transmission alignment is recovered from the user agency before its handing over to the project authorities.

Audit noticed between June 2011 and February 2012 from the records of the CA bills for the year 2009-10 and 2010-11 that in four cases 3,547 trees having standing volume of 708.266 cums. were coming in the alignment of project/ transmission lines. While working out the demands for these standing trees, the department incorrectly applied the rates as were applicable in the previous years and raised the bills accordingly. This resulted in short realisation of revenue of ₹ 6.42 lakh, including VAT of ₹ 0.76 lakh.

The omission was pointed out in audit to the DFOs between June 2011 and February 2012, the DFO Nalagarh stated that bills had been raised to the user agency at the rates prevailing at that time and the rates were fixed subsequently.

The reply is not acceptable, as the division had not issued the bill at the revised rates applicable for 2009-10 and 2010-11. The replies from other divisions had not been received (December 2012).

The omission was pointed out to the Department and the Government between July 2011 and March 2012. The reply was not received (December 2012).

6.10 Non-levy of interest on belated payment of royalty

6.10.1 DFO Kunihar

The Principal Secretary (Forests) to Government of Himachal Pradesh vide its letter dated November 2006 addressed to the PCCF intimated that the Government had decided to charge penal interest at rate of 18 *per cent* per annum from all the Project authorities where funds were not deposited in time.

Audit noticed in June 2011 that in one case, the GOI/ MoEF granted the approval for diversion of 344.1942 hectares forest land for Mining Lime Stone and Mining Plant purposes. The DFO raised the bill in April 2007 to the Project Authority for ₹ 2.95 crore on account of 9065/42146 sapling/ trees coming in the alignment of the project. The DFO had directed in April 2007 the project authority to deposit the amount within 15 days from the date of receipt of letter. However, the project authorities had deposited the payments in October 2007 and May 2008 after a delay of 165 and 356 days respectively. The project authority was liable to pay penal interest at the rate of 18 *per cent* as per the instructions issued by the Government but the same was neither paid by the project authority nor any bill in this regard was raised by the division. This resulted in loss of revenue of ₹ 32.68 lakh.

[35] Nalagarh, Parvati at Shamshi and Suket at Sundernagar

The matter was reported to the Department and the Government in July 2011. The replies have not been received (December 2012).

6.10.2 Five DFOs[36]

The PC, constituted by the HP Government to determine the price/rate etc., terms and conditions for supply of resin, resin blazes[37], standing trees and other forest produce to HPSFC from time to time, in its meeting dated February 2005, decided that the HPSFC would pay interest at the rate of nine *per cent* per annum on belated payment of royalty if not paid by 30th November and 20th March, in case of high lying lots[38] and 15 September and 15 December for resin tapping lots. A grace period of 90 days is admissible if the payment is made within the grace period, otherwise HPSFC is liable to pay interest from the due date of payment of royalty. Further, the Committee in view of ban imposed on removal of green trees, by the Hon'ble High Court, in its meeting dated August 2008 decided that one extra year for working of low-lying lots of 2007-08 and high lying lots of 2008-09 be allowed without charging interest on royalty.

Audit scrutiny of the lot files and details of payment of royalty etc., of five DFOs between June 2011 and February 2012 revealed that 2,85,402 resin blazes were handed over to HPSFC for exploitation during 2007-08 and 2008-09. Royalty of ₹ 79.34 lakh payable by the HPSFC between March 2008 and December 2009 was paid between March 2009 and April 2011. The delay in payment of royalty ranged between 272 and 651 days. Interest of ₹ 8.71 lakh[39] though leviable was not demanded by the Department.

(i) Audit also noticed that in Poanta Sahib Division, the HPSFC had made payment of interest of ₹ 14.73 lakh after excluding 90 days grace period from delay in payment of royalty. Whereas interest of ₹ 16.82 lakh was chargeable for delay from due dates of 20th May and 20th June 2008 to 20th May 2010 on which royalty installments of 16 timber lots of 2007-08 were actually paid. This resulted in short levy of interest of ₹ 2.09 lakh.

In another case, royalty of ₹ 15.95 lakh of three timber lots for the year 2007-08, payable between March and June 2008 was paid between September 2009 and February 2010. The delay in payment of royalty ranged between 546 and 707 days but interest of ₹ 1.01 lakh leviable was not demanded by the Department. This resulted in short/ non-realisation of interest of ₹ 3.10 lakh.

(ii) In Theog Division, audit scrutiny revealed that an amount of ₹ 40.35 lakh on account of royalty of three low lying lots for the year 2007-08 was payable in March 2009 after allowing one extra year as per the pricing committee decision. However, the same was paid belatedly in August 2010 by the HPSFC. The delay in payment of royalty was 514 days. The interest on

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36 Kunihar, Nahan, Nalagarh, Suket and Theog

37 A mark of cut on *Chil* trees to tap resin

38 A lot marked for exploitation of trees *(Deodar, fir, spruce and poplar etc.)* grown on high altitude viz. 2000 meters and above from the sea level.

39 Kunihar: ₹ 1.47 lakh, Nahan: ₹ 2.77 lakh, Nalagarh: ₹ 1.88 lakh, Suket: ₹ 2.41 lakh and Theog: ₹ 18,348

belated payment of royalty was not claimed by the Division nor was paid by the HPSFC. This resulted in loss of revenue of ₹ 5.11 lakh.

The matter was reported to the Department and the Government between July 2011 and March 2012. The replies have not been received (December 2012).

6.11 Illicit felling of trees and encroachment of Government land

6.11.1 DFO Seraj at Banjar

As per the instructions of the PCCF HP, the Block officer/ Range officers are required to inspect the forests from time to time and take effective steps against illicit felling and report the matter to the higher authorities for taking action. Damage reports (DRs) are required to be issued and got signed from the offenders, if known. The cases are to be registered with the police.

Audit noticed in January 2012 that 57 trees of various species having standing volume of 16.12 cums. were illicitly felled in February 2011 by the contractor of the H.P. Public Works Department (PWD) during construction of Sharchi Neglari road in Tirthan Bandal Range. The damage bill for ₹ 9.71 lakh including VAT/penalty was raised against the contractor through the Executive Engineer in April 2011 for effecting recovery.

Audit scrutiny revealed that damage report was not issued, no FIR with the police had been registered and no timber was seized. The division had issued the damages bill to the PWD without carrying out joint inspection of the damages or acceptance by the offender. The PWD was also avoiding joint inspection of damages on two occasions in February and April 2011. Thus, inaction on the part of the Department in exercising close supervision on the construction of road, issuing Damage Report, seizing timber and in filing of FIR with Police had resulted not only in illicit felling but also in non-realisation of legitimate revenue of the Government to the tune of ₹ 9.71 lakh.

The omission was pointed out to the Department and the Government in March 2012. The replies have not been received (December 2012).

6.11.2 DFO Theog

As per Himachal Pradesh Government notification dated May 2010 revised guidelines for compounding of forest offence cases are issued and it is directed to register the cases with the police for illicit felling involving value above ₹ 10 lakh. The cases are required to be registered with the police by the concerned DFO after getting the approval of CF concerned.

Audit noticed in July 2011 from the records pertaining to inquiry reports in the divisional office that on the direction (July 2010) of the DFO, the Assistant Conservators of forests (ACF) conducted (July-August 2010) spot inquiry in respect of a complaint received through DC Shimla. The ACF reported in August 2010 that apart from illicitly felling of 40 *kail* trees having standing volume of 59.587 cums. offender had encroached 15 *Bigas* of Government land in U-389 Janahan area. The trees cut were reportedly about five years old. The FIR with the Police had not been registered and its entry was made only in

Roznamacha (September 2010). The case of illicit felling could not be detected by the field staff but had come to their notice only after a complaint was received. However, no action was taken to pursue the case by the Department. The laxity on the part of the field staff in timely detection of the offences and reporting them to the police resulted in loss of revenue of ₹ 25.50 lakh (price of trees at the market rate alongwith penalty) including VAT besides, encroachment of 15 *bighas* of land.

The omission was pointed out to the Department and the Government in August 2011. Their replies have not yet been received (December 2012).

6.12 Short realisation of damage charges

DFO Seraj at Banjar

As per clause-16 of standard lease deed agreement for exploitation of timber/ trees in case of illicit felling of unmarked trees in lot area, the HPSFC is responsible and liable to pay the cost of trees at the market price and 100 *per cent* penalty for avoidable damage. No penalty will be charged for un-avoidable damages caused to trees during exploitation works from HPSFC.

Audit noticed in January 2012, from inquiry reports submitted (July 2009) by inquiry officers of the division that an area 2/38 Thach Gahar was handed over to the HPSFC for exploitation of salvage lot 1/2007-09 in July 2007. 34 trees, having standing volume of 33.59 cums., were illicitly felled by a labour supply mate of the HPSFC. The division issued Damage Report against the offender who had admitted his offence. A damage bill of ₹ 6.00 lakh[40] including VAT was raised against the HPSFC, after carrying out the joint inspection of illicit felling. Audit scrutiny further revealed that instead of issuing the damage bill for ₹ 13.62 lakh[41] to the HPSFC on market price with 100 *per cent* penalty for avoidable damages, the division had billed for ₹ 6.00 lakh. This resulted in short realisation of revenue to the tune of ₹ 7.62 lakh.

The omission was pointed out to the Department and the Government in February 2012. Their replies have not been received yet (December 2012).

6.13 Non-levy of extension fee

DFO Parbati at Shamshi

As per clause-3 of standard lease deed agreement for exploitation of timber/ trees, on the expiry of lease period the HPSFC shall have no right on such trees, as are left standing in the leased forest, felled trees and any scattered/stacked timber un-removed from leased forest. Further as per decision of the Pricing committee of September 2007 the extension fee at the rate of 0.2 *per cent* p.m. of the total royalty whether paid or unpaid shall be levied for the extension of the working period beyond the lease period.

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40 cost of trees including penalty: ₹ 5.40 lakh and VAT ₹ 60,349

41 cost of trees including penalty: ₹ 12.10 lakh and VAT ₹ 1.52 lakh

Test check of the records of the division in January 2012 revealed that 10 timber lots were handed over to HPSFC for exploitation during lease period ending between 31 March 2008 and 31 March 2009. Audit scrutiny further revealed that exploitation work of these lots could not be completed within the lease period. The HPSFC sought extension in working period of the salvage lots from April 2008 to March 2010 and the competent authority granted it. However, extension fee of ₹ 5.85 lakh was neither demanded nor was it paid by HPSFC. Thus, by non-claiming of the extension fee, the Government suffered a loss of revenue to that extent.

On being pointed out by audit, the Division stated that matter regarding claiming of extension fee from the HPSFC for various salvage lots was under process and extension fee bills were being raised shortly.

The matter was reported to the Department and the Government in March 2012. The replies have not been received (December 2012).

6.14 Non-tapping/ short handing over of resin blazes

6.14.1 DFO Nalagarh

The PCCF dated May 2000 had directed to all DFOs that what ever resin blazes had to be deleted for tapping, full justification would have to be advanced by the DFO and prior sanction of the conservator be obtained. This approval is required to be obtained from CF before the commencement of tapping season and handing over of blazes to the HPSFC.

Audit noticed from the records of the division in June 2011 that 54,753 and 57,008 resin blazes were handed over to the HPSFC for resin tapping seasons 2010 and 2011 respectively. The DFO had obtained the approval for deletion of 2,255 resin blazes from Conservator of Forest on February 2011. Audit scrutiny of the list of resin blazes and joint inspection report revealed that division had not handed over 31 compartments of forests containing 11,847 resin blazes at all to the HPSFC during 2011, which were tapped in 2010 tapping season. Besides, for tapping season 2011, the DFO had also partially deleted 7,615 from various forests of Baddi, Kohu, Nalagarh and Ramshehar Ranges, which were tapped during tapping season 2010. Therefore, as against total deletion of 19,462 blazes, approval of 2,255 blazes had been obtained from the CF. Thus, short handing over of 17,207 resin blazes to HPSFC for tapping, without assigning any reason and the approval of the Conservator of Forest, had resulted in loss of revenue to the tune of ₹ 11.25 lakh[42].

On being pointed out by audit, the division stated that though approval of the Conservator of Forest for net variation of resin blazes had been obtained, however, forest wise approval from CF for variation had not been obtained.

The omission was pointed out to the Department and the Government in July 2011. The reply was not received (December 2012).

[42] ₹ 65.35 per blaze x 13,941 blazes

6.14.2 DFO Suket at Sundernagar

For scientific management of forests, division wise working plans are prepared, the prescriptions of which are required to be followed by field functionaries. As per working plans of forest divisions, two blazes are proposed to be caved for the *chil* trees of Class IIB and above.

Audit noticed in February 2012 from the handing over list of enumerated resin blazes of the division that out of 75,417 and 77,639 resin blazes, 5,927 and 4,967 blazes were enumerated on *chil* trees having class IIB[43] and above which were handed over to the HPSFC for tapping of resin during tapping seasons 2010 and 2011 respectively. The HPSFC had caved one blaze per *chil* tree instead of two blazes as prescribed in the working plans. The field staff of the Department did not notice the mistake. This resulted in non-tapping of 10,900 blazes and loss of revenue of ₹ 7.12 lakh[44].

The omission was pointed out to the Department and the Government in March 2012. The reply was not received (December 2012).

[43] Having diameter of 60 cums. and above

[44] ₹ 65.35 per blaze x 10,894 blazes

CHAPTER-VII

OTHER TAX AND NON-TAX RECEIPTS

7.1 Tax administration

This chapter consists of receipts from Power sector projects, Revenue, Industries, Irrigation & Public Health and Public Works Departments. The tax administration is governed by Acts and Rules framed separately for each Department.

7.2 Results of audit

In 2011-12, test check of the records of the Multi Purpose Projects and Power and Industries Departments revealed non/short realisation of dues from the sale of GoHP power share received from various power producers, non-deposit of tax and royalty etc. and other irregularities amounting to ₹ 985.51 crore in 47 cases, which fall under the following categories as indicated in **Table 7.1** below.

Table 7.1

(₹ in crore)

Sr. No.	Categories	Number of cases	Amount
1.	Non/short realisation of dues from sale of GoHP power share received from various power producers etc.	04	905.92
	Non/short realisation of royalty, dead/surface rent etc.	31	1.82
2.	Other Irregularities	12	77.77
Total		**47**	**985.51**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 34.58 crore in 67 cases which were pointed out in earlier years. An amount of ₹ 42.01 lakh was realised in 11 cases during the year 2011-12.

7.3 Audit observations

Scrutiny of the records in the offices of Multi Purpose Projects and Power and Industries Departments revealed cases of non-deposit of electricity duty and short/non-recovery royalty, surface/dead rent/ interest etc., as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Each year audit points out such omissions, however, not only do the irregularities persist but also remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

A few illustrative cases involving ₹ 205.81 crore are discussed in the following paragraphs.

A. Multi Purpose Projects and Power Department

7.4 Realisation of dues from the sale of *power-share* of the Government received from various power producers

7.4.1 Introduction

For the state of Himachal Pradesh, projected as a power state in the country, the Directorate of Energy is a crucial office for achieving this milestone of tapping of full Hydro-power potential of 21,000 MW (Approximate) identified in the State. The office of the Director of Energy started functioning during the year 2008. Prior to this, it was a part of the Himachal Pradesh State Electricity Board carrying out the functions assigned to it. The Directorate has been assigned the work of allotment of hydroelectric projects, grant of Techno Economic Clearance (TEC) to hydro electric projects (HEPs), Hydro-power safety, quality control, monitoring and management of power flow. Besides, Directorate also had the responsibility of selling the power received by the Government of Himachal Pradesh from various power producers as royalty against the use of water and energy and other functions pertaining to power sector.

7.4.2 Audit objectives

Test check of the Directorate of Energy, Shimla in March 2012 with a view to ascertain whether the receipts due to the Government on account of sale of *power share* of the State Government/equity, upfront premium/ charges have been assessed and charged correctly as per the provisions of the Power Policy/ Agreements.

Audit findings

7.4.3 Raising of energy bill at incorrect rates

The Government of Himachal Pradesh in its meeting held on 4 February 2010 with Chairman and members (Finance) of HPSEBL decided that the power including the power supplied to Himachal Pradesh State Electricity Board Ltd. (HPSEBL) shall be sold at market rates from April 2010 onwards and directed the Director Energy to take up the matter with Himachal Pradesh Electricity Regulatory Commission (HPSERC) before finalisation of rates. The Government's power is sold through Power Trading Corporation (PTC) New Delhi (PTC) as per terms and conditions of Power Purchase Agreement between the two parties which inter alia provide that the power during April to October shall be sold at market determined rates. During winter months, entire power shall be sold to HPSEBL.

Audit noticed (March 2012) from the records of demand and receipts registers etc. that 73.169585 million units (MU) of energy was supplied to PTC for further sale to HPSEBL at Generator Terminal of Chamera-I, Chamera-II and Bairasuil from 1 September 2010 to 30 September 2010. The fortnightly bills of power sold were drawn at PTC at the rate of ₹ 3.19 per kwh on 16 September 2010 and 5 October 2010 by fixing the due dates of payment as 22 September 2010 and 11 October 2010 respectively. Audit further noticed that bill for

energy was raised at the lesser rate of ₹ 3.19 per kwh i.e. the tariff got approved by the Government from HPERC instead of the market rate of ₹ 5.79 per kwh which was also charged for energy supplied in September 2010 to New Delhi Power Ltd. (NDPL), Punjab State Power Corporation (PSPC) and Jaipur Vidyut Vitran Nigam Ltd. (JVVNL) at HP periphery. This was not detected by the Department which resulted in loss of revenue to the tune of ₹ 19.02 crore.

On this being pointed out by audit (March 2012), the Chief Engineer (Energy) intimated in April 2012 that the rate of ₹ 3.19 per unit for sale of GoHP power to HPSEBL during September 2010 was decided by the competent authority. The reply was not acceptable because the GoHP had decided vide para 4 (ii) and (iii) of minutes of meeting dated 4 Febraury 2010 to sell the power to HPSEBL from various power projects from April to October 2010 onwards only at market rates which was also brought to the notice of the HPERC.

Audit reported the matter to the Department and the Government in April 2012. Their replies have not been received (December 2012).

7.4.4 Non-claiming of surcharge from HPSEBL on delayed payment

As per agreement dated 4 November 2009 entered into between Government of Himachal Pradesh and PTC, the due date of payment would be the seventh day commencing from the date of receipt of faxed bill by PTC. A surcharge of 15 *per cent* per annum shall be leviable on all payments outstanding after 30th day of receiving Government's bill by PTC through fax.

Audit scrutiny of records (March 2012) revealed that instead of market rate, the HPSEBL worked out the amount of ₹ 58.98 crore at the rate of ₹ 3.15 per kwh against which the HPSEBL deposited ₹ 52.32 crore. Out of the balance amount of ₹ 6.66 crore the HPSEBL released ₹ 5.48 crore after delay of one year and remaining amount of ₹ 1.18 crore was still unpaid. The department did not claim the surcharge of ₹ 99.90 lakh on the outstanding/delayed payment.

After this was pointed out by audit (March 2012), the Chief Engineer (Energy) intimated in June 2012 that this issue was under consideration and the outcome will be intimated to audit later-on. The reply was not acceptable because the payment of ₹ 6.66 crore was delayed on which surcharge of ₹ 99.90 lakh was leviable as per agreement.

Audit reported the matter to the Government in April 2012; their replies have not been received (December 2012).

7.4.5 Acceptance of reduced quantity of energy by HPSEBL

As per agreement dated 4 November 2009 entered into between Government of Himachal Pradesh and Power Trading Corporation PTC India Ltd. New Delhi, PTC shall have to pay for the total energy scheduled on day ahead basis by the HPSEBL. In case of acceptance of reduced quantity of power, PTC shall compensate GoHP for short fall in off take vis-a-vis offered quantity at 100 *per cent* of the full tariff.

Test check of the records of demand and receipts registers in March 2012 and noticed that 73.169585 million units (MU) of energy supplied by PTC to HPSEBL during the period 1 September 2010 to 30 September 2010 at Generator Terminal of Chamera-I, Chamera-II and Bairasuil. Against 73.169585 million units of energy, the HPSEBL had accepted only 67.4189 million units. The department had accepted it as correct and no demand against the reduced energy of 5.750685 million units was created against the PTC which resulted in loss of revenue to the tune of ₹ 3.31 crore at the rate of ₹ 5.76 per kwh.

After this was pointed out (March 2012) by audit, the Chief Engineer (Energy) while accepting the audit observations intimated (June 2012) that a meeting had recently been convened with HPSEBL in the presence of PTC on 6th March 2012 wherein this issue was discussed. As such continuous efforts were being made to realize the amount from HPSEBL.

Audit reported the matter to the Government in April 2012. The replies have not been received (December 2012).

7.4.6 Non-deposit of accrued interest in the Government account

Rule 2.4 of the Himachal Pradesh Financial Rules, Volume-I provides that all receipts collected during the day are credited into the treasury on the same day or on next working day. The Government further instructed that in case of schemes/ services where transactions were made through Bank, the interest earned be deposited into respective receipt head of the department as revenue of the Government.

Audit noticed (March 2012) from the cash book relating to revenue receipts that an amount of ₹ 17.59 lakh (₹ 4.58 lakh and ₹ 13.01 lakh) was earned as interest in the Month of June 2010 and December 2010 respectively in the saving bank account. This saving bank account had been operated by the Directorate to facilitate the receipts on account of sale of power through RTGS facility. The whole amount of interest of ₹ 17.59 lakh earned by the department on the Government funds was not deposited into Government treasury under proper receipt head which was in contravention of Financial Rules. Besides, revenue receipt of the Government to the extent of ₹ 17.59 lakh had been understated.

On this being pointed out (March 2012) by audit, the Chief Engineer (Energy) intimated in June 2012 that the interest amount will be deposited into the relevant receipt head of the Department.

Audit reported the matter to the Government in April 2012. The replies have not been received (December 2012).

7.4.7 Un-due benefit to Power Trading Corporation (PTC)

An agreement, applicable from 1 November 2008 to 31 October 2010 for purchase of power by the PTC from the Government was made on 4 November 2009. According to the agreement, Government was willing to sell power received on free and equity terms from central/ joint sector projects connected

to power grid system ex bus of the concerned projects and PTC was willing to purchase the same. Clause 4 of the agreement provides that the delivery point for sale of energy by PTC to buyers other than HPSEB was HP periphery i.e. the interconnection of HPSEB system with Central Transmission Utility System (CTU) in Himachal Pradesh. Further all charges such as transmission charges, system operation charges etc. for transference of power from the generator terminals of the respective power plants to the delivery point shall be borne by PTC including northern regional transmission losses incurred on transference of Government power from the generator terminals to the delivery point.

Audit noticed (March 2012) from the records of the Director of Energy that a supplementary agreement had been drawn on 4th May 2011 by the PTC to make the Government liable to bear all the transmission charges or losses, short term access charges etc. Consequently, Long and Short Term Open Access (LTOA and STOA) charges amounting to ₹ 26.26 crore incurred between April 2010 to August 2010 had to be borne by the Government, which was otherwise payable by the PTC itself vide clause 4 of the original agreement for sale of power to:

(i) TNEB during April and May 2009 from the project switchyard to HP periphery,

(ii) JVVNL (Rajasthan) during April to June 2010 including short term access charges from project switchyard to Rajasthan periphery,

(iii) UT Chandigarh during the month of April 2010 from the project switchyard to HP periphery,

(iv) North Delhi Power Ltd. (NDPL) and PPSC (Punjab) during the period April to September 2010 from the project switchyard to HP periphery,

(v) HPPC (Haryana) during the period June to August 2010 from the project switchyard to HP periphery.

The Government of Himachal Pradesh had conveyed approval to these deviations made through supplementary agreement drafted by PTC even before the expiry of the applicability period of original agreement i.e. 31 October 2010 which was in contravention to the Contract Act. By doing so, revenue to the extent of ₹ 26.26 crore (STOA charges: ₹ 2.41 crore and LTOA charges: ₹ 23.85 crore) had been foregone between April and August 2010, besides, losses on account of transmission from bus bar to the delivery point, information of which was not available with the Director of Energy.

Audit reported the matter to the Department and the Government in April 2012; their replies have not been received (December 2012).

7.4.8 Conclusion

There were irregularities in maintaining relevant records for assessment and collection of royalty of *power share* of the Government. The upfront premium realised from the IPPs has not been treated as revenue of the department and was kept under Reserve Fund. Even after the commitment of the Principal Secretary (MPP & Power), the above irregularities are persisting and remained undetected which is not correct. The department did not effectively scrutinise

the receipts and correctness of payments due from the HPSEBL and the PTC. This resulted in non/short realisation of revenue.

Recommendations

The Government may consider to put in place a system:

- for determining the total receipts of power share of the Government from the power producers and also maintaining a complete record of sale through PTC;
- for prompt raising of demands and ensuring the correctness of amount paid on account of energy bills and
- to levy interest and other penal provisions for belated payments of dues or violations of provisions of agreements/power policy etc.

7.5 Non-deposit of electricity duty into Government account

According to the Himachal Pradesh Electricity (Duty) Act, 1975, and the Rules made there under, electricity duty (ED) is leviable on energy supplied by the Himachal Pradesh State Electricity Board (Board) to consumers. Under the rules *ibid,* the duty collected by the Board in monthly bills for the energy supplied, shall be deposited into the Government account half yearly i.e. in April and October every year. There is no provision for levy of interest/penalty for non/belated depositing of electricity duty into the Government account.

Audit collected the information from the office of the Chief Electrical Inspector (CEI) and noticed (June 2012) that ED of ₹ 358.48 crore realised by the Board upto 30 September 2011, was payable by April 2012 against which ₹ 205.01 crore were deposited. The balance amount of ₹ 153.47 crore of ED had not been deposited by the Board till April 2012. This resulted in non-deposit of ED amounting to ₹ 153.47 crore into the Government account. Thus, in absence of the provision for levy of interest penalty on delayed/non-payments of electricity duty, the Board was making payments of Government dues at its own will and not on due dates. In case the Board had made payments on due dates, the Government could have saved the minimum interest liability of ₹ 13.20 crore on loans raised by it, calculated at the rate of 8.60 *per cent* (Borrowing rates).

Audit reported the matter to the Department and the Government in July 2012. Further report of recovery was awaited (December 2012).

B. INDUSTRIES DEPARTMENT

7.6 Evasion of royalty on stone blast

Mining Officer (MO) Bilaspur

The Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, provide that the lessee shall pay the royalty in advance for the materials to be removed from the leased area and submit monthly return in form "G" to the Director and also to other officers as specified in the lease deed. Royalty on sand, stone etc. is to be charged at the rate of ₹ 20 per tonne on the basis of production and other measures in terms of notification dated 8.10.2007, issued by the Department of Industries, Government of Himachal Pradesh. The rules further stipulate that State Government may establish a check post for any area including area of any mining lease or permit for verification of the weighment or measurement of the quantity of the mineral being transported/ removed from the leased area on the pass in Form 'M' as prescribed in the rules.

Audit scrutinised the returns filed by a lessee[1] in the office of MO Bilaspur in October 2011 and noticed that the lessee had extracted 21,32,750 metric tonnes of stone blast between April 2010 and March 2011. The royalty of ₹ 4.27 crore was deposited by the lessee on the quantity of stone blast extracted by him from the leased area. Audit further noticed that the extraction of the stone blast between January and March 2011 was returned short by 4,25,190 tonne as compared to the average production during the year 2010-11 despite the number of labour employed remained the same during these months. The lessee neither furnished the reasons for rise or fall in extraction nor the Department detected this omission. The lessee had not furnished Form 'M' for transporting the stone blast as such the same was not verified by the department as no check post for the purpose of weighment or measurement of the quantity of the minerals had been established. Thus, the lessee had evaded the royalty of ₹ 0.85 crore on short extraction of 4,25,190 tonne of stone blast as shown in **Appendix-XIV**.

After this was pointed out by audit, the Department intimated in July 2012 that notices had been issued to the defaulters to deposit the amount of royalty. Further report on recovery had not been received (December 2012).

The matter was reported to the Government in November 2011. The replies have not been received (December 2012).

7.7 Non/short realisation of dead /surface rent and interest

7.7.1 Dead rent[2]

As per Himachal Pradesh Minor Minerals (Concession) Revised Rules 1971, dead rent of the leased area or royalty due from the mineral extracted from the leased area whichever is higher shall be payable by a lessee.

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1 M/s Italian Thai Development Public Company Limited (ITDPCL) Koldam Hydro Electric Power Project, Bilaspur

2 Dead rent is the rent fixed by the Government for mines without considering the fact whether the mines are profitable or not and minerals are being extracted from the mines or not.

Audit test checked the records of MOs Kangra and Una between August and December 2011 and noticed that six lessees[3] with leased area of 42.6832 hectares did not extract any produce during 2010-11. Therefore, these lessees were liable to pay dead rent of ₹ 4.37 lakh. The Department also did not apply the provisions of the rules, which resulted in non-recovery of dead rent to that extent.

Audit further test checked the records of MO Kangra and Solan between August and November 2011 and noticed that three lessees[4] with leased area of 159.52 hectares were required to pay the dead rent amounting to ₹ 28.69 lakh for the year 2009-10 and 2010-11. The Department had recovered ₹ 21.02 lakh from these lessees, which resulted in short recovery of dead rent of ₹ 7.67 lakh.

After this was pointed out by audit (December 2011), the MO Una intimated in April 2012 that out of ₹ 2.32 lakh an amount of ₹ 1.13 lakh had been recovered in respect of three lessees and remaining amount will be recovered shortly. The MO Kangra intimated that the notices will be issued to the defaulters of mining lessees against whom the outstanding arrears on account of dead rent are lying pending for recovery to deposit the outstanding amount of dead rent. The MO Solan stated that action would be taken as per the Act/Rules. Further report on recovery has not been received (December 2012).

The matter was reported to the Department and the Government between September and December 2011; their replies have not yet been received (December 2012).

7.7.2 Surface rent

Three MOs[5]

Rule 21.1 (i) (d) of the Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, provides that where a mining lease granted or renewed under these rules subsists or a new lease is granted or renewed, the lessee shall have to pay in addition to the royalty and dead rent, the surface rent at the rate of ₹ 200 per acre.

Audit test checked the records of three MOs between August and November 2011 and noticed that mining lease for leased area of 1,638.416 acres had been granted/ renewed in respect of 50 lessees (**Appendix-XV)** for the years 2009-10 and 2010-11. Therefore, these lessees were liable to pay the surface rent at the prescribed rates amounting to ₹ 4.15 lakh including interest of ₹ 0.78 lakh, which was neither paid by the lessees nor was demanded by the Department resulting in non-realisation of Government revenue to that extent.

On this being pointed out by audit, the Department intimated between December 2011 and April 2012 that ₹ 1.69 lakh had been recovered in respect of 34 lessees (₹ 55,317 from four lessees of MO Solan and ₹ 1.14 lakh from 30 lessees of MO Una, details in **Appendix-XVI**) and the notices had been issued to the remaining defaulters to deposit the outstanding amount of surface rent.

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3 MO Kangra; M/s Ranbir Singh PLP 2, M/s Sukhpal Singh KND 12, and Sh. Lal Singh BKP 4 MO Una; M/s Maa Naina Devi stone crusher, M/s Mahesh stone crusher and Atharv stone crusher

4 MO Kangra; M/s Sh. Harbhajan Singh DM 1 and M/s Sanjay Bhutail DHR 2, MO Una; M/s Nalagarh stone crusher

5 MO Hamirpur, Solan and Una

The matter was reported to the Government between September and December 2011. The replies have not been received (December 2012).

7.8 Non-realisation of royalty on rock salt

MO Mandi

As per the rule 21 (1)(i)(c) of Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, the lessee shall pay the royalty in advance for the materials to be removed from the leased area. Further, as per the GOI notification dated April 2003 royalty on rock salt shall be computed on the basis of average value as published by Indian Bureau of Mines in the Monthly Statistics of Mineral Production. The State Government shall add 20 *per cent* to the bench mark[76] value for the purpose of levy of royalty payable at the rate of 10 *per cent* of the value so arrived at.

Scrutiny of the returns filed by a lessee[7] in the above office it was noticed (November 2011) that lessee had extracted 1,199.60 metric tonnes of rock salt during the year 2010-11 (upto 15.01.2011). The lessee was liable to pay a royalty of ₹ 4.06 lakh. But it was neither paid by the lessee nor was it demanded by the department resulting in non-realisation of the Government revenue to that extent. Though the lessee had filed the returns, the mistakes were not detected by the MO.

On this being pointed out by audit, the Department stated that the action would be taken as per the provisions of the Act/Rules. No further report on realisation of royalty has yet been received (December 2012).

The matter was reported to the Government in December 2011. The replies have not been received (December 2012).

7.9 Non/Short recovery of royalty and interest

MO Bilaspur

7.9.1 The Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, provide that the lessee shall pay the royalty in advance for the materials to be removed from the leased area. Royalty for sand, stone etc. is to be charged at the rate of ₹ 20 per tonne on the basis of production based consumption of electricity units and other measure in terms of notification issued (8 October 2007) by the Department of Industries. The department further clarified in December 2002 that for production of one tonne of grit/ *bajri* by the stone crushers seven units of electricity are consumed. In case of default in payment of royalty for more than 60 days from the due dates of payment, interest at the rate of 24 *per cent* per annum is also leviable.

Audit test checked (October 2011) the register of royalty and returns filed by four lessses[8] in the office of the MO Bilaspur and noticed that after consuming 1,91,108 units of electricity 27,301.13 tonne of sand, stone and aggregate[9] was

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6 Month wise average value of rock salt fixed by Indian Bureau of Mines

7 M/s Hindustan Salts Ltd., Mandi

8 M/s Raj Kumar Quarries stone crusher, M/s Delta stone crusher, M/s Jiwan Industries and M/s Crystal stone crusher

9 Crushed stone

produced by these lessees during 2010-11. The royalty amounting to ₹ 5.46 lakh at the rate of ₹ 20 per tonne were required to be recovered from these lessees but it was neither deposited by the lessees nor demanded by the department, which resulted in non-recovery of royalty to that extent. Besides, interest of ₹ 1.31 lakh at the prescribed rates was also leviable.

On this being pointed out by audit (October 2011), the Department intimated in December 2011 that notices had been issued to the defaulters to deposit the outstanding amount of royalty. Further report on recovery and reply has not been received (December 2012). The matter was reported to the Government in November 2011. The replies have not been received (December 2012).

Five MOs

7.9.2 Audit test checked between August 2011 and October 2011 the register of royalty and returns filed by 17 other lessees (**Appendix-XVII)** in the office of the five MOs[10] and noticed that royalty of ₹ 82.39 lakh was required to be recovered from these lessees on account of 4.12 lakh tonne crushed stone extracted by them from the leased area during 2010-11. Out of this, the Department had recovered only ₹ 48.05 lakh, which resulted in short recovery of royalty of ₹ 34.34 lakh.

After this was pointed out by audit between August 2011 and October 2011, the Department intimated in December 2011 that in case of MO Solan notices had been issued to the defaulters to deposit the outstanding amount of royalty. The remaining MOs intimated that either notices will be issued to the defaulters to deposit the outstanding amount of royalty or action would be taken as per the provisions of the Act/ Rules.

The matter was reported to the Government between August 2011 and October 2011. The replies have not been received (December 2012).

7.9.3 Non-levy of interest on belated payment of royalty

Audit further test checked between October 2011 and December 2011 registers and return filed by 12 lessees (**Appendix-XVIII)** in the office of MOs Hamirpur and Una and noticed that royalty of ₹ 21.97 lakh for the period of October 2008 to March 2011 was deposited late by these lessees. The delay in deposit of royalty ranged between 2 and 507 days. Interest of ₹ 4.97 lakh on the delayed payment of royalty though recoverable from the lessees was not charged by the department.

On this being pointed out by audit between October 2011 and December 2011, the MO Una intimated in April 2012 that an amount of ₹ 2.95 lakh had been recovered from the lessees while MO Hamirpur intimated that notices had been issued to the defaulters to deposit the outstanding amount of royalty. Further reports on recoveries have not been received (December 2012).

The matter was reported to the Government between October and December 2011. The replies have not been received (December 2012).

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[10] MOs Bilaspur: one lessee: ₹ 1.88 lakh, Hamirpur: two lessees: ₹ 1.87 lakh, Mandi: five lessees: ₹ 3.20 lakh, Solan: six cases: ₹ 24.44 lakh and Una three lessees: ₹ 2.95 lakh

7.10 Short realisation of royalty on shale

Two MOs

Royalty is leviable as soon as the mineral is removed from the leased area. Further, as per the GOI notification dated April 2003 royalty on shale shall be computed on the basis of average value as published by Indian Bureau of Mines in the Monthly Statistics of Mineral Production. The State Government shall add 20 *per cent* to the bench mark value for the purpose of levy of royalty payable at the rate of 10 *per cent* of the value so arrived at.

Scrutinising the returns filed by three lessees[11] in the two MOs[12], audit noticed between August and October 2011, that lessees had extracted 14,91,093.43 metric tonnes of shale between April 2010 and March 2011. The royalty of ₹ 23.26 lakh was required to be recovered from these lessees on the quantity of shale extracted by them from the leased areas during 2010-11. Out of this, the Department had recovered only ₹ 17.94 lakh. This was due to the fact that 20 *per cent* of the bench mark value was not added to the rate of royalty payable by the department which resulted in short recovery of royalty by ₹ 5.32 lakh.

After this was reported (between September and November 2011), the Department intimated in December 2011 in respect of MO Solan, that as soon as the recovery was effected, audit would be apprised accordingly. No further report on recovery and reply in respect of MO Bilaspur had been received (December 2012).

The matter was reported to the Government between September and November 2011. The replies have not been received (December 2012).

(Satish Loomba)
Pr. Accountant General (Audit)
Himachal Pradesh

Shimla
The

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The

[11] M/s ACC Barmana-Bilaspur, Ambuja Cement Darlaghat, and J. P Cement Bagha-Solan
[12] MO Bilaspur and Solan

Appendix–I

Reference: Para-1.10 (Audit planning)

Sr. No.	Principal head	Units audited
1.	Sales tax	11
2.	Motor Vehicle tax	52
3.	Stamp & Registration Fee	78
4.	Passengers and Goods Tax	09
5.	State Excise Duty	08
6.	Forest	28
7.	Mining	07
8.	Entertainment Duty	00
9.	Luxury Tax	01
10	MP Barrier	10
11.	Non-tax Receipts	34
Total		**238**

Appendix-II

Reference: Para-2.10 (Incorrect deduction of cost of material)

(₹ in lakh)

District	No. of contractors	Year/Date of assessment	Value of material supplied/ deduction allowed	Tax leviable at 4/12.5 *per cent*	Interest leviable	Total tax effect
Chamba	2	2005-06 to 2007-08 Between March 2010 and May 2010	83.01	3.32	2.43	5.75
Hamirpur	3	2005-06 to 2009-10 Between March 2010 and February 2011	107.96	4.32	2.61	6.93
Kangra	3	2005-06 to 2009-10 Between January 2010 and March 2011	739.85	29.59	18.30	47.89
Mandi	1	2005-06 and 2006-07 January 2011	47.40	5.93	5.66	11.59
Sirmour	2	2005-06 and 2007-08 Between July 2010 and September 2010	24.77	3.09	2.55	5.64
Shimla	9	2005-06 to 2009-10 Between January 2008 and June 2011	784.53	47.78	27.40	75.17
Una	6	2005-06 to 2009-10 Between April 2010 and September 2010	557.50	22.30	16.56	38.86
Total	**26**	-	**2345.02**	**116.33**	**75.51**	**191.83**

Appendix-III

Reference para 2.12.1 (Invalid and defective 'C' forms)

(₹ in crore)

Name of the Unit/ AETC	Period of Assessment	Assessed between	No. of dealers	Concessional rate of tax allowed on interstate sale against form 'C'	Tax effect including interest		Remarks
					Tax	Interest	
AETC Una	2006-07	November 2010	1	3.41	0.30	0.27	A firm other than the firm to whom the goods were sold issued 4 'C' forms.
AETC BBN, Kangra, Sirmour, Solan, and Una	2005-06 to 2008-09	April 2010 and August 2011	11	23.37	1.77	1.45	240 'C' forms were not addressed to the assesses that claimed the concession.
AETC Sirmour, BBN, Solan	2005-06 to 2008-09	June 2008 and August 2011	7	4.27	0.48	0.38	151 'C' forms were duplicate and 3 were counterfoil
AETC BBN	2006-07	June 2008 and February 2011	3	4.76	0.50	0.40	Transactions mentioned in 4 'C' forms did not pertain to the relevant assessment year of the dealers.
AETC, Una	2008-09	January 2011	1	0.69	0.02	0.01	29 'C' forms were found tampered by the dealer who struck off and rewrote the address of the selling dealer with ball pen
AETC BBN and Una	2005-06 to 2008-09	April 2010 and February 2011	5	6.06	0.64	0.37	10 'C' forms were found incomplete as they did not contain essential details name, address and registration number of the selling dealer, purchase order, challan number, description of goods dispatched, date of delivery etc.
Total			**28**	**42.56**	**3.71**	**2.88**	

Appendix-IV

Reference para 2.12.2 (Misutilisation of 'F' forms)

(₹ in crore)

Name of the Unit/ AETC	Period of Assessment	Assessed between	No. of dealers	Exemption of tax allowed on branch transfer of stock against form 'F'	Tax effect including interest		Remarks
					Tax	Interest	
AETC, Solan	2007-08 to 2009-10	February 2010 to January 2011	2	15.53	0.63	0.17	8 'F' forms were duplicate and out of these one 'F' form contained transactions covering more than one calendar month.
AETC, BBN, Kangra & Solan	2005-06 to 2009-10	February 2010 to January 2011	3	3.15	0.14	0.09	19 'F' forms contained transactions covering more than one calendar month and 1 'F' form contained transactions beyond assessment year
AETC, BBN	2006-07	March 2011	1	163.63	1.64	1.29	17 'F' forms were addressed to those branches that were not specified in the registration certificate
AETC, BBN	2006-07	June 2010	1	3.46	0.35	0.27	16 'F' forms were containing incomplete address or without name & address
Total			**7**		**2.76**	**1.82**	

Appendix-V

Reference: Paragraph 4.6.8.2 (Industrial leases)

(₹ in lakh)

Sr. No	Name of the SR unit	No. of deeds/ Area (in sqm)	Cost of Indus-trial plots as per rates fixed by industry department	Cost of Industrial plots shown in deed	Short realization of						Total amount of short realisation of SD and RF
					Stamp duty			Registration fee			
					Due	Paid	Short	Due	Paid	Short	
1	Amb	1/2000	24.00	12.00	0.72	0.18	**0.54**	0.25	0.12	**0.13**	**0.67**
2	Baddi	13/22,585.71	677.57	259.93	20.33	7.80	**12.53**	3.25	3.04	**0.21**	**12.74**
3	Kullu	2/1349	30.48	8.25	0.91	0.25	**0.66**	0.50	0.16	**0.34**	**1.00**
4	Kasauli	5/4500	270.00	148.02	8.10	4.44	**3.66**	2.00	1.41	**0.59**	**4.25**
5	Mandi	5/1553	21.55	7.92	0.65	0.24	**0.41**	0.43	0.16	**0.27**	**0.68**
6	Nahan	1/1602	35.24	4.58	1.06	0.14	**0.92**	0.25	0.09	**0.16**	**1.08**
7	Paonta	5/5100	112.20	27.55	3.37	0.83	**2.54**	1.04	0.55	**0.49**	**3.03**
8	Shimla (Rural)	15/8684	115.54	28.73	3.47	0.86	**2.60**	2.29	0.57	**1.72**	**4.32**
9	Solan	5/4589.32	153.98	39.44	4.62	1.27	**3.35**	0.78	0.39	**0.39**	**3.74**
Total		**52/51,963.03**	**1440.56**	**536.42**	**43.23**	**16.01**	**27.21**	**10.79**	**6.49**	**4.30**	**31.51**

Appendix-VI

Reference: Paragraph 4.6.8.3 (Mining leases)

(₹ in lakh)

Sr. No.	Name of the Sub Registrar	Name of lessee	Lease period (in years)/ Year/	Annual average royalty	Twice the annual average royalty	Due		Paid		Short realisation		Total
						Stamp Duty	Registration Fee	Stamp Duty	Registration Fee	Stamp Duty	Registration Fee	
1	Amb	Jasso stone crusher, Una	15 2009-10	4.75	9.50	0.28	0	0.10	0	0.18	0	0.18
		M/s Jaswal Stone Crusher Mandwara, Amb	15 2010-11	4.75	9.49	0.28	0.19	0.10	0.06	0.18	0.13	0.31
2	Arki	Ambay stone crusher, Solan	15 2009-10	3.65	7.30	0.22	0	0.20	0	0.02	0	0.02
3	Chamba	Niraj Nayyar, Chamba	15 2006-07	5.00	10.00	0.30	0.20	0.02	0.02	0.28	0.18	0.46
4	Fatehpur	Surjeet Singh, Kangra	15 2008-09	7.30	14.60	0.44	0	0.34	0	0.10	0	0.10
		Raghav Singh, Kangra	15 2009-10	5.11	10.22	0.31	0.20	0.25	0.16	0.06	0.04	0.10
5	Gohar	Indresh sharma. Mandi	15 2009-10	2.92	5.84	0.18	0.12	0.15	0.01	0.03	0.11	0.14
6	Kullu	Sunder Thakur Kullu	15 2008-09	3.65	7.30	0.22	0	0.06	0	0.16	0	0.16
7	Pacchad	Sat Dev Chadda,Nahan	15 2009-10	21.90	43.80	1.31	0.25	0.34	0.22	0.97	0.03	1.00
8	Paonta Sahib	Gajinder pal, Nahan	15 2009-10	7.30	14.60	0.44	0.25	0.35	0.23	0.09	0.02	0.11
9	Sarkaghat	Ruma devi, stone crusher, Mandi	15 2009-10	7.00	14.00	0.42	0.25	0.21	0.14	0.21	0.11	0.32
10	Una	Lakhvinder Singh, Una	15 2008-09	7.30	14.60	0.44	0.25	0.10	0.07	0.34	0.18	0.52
		Saraswati stone crusher	15 2009-10	2.92	5.84	0.18	0	0.15	0	0.03	0	0.03
Total				**83.55**	**167.09**	**5.02**	**1.71**	**2.37**	**0.91**	**2.65**	**0.80**	**3.45**

Appendix-VII

Reference: Paragraph 4.6.10.2 (Exchange of properties)

(₹ in lakh)

Sr. No.	Name of the SR unit	No. of Patwar Circles	No. of cases	Market value	Revenue due		
					Stamp duty	Registration fee	Total
1	Sujanpur	15	26	108.28	3.25	1.91	5.16
2	Amb	14	79	125.66	3.77	2.47	6.24
3	Hamirpur	23	46	209.87	6.30	2.94	9.24
4	Nahan	3	4	377.29	11.32	0.76	12.08
5	Nalagarh	4	50	6497.98	195.07	9.15	204.22
6	Paonta Sahib	5	8	267.49	8.02	1.59	9.61
7	Bhoranj	6	6	1.55	0.05	0.02	0.07
8	Shimla ®	2	9	12.69	0.38	0.25	0.63
9	Bangana	46	125	177.05	5.31	3.52	8.83
10	Solan	3	4	52.76	1.59	0.58	2.17
	Total	**121**	**357**	**7830.62**	**235.06**	**23.19**	**258.25**

Appendix-VIII

Reference: Paragraph 4.6.12 (Incorrect preparation of valuation report by *Patwaris*)

(₹ in lakh)

Sr. No	Name of the SR unit	No. of deeds	Market value as per the actual price applicable	Market value determined on the basis of *parta* prepared by *Patwaris*	Deficient Amount		Total
					Stamp duty	Registration fee	
1.	Amb	11	125.13	109.55	0.78	0.19	0.97
2.	Aut	8	169.23	93.07	3.81	0.17	3.98
3.	Baddi	3	100.78	96.85	0.20	0	0.20
4.	Balichowki	20	43.68	20.47	1.16	0.46	1.62
5.	Bangana	24	124.01	69.09	2.74	0.65	3.39
6.	Bhoranj	9	46.62	40.43	0.30	0.12	0.42
7.	Bharari	16	52.73	30.40	1.11	0.36	1.47
8.	Bijhri	3	17.33	12.35	0.25	0.10	0.35
9.	Chamba	7	20.96	19.77	0.06	0.02	0.08
10.	Dalhousie	7	189.72	148.07	2.08	0.10	2.18
11.	Dharampur	4	5.31	2.61	0.13	0.05	0.18
12.	Dharmshala	4	33.30	13.17	0.92	0.33	1.25
13	Dheera	8	17.44	11.22	0.31	0.12	0.43
14	Hamirpur	17	234.37	118.35	5.80	0.53	6.33
15	Haroli	15	133.17	79.88	1.48	0.17	1.65
16	Harchakian	44	105.98	40.34	2.72	1.42	4.14
17	Jaswa Kotla	8	41.70	6.47	1.76	0.24	2.00
18	Kalpa	10	249.10	29.44	10.98	1.09	12.07
19	karsog	6	363.09	110.93	12.61	0.34	12.95
20	Kasauli	16	1411.63	277.63	56.68	1.03	57.71
21	Kotli	5	14.27	6.24	0.28	0.17	0.45
22	kullu	63	685.59	510.28	7.61	1.79	9.40
23	khundian	31	101.43	53.40	2.78	1.12	3.90
24	Kumarsain	4	5.24	3.01	0.11	0.05	0.16
25	Mandi	15	71.79	44.60	1.08	0.42	1.50
26	Manali	15	157.60	142.92	0.70	0.20	0.90
27	Nalagarh	11	543.92	185.82	17.86	0.87	18.73
28	Namhol	16	319.70	78.97	12.04	1.44	13.48
29	Nirmond	1	8.03	0.92	0.36	0.14	0.50
30	Nauradhar	15	709.60	426.57	14.14	0.68	14.82
31	Nahan	1	2.20	1.50	0.04	0.03	0.07
32	Paonta sahib	22	645.39	477.59	8.35	0.38	8.73
33	Rakkar	7	25.20	22.95	0.11	0.05	0.16
34	Ramshehar	11	62.91	47.38	0.77	0.23	1.00
35	Sainj	20	152.52	114.29	1.88	0.44	2.32
36	Shimla ®	6	517.66	318.62	9.65	0.11	9.76
37	Shimla (U)	14	352.71	190.33	8.37	0.09	8.46
38	Shahpur	6	9.71	7.97	0.09	0.03	0.12
39	Solan	13	405.47	225.26	2.46	0.12	2.58
40	Sujanpur	16	137.74	83.21	1.78	0.41	2.19
41	Theog	20	765.10	537.23	9.29	0.56	9.85
42	Thural	13	39.30	14.01	1.26	0.35	1.61
Total		**565**	**9218.36**	**4823.16**	**206.89**	**17.17**	**224.06**

Appendix-IX

Reference: Paragraph 4.6.12.1 (Incorrect determination of market value of properties)

(₹ in lakh)

Sr. No.	Name of the SR unit	No. of deeds	Market value as per the actual price applicable	Market value determined on the basis of *parta* prepared by *Patwaris*	Deficient Amount		Total
					Stamp duty	Registration fee	
1	Baddi	19	6272.65	1,344.75	246.39	0.60	246.99
2	Bhoranj	4	18.97	17.95	0.05	0.02	0.07
3	Bijhri	7	17.94	14.45	0.17	0.07	0.24
4	Chamba	10	86.26	58.97	1.36	0.27	1.63
5	Dharmshala	24	1224.00	456.02	38.64	1.21	39.85
6	Galore	7	45.43	20.23	1.23	0.24	1.47
7	Hamirpur	2	112.81	40.24	3.63	0	3.63
8	Kasauli	16	621.41	330.05	15.08	0.81	15.89
9	Kullu	3	65.70	51.98	0.68	0	0.68
1	Kumarsain	3	4.59	2.12	0.12	0.05	0.17
11	Manali	6	836.98	682.23	7.72	0.06	7.78
12	Mandi	12	620.96	422.11	11.99	0.30	12.29
13	Nahan	37	8050.39	1,478.56	329.72	1.52	331.24
14	Nalagarh	18	5987.61	1,911.03	203.93	0.93	204.86
15	Paonta	10	976.28	458.73	25.87	0.11	25.98
16	Shimla ®	31	569.93	391.36	8.94	1.61	10.55
17	Shimla (U)	5	183.13	91.45	4.28	0.12	4.40
18	Solan	14	3,587.32	790.78	142.31	0.22	142.53
19	Theog	1	4.36	0.52	0.19	0.08	0.27
Total		**229**	**29,286.72**	**8,563.53**	**1042.3**	**8.22**	**1,050.52**

Appendix-X

Reference: Paragraph 4.6.14 (Transfer of Government land without recovery of lease money)

(₹ in lakh)

Sr. No.	Name of District/ No. of Power Projects	Date of FCA approval	Forest land transferred (in hectare)	Lease money (Worked out on the basis of average lease money of ₹ 13.29 lakh per hectare)	Stamp duty at the rate 3 *per cent*	Registration fee	Total (SD & RF recoverable
1	**Chamba 20**	04.04.2005 and 16.01.2010	111.45	1,481.17	44.43	5.00	49.43
2	**Mandi 3**	14-05-2007 and 29.01.2008	24.61	327.07	9.81	0.75	10.56
3	**Kangra 17**	24.04.2005 and 30.07.2009	58.28	774.54	23.24	4.04	27.28
4	**Kullu 21**	17.01.2005 and 26.10.2009	253.28	3,366.09	100.98	4.98	105.96
5	**Kinnaur 7**	15.02.2007 and 24.12.2007	18.17	241.48	7.24	1.62	8.86
6	**Shimla 16**	21.04.2005 and 19.01.2010	198.29	2,635.26	79.06	3.84	82.90
	84	**TOTAL**	**664.08**	**8,825.62**	**264.76**	**20.23**	**284.99**

Appendix-XI

Reference: Para 4.9 (Incorrect preparation of valuation report by *Patwaris)*

(₹ in lakh)

Sr. No.	Name of the SR unit	No. of cases involved	Consideration value under which conveyance deed required to be executed	Consideration value taken for execution of conveyance deed as per *partas* prepared by *Patwari Halqa*	Deficient Amount		Total
					Stamp duty	Registration fee	
1	Badoh	12	23.36	15.51	0.39	0.16	0.55
2	Bharwai	11	65.25	50.17	0.75	0.21	0.96
3	Jaisinghpur	16	131.05	71.02	3.15	0.66	3.81
4	Jawali	18	142.92	106.71	1.81	0.55	2.36
5	Jogindernagar	21	92.73	77.98	0.74	0.29	1.03
6	Jubbal	09	60.60	34.66	1.30	0.43	1.73
7	Junga	02	21.16,	11.68	0.48	0.13	0.61
8	Kandaghat	09	84.97	68.12	0.88	0.19	1.07
9	Krishangarh	06	188.95	178.25	0.53	0.04	0.57
10	Nadaun	06	125.84	21.29	5.23	0.33	5.56
11	Rajgarh	04	53.40	11.16	2.12	0.52	2.64
12	Rampur	31	519.25	433.27	4.27	0.49	4.76
13	Sarahan	06	78.61	59.14	0.92	0.06	0.98
14	Shilai	16	110.99	37.71	3.66	0.64	4.30
TOTAL		**167**	**1,699.06**	**1,176.67**	**26.23**	**4.70**	**30.93**

Appendix-XII

Reference: Para 6.5.12 (Injudicious reduction of royalty rates)

(In ₹)

Specie	Years			
	2007-08	2008-09	2009-10	2010-11
Deodar	4,315	4,315	5,664	5,903
Kail	2,388	2,388	2,944	3,098
Fir/ spruce	677	677	836	790
Chil	431	431	626	572
OBL	297	297	481	326

Appendix-XIII

Reference: Para 6.5.22.3 (Blocking of revenue due to non-disposal of seized timber)

(₹in crore)

Year	No. of cases	Deo (Timber in cu.m)	Kail (Timber in cu.m)	R/F (Timber in cu.m)	Chil (Timber in cu.m)	OBL (Timber in cu.m)	Total	Amount
2006-07	6	621.893	0	0	0	0	21.893	0.10
2007-08	43	73.494	24.0258	1.686	3.4989	0	102.7047	0.45
2008-09	43	70.314	16.687	0	0	0.164	87.195	0.40
2009-10	79	128.182	60.056	8.182	4.542	2.736	203.698	0.86
2010-11	45	84.413	11.72	0	5.161	0.828	102.122	0.46
Total	**216**	**378.296**	**112.4888**	**9.868**	**13.2019**	**3.728**	**517.6127**	**2.27**

Appendix-XIV

Reference to the Para 7.6 (Evasion of royalty on stone blast)

(In ₹)

Month of Report	Production of Stone blast during the month (in tonne)	Rate of royalty	Amount of royalty for the month	Date of deposit	No of laborer employed for the month	Average production for the each month	Short production for the each month	Royalty required to be recovered on Short production
April 2010	3,10,000	₹ 20/- per tonne	62,00,000	30.04.10	**48**	1,77,730	No short production	----
May 2010	2,90,000		58,00,000	29.05.10	**48**	1,77,730	**--do--**	---
June 2010	1,04,750		20,95,000	05.07.10	**48**	1,77,730	-----	---
July 2010	3,60,000		72,00,000	30.07.10	**48**	1,77,730	-----	---
Aug 2010	2,50,000		50,00,000	30.08.10	**48**	1,77,730	---	---
Sept. 2010	2,10,000		42,00,000	01.0.10	**48**	1,77,730	----	---
Oct. 2010	1,90,000		38,00,000	29.10.10	**20**	1,77,730	----	---
Nov. 2010	1,60,000		32,00,000	02.12.10	**48**	1,77,730	----	---
Dec. 2010	1,50,000		30,00,000	10.01.11	**48**	1,77,730	----	---
Jan. 2011	30,000		6,00,000	02.02.11	**48**	1,77,730	**1,47,730**	**29,54,600**
Feb. 2011	70,000		14,00,000	01.03.11	**48**	1,77,730	**1,07,730**	**21,54,600**
March 2011	8,000		1,60,000	30.03.11	**48**	1,77,730	**1,69,730**	**33,94,730**
Total	**21,32,750 tonne**		**4,26,55,000**				**4,25,190**	**85,03,930**
Average production for one month = 21,32,750/12 =1,77,730 tonne								

Appendix-XV

Reference to the Para 7.7.2 (Surface rent) **(In ₹)**

Name of MO	Name of Lessees M/s	Leased area (in acre)	No of months for which Surface rent due	Surface rent required to be paid @ ₹ 200/- per acre	Interest @ 24 *per cent* per annum leviable on unpaid Surface rent	Total amount including interest required to be recovered
Hamirpur	1) Kailash Stone Crusher, Sukkar Khad Bairi	28	12 months	5,600	1,344	**6,944**
	2)Sukkar Stone Crusher, Chowki Prop Sanjay Kumar	51	24 months	20,400	4,896	**25,296**
	3) Jai Baba Stone Crusher, Dhangotai –Prop Smt Saroti Devi	21	36 months	12,600	3,024	**15,624**
	4) Himachal Stone Crusher, Mundkhar –Prop Parsotam Chand	30	24 months	12,000	2,880	**14,880**
	5) Sanjay Chauhan Stone Crusher, Manoh	18.50	24 months	7,400	1,776	**9,176**
	6) Ajodhaya Lal Sharma Stone Crusher,	11.50	12 months	2,300	552	**2,852**
	7)Smt. Neelam Sharma w/o Sh. L. R. Sharma	13	12 months	2,600	624	**3,224**
	8) Sh. Satish Kumar S/o Sh. Budhi Chand,	5	12 months	1,000	240	**1,240**
	9) Rajat Thakur Stone Crusher	1.5	24 months	600	144	**744**
	9 lessees	**179.50**		**64,500**	**15,480**	**79,980**
Solan	1) Doon Stone Crusher, - Sh. Ajay Kumar	27.62	12 months	5,524	1,326	**6,850**
	2) Rama Stone Crusher, Sh. Ram Kumar	140.81	12 months	28,162	6,759	**34,921**
	3) Kundlas Stone Crusher,	140.81	12 months	28,162	6,759	**34,921**
	4) Aggarwal Stone Crusher,	41.41	12 months	8,282	1,988	**10,270**
	5) Shiv Bhawani Stone Crusher	98.01	12 months	19,602	4,704	**24,306**
	6) Singh Stone	95.414	12 months	19,083	4,580	**23,663**
	7) Tripti Stone Crusher	49.82	12 months	9,964	2,391	**12,355**
	8) Jai Mata Stone Crusher	33.018	12 months	6,604	1,585	**8,189**
	9) Gurmeet Stone Crusher	20.80	12 months	4,160	998	**5,158**
	10) Naina Stone Crusher	44.80	12 months	8,960	2,150	**11,110**
	11) Naina Devi Stone Crusher	198.404	6 months	19,840	2,381	**22,221**
	11 lessees	**890.916**		**158,343**	**35,621**	**193,964**
Una	1) Himachal Chemical Silicate Works, Bathu	222	2010-11	44,400	10,656	**55,056**
	2) Jaswal Stone Crusher,	07	2010-11	1,400	336	**1,736**
	3) Mahesh Stone Crusher	35	2010-11	7,000	1,680	**8,680**
	4) Him Stone Crusher,	06	2010-11	1,200	288	**1,488**
	5) NSD Stone Crusher,	15	2010-11	3,000	720	**3,720**
	6) Sarswati Stone Crusher	10	2010-11	2,000	480	**2,480**
	7) Shiva Stone Crusher	05	2010-11	1000	240	**1,240**
	8) Shakti Wet Screening Plant	10	2010-11	2,000	480	**2,480**
	9) Garnee Screening Plant	5	2010-11	1,000	240	**1,240**
	10) Bharat Stone Crusher	19	2010-11	3,800	912	**4,712**
	11) Nav Durga Stone Crusher	09	2010-11	1,800	432	**2,232**
	12) Mahavir Stone Crusher	25	2010-11	5,000	1,200	**6,200**
	13) Lakhwinder Stone Crusher	13	2010-11	2,600	624	**3,224**
	14) Manu Stone Crusher	19	2010-11	3,800	912	**4,712**
	15) Dalbir Singh Stone Crusher	10	2010-11	2,000	480	**2,480**
	16) Sh. Parshotam Lal	04	2010-11	800	192	**992**
	17) Sh Krishan	05	2010-11	1,000	240	**1,240**
	18) Sh. Manmohan	08	2010-11	1,600	384	**1,984**
	19) Sh. Sanjeev	13	2010-11	2,600	624	**3,224**
	20) Sh. Ashok Kumar Malahat Crusher	08	2010-11	1,600	384	**1,984**
	21) Sh Kulwinder Singh Bathu	04	2010-11	800	192	**992**
	22) Sh. Ajay Kumar Baduhi	03	2010-11	600	144	**744**
	23) Sh Jagdev Singh Thakur	10	2010-11	2,000	480	**2,480**
	24) Long Jian Co.	06	2010-11	1,200	288	**1,488**
	25) Mohanta Mining Co.	23	2010-11	4,600	1,104	**5,704**
	26 Thakur Enterprises	24	2010-11	4,800	1,152	**5,952**
	27 Rudra Stone Crusher.	13	2010-11	2,600	624	**3,224**
	28 Lakhwinder Singh Unit-II	11	2010-11	2,200	528	**2,728**
	29 Jaiganesh Stone Crusher	12	2010-11	2,400	576	**2,976**
	30) Himachal Crashing Co.	14	2010-11	2,800	672	**3,472**
	30 lessees	**568.00**		**113,600**	**27,264**	**140,864**
Total of MOs Hamirpur, Solan and Una	**50 lessees**	**1,638.416**		**3,36,443**	**78,365**	**4,14,808**

Appendix-XVI

Reference to the Para 7.7.2 (Surface rent)

(In ₹)

Name of MO	Name of Lessees M/s	Total amount recovered
Solan	1) Singh Stone	23,663
	2) Tripti Stone Crusher	12,355
	3) Jai Mata Stone Crusher	8,189
	4) Naina Stone Crusher	11,110
	4 lessees	**55,317**
Una	1) Himachal Chemical Silicate Works,	44,400
	2) Jaswal Stone Crusher,	1,400
	3) Mahesh Stone Crusher	7,000
	4) Him Stone Crusher,	1,200
	5) NSD Stone Crusher,	3,000
	6) Sarswati Stone Crusher	2,000
	7) Shiva Stone Crusher	1000
	8) Shakti Wet Screening Plant	2,000
	9) Garnee Screening Plant	1,000
	10) Bharat Stone Crusher	3,800
	11) Nav Durga Stone Crusher	1,800
	12) Mahavir Stone Crusher	5,000
	13) Lakhwinder Stone Crusher	2,600
	14) Manu Stone Crusher	3,800
	15) Dalbir Singh Stone Crusher	2,000
	16) Sh. Parshotam Lal	800
	17) Sh Krishan	1,000
	18) Sh. Manmohan	1,600
	19) Sh. Sanjeev	2,600
	20) Sh. Ashok Kumar Malahat Crusher	1,600
	21) Sh Kulwinder Singh Bathu	800
	22) Sh. Ajay Kumar Baduhi	600
	23) Sh Jagdev Singh Thakur	2,000
	24) Long Jian Co.	1,200
	25) Mohanta Mining Co.	4,600
	26 Thakur Enterprises	4,800
	27 Rudra Stone Crusher.	2,600
	28 Lakhwinder Singh Unit-II	2,200
	29 Jaiganesh Stone Crusher	2,400
	30) Himachal Crashing Co.	2,800
	30 lessees	**1,13,600**
Total	**34 lessees**	**1,68,917**

Appendix-XVII

Reference to the Para 7.9.2 (Non/short recovery of royalty and interest)

(In ₹)

Name of the MOs	Name of the lessee/owner of crusher unit	Total units of electricity consumed	Qty. of Material used/extracted in tonne	Royalty due at the rate of ₹ 20/- per tonne	Amount of royalty actually paid	Total amount of Royalty paid short /recoverable
Bilaspur	M/s Jiwan Industries	1,33,115	19,016.43	3,80,328	1,92,314	1,88,014
	1 case	**1,33,115**	**19,016.43**	**3,80,328**	**1,92,314**	**1,88,014**
Hamirpur	1) M/s Sukar Stone Crusher Chowli	3,04,157	43,451.00	8,69,020	7,68,700	1,00,320
	2) M/s Jai Shankar Stone Crusher	2,81,540	40,220.00	8,04,400	7,17,540	86,860
	2 Cases	**5,85,697**	**83,671.43**	**16,73,420**	**14,86,240**	**1,87,180**
Mandi	1) M/s Maha Kuxmi Stone Crusher	60,460	8,637.14	1,72,743	---NIL---	1,72,743
	2) M/s Murari Mata Stone Crusher	52,008	7,429.71	1,48,594	1,20,000	28,594
	3) M/s Baba Balak Nath Stone Crusher	74,064	10,580.57	2,11,611	1,30,720	80,891
	4) M/s Malhotra Stone Crusher	26,537	3,791.00	75,820	53,564	22,256
	5) M/s Verma Stone Crusher	65,065	9,295.00	1,85,900	1,70,180	15,720
	5 cases	**2,78,134**	**39,733.42**	**7,94,668**	**4,74,464**	**3,20,204**
Solan	1) M/s Krishna Stone Crusher Solan	8,68,870	1,24,124.29	24,82,485	6,42,980	18,39,505
	2) M/s Aggrawal Stone Crusher, Nalagarh	75,756	10,822.29	2,16,445	192,000	24,445
	3) M/s Laxmi Stone Crusher, Kandaghat,	30,005	4,286.43	85,728	71,070	14,658
	4) M/s Shiv Bhole Stone Crusher, Nalagarh	4,29,150	61,307.14	12,26,142	9,96,440	2,29,702
	5) M/s Naina Stone Crusher, Nalagarh Chand	2,74,191	39,170.14	7,83,402	4,75,700	3,07,702
	6) M/s Jai Naina Devi Stone Crusher, Nalagarh	1,02,372	14,624.57	2,92,491	2,64,224	28,267
	6 cases	**17,80,344**	**2,54,334.86**	**50,86,693**	**26,42,414**	**24,44,279**
Una	1) M/s Shakti Wet Screening Plant	72,877	10,411	2,08,220	3,595	2,04,625
	2) M/s Nav Durga Stone Crusher	26,069	3,724.14	74,483	5,890	68,593
	3) M/s Himachal Chemicals & Silicate Works (A)	1,972	281.71	5,634	-----	5,634
	----DO ---(B)	4,992	713.14	14,263	----	14,263
	-----Do---(C)	555	79.29	1,586	---	1,586
	3 cases	**1,06,465**	**15,209.28**	**3,04,186**	**9,485**	**2,94,701**
	17 cases	**28,83,755 units**	**4,11,964.99 tonne**	**82,39,295**	**48,04,917**	**34,34,378**

Appendix-XVIII

Reference to the Para 7.9.3 (Non-levy of interest on belated payment of royalty)

(In ₹)

Name of the MOs	Name of the lessee/owner of crusher unit	Amount of royalty actually deposit	Due date of payment between	Royalty actually deposited between	Delay in deposit ranged between	Interest @ 24 *per cent* per annum leviable
Hamirpur	1) M/s Sukar Stone Crusher	7,68,700	01.11.08 and 01.03.11	03.01.2009 and 04.04.2011	3 and 371 days	98,156
	2) M/s Jai Shankar Stone Crusher	5,04,712	01.03.09 and 01.04.11	09.07.2009 and 01.08.2011	13 and 274 days	22,471
	3) M/s Jai Bhole Shankar Stone Crusher	10,21,972	01.02.09 and 01.02.11	22.09.2009 and 13.04.2011	4 and 241 days	87,643
	4) M/s Sanjay Chauhan Stone Crusher	2,76,160	01.05.09 and 01.02.11	14.09.2009 and 21.04.2011	14 and 507 days	38,629
	5) M/s Jai Baba Stone Crusher	8,41,500	01.05.09 and 01.04.11	14.12.2009 and 08.08.2011	16 and 238 days	60,268
	5 Cases	**34,13,044**			**3 and 507 days**	**3,07,167**
Una	1) M/s Nav Durga Stone Crusher	3,83,850	01.05.10 and 01.04.11	13.12.2010 and 29.04.2011	14 and 167 days	22,282
	2) M/s Mahavir Stone Crusher	5,30,360	01.05.10 and 01.04.11	08.04.2011 and 12.08.2011	48 and 277 days	49,367
	3) M/s Himachal Chemicals & Silicate Works Unit-II	3,50,728	01.05.10 and 01.04.11	07.08.2010 and 22.11.2011	5 and 207 days	23,676
	4) M/s Jaswal Stone Crusher	2,16,690	01.05.10 and 01.04.11	01.07.2010 and 28.05.2011	2 and 188 days	12,602
	5) M/s Him Stone Crusher	3,76,320	01.05.10 and 01.04.11	27.08.2010 and 16.11.2011	28 and 262 days	45,926
	6) M/s Shakti Wet Screening Plant	1,60,769	01.05.10 and 01.04.11	06.06.2011	158 and 342 days	27,659
	7) M/s Himachal Chemicals & Silicate Works (B)	1,14,030	01.05.10 and 01.04.11	21.12.2010 and 06.04.2011	5 and 175 days	4,990
	----Do-----(A)	48,329	01.05.10 and 01.04.11	07.08.2010 and 06.04.2011	5 and 193 days	2,232
	-----Do--- (C)	15,682	01.05.10 and 01.04.11	07.08.2010 and 06.04.2011	5 and 193 days	878
	7 cases	**21,96,758**			**2 and 277 days**	**1,89,612**
	12 cases	**56,09,802**			**2 and 507 days**	**4,96,779**

Glossary of Abbreviations

Abbreviation	Full form of wards
AAs	Assessing Authorities
ACF	Assistant Conservators of Forest
AETCs	Assistant Excise and Taxation Commissioners
ALR	Arrear of Land Revenue
BBMB	Bhakra Beas Management Board
BDO	Block Development Officer
BEs	Budget Estimates
CA	Compensatory Afforestation
CAATs	Computer Aided Audit Techniques
CAMPA	Compensatory Afforestation fund Management and Planning Authority
CEI	Chief Electrical Inspector
CF	Conservator of Forest
CGCR	Certain Goods Carried by Road
CL	Country Liquor
CS	Country Spirit
CST	Central Sales Tax
CTU	Central Transmission Utility
DC	Deputy Commissioner
DFOs	Divisional Forest Officers
DVCs	District Valuation Committees
ED	Electricity Duty
ETC	Excise and Taxation Commissioner
ETOs	Excise and Taxation Officers
GST	General Sales Tax
GTO	Gross Turn Over
HIMRIS	Himachal Registration In-formatting System
HP	Himachal Pradesh.
HP VAT	Himachal Pradesh Value Added Tax.
HPGST	Himachal Pradesh General Sales Tax
HPID	Himachal Pradesh Infrastructure Development
HPMM	Himachal Pradesh Minor Minerals
HPMVT	Himachal Pradesh Motor Vehicles Taxation
HPPGT	Himachal Pradesh Passengers and Goods Taxation.
HPPWD	Himachal Pradesh Public Works Department
HPSERC	Himachal Pradesh State Electricity Regulatory Commission
HPSFC	Himachal Pradesh State Forest Corporation
HRTC	Himachal Road Transport Corporation
IAW	Internal Audit Wing
IBM	Indian Bureau of Mines
IDEA	Interactive Data Extraction and Analysis
IFA	Indian Forest Act

IGR	Inspector General of Registration
IMFL	Indian Made Foreign Liquor
IMFS	Indian Made Foreign Spirit
IPP	Independent Power Producers
IR Act	Indian Registration Act
IRs	Inspection Reports
IS Act	Indian Stamp Act
IT	Information Technology
ITC	Input Tax Credit
JVVNL	Jaipur Vidyut Vitran Nigam Limited
LTOA	Long Term Open Access
MGQ	Minimum Guaranteed Quota
MIS	Management Information System
MO	Mining Officer
MoEF	Ministry of Environment and Forests
MPP and P	Multi Purpose Projects and Power
MRC	Mushroom Research Centre
NBFCs	Non Banking Financial Companies
NH	National Highway
NIC	National Informatics Centre
NPV	Not Present Value
PAG	Principal Accountant General
PC	Pricing Committee
PCCF	Principal Chief Conservator of Forest
PGT	Passenger and Goods Tax
PLs	Proof Liters
PSCs	Private Stage Carriages
PSPC	Punjab State Power Corporation
PTC	Power Trading Corporation
RF	Registration fee
RLAs	Registering and Licensing Authorities
RS	Rectified Spirit
RTOs	Regional Transport Officers
SD	Stamp Duty
SDCs	Sub-Divisional Collectors
SDD	System Design Document
SFC	State Financial Corporation
SH	State Highway
SRs	Sub Registrars
SRT	Special Road Tax
STA	State Transport Authority
STOA	Short Term Open Access
URS	User Requirement Specification
WP	Working Plan