

## CHAPTER-1 : GENERAL

### 1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Himachal Pradesh during the year 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

Sr. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	1,251.88	1,497.02	1,656.38	1,958.18	2,242.49
	• Non tax revenue	610.77	689.67	1,336.85	1,822.43	1,756.24
	<b>Total</b>	<b>1,862.65</b>	<b>2,186.69</b>	<b>2,993.23</b>	<b>3,780.61</b>	<b>3,998.73</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes	537.32	493.26	629.16	793.64	837.49
	• Grants-in-aid	2,234.54	3,878.67	4,212.83	4,567.29	4,471.77
	<b>Total</b>	<b>2,771.86</b>	<b>4,371.93</b>	<b>4,841.99</b>	<b>5,360.93</b>	<b>5,309.26</b>
<b>III.</b>	<b>Total receipts of the State (I to II)</b>	<b>4,634.51</b>	<b>6,558.62</b>	<b>7,835.22</b>	<b>9,141.54</b>	<b>9,307.99<sup>1</sup></b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>40</b>	<b>33</b>	<b>38</b>	<b>41</b>	<b>43</b>

The above table indicates that during the year 2008-09, the revenue raised by the State Government was 43 *per cent* of the total revenue receipts (Rs. 9,307.99 crore) against 41 *per cent* in the preceding year. The balance 57 *per cent* of the receipts during 2008-09 was from the Government of India.

<sup>1</sup> For details, please see "Statement No. 11- Detailed accounts of revenue by minor heads" in the Finance Accounts of the Government of Himachal Pradesh for the year 2008-09. Figures under the 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' booked in the Finance Accounts under A-tax revenue have been excluded from the revenue raised by the State Government and included in State's share of divisible Union taxes

**1.1.1** The following table presents the details of tax revenue raised during the period 2004-05 to 2008-09:

**(Rupees in crore)**

Sr. No.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Taxes on sales, trade etc.	542.37	726.98	914.45	1,092.16	1,246.31	(+) 14
2.	State excise	299.90	328.97	341.86	389.57	431.83	(+) 11
3.	Stamps and registration fees	75.34	82.43	92.47	86.99	98.33	(+) 13
4.	Taxes and duties on electricity	88.00	89.29	30.43	81.57	78.83	(-) 3
5.	Taxes on vehicles	107.82	101.51	106.35	113.72	135.53	(+) 19
6.	Taxes on goods and passengers	38.32	42.61	50.22	55.12	62.39	(+) 13
7.	Other taxes and duties on commodities and services <sup>2</sup>	97.54	124.10	118.65	137.13	168.99	(+) 23
8.	Land revenue	2.30	1.09	1.91	1.89	20.28	(+) 973
	<b>Total</b>	<b>1,251.59</b>	<b>1,496.98</b>	<b>1,656.34</b>	<b>1,958.15</b>	<b>2,242.49</b>	<b>(+) 15</b>

The reasons for increase/decrease in receipts during 2008-09 over those of 2007-08 though called for in June 2009 from the concerned departments were not received (September 2009) except the departments mentioned below:

**Taxes on sales, trade etc:** The increase was stated to be due to impact of frequent checking/inspections by field/barriers staff/flying squad under value added tax and more recovery of arrears.

**State excise:** The increase was stated to be due to increase in application fee, annual license fee on country liquor/India made foreign liquor, area wise annual bar license fee and increase in number of liquor vends.

**Taxes on vehicles:** The increase was stated to be due to more collection of revenue and increase in vehicle population.

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

**Other taxes and duties on commodities and services:** The increase was stated to be due to increase in the rate of tax on cement and clinker under the Himachal Pradesh Taxation (on certain goods carried by road) Act, toll income by auction and more transportation of goods.

<sup>2</sup> The figures relating to years 2004-05: Rs. (-) 29 lakh, 2005-06: Rs. (-) 4 lakh, 2006-07: Rs. (-) 4 lakh and 2007-08: Rs. (-) 3 lakh on account of share of net proceeds assigned to the state

**1.1.2** The following table presents the details of major non-tax revenue raised during the period 2004-05 to 2008-09:

(Rupees in crore)							
Sr. No.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Interest receipts	42.77	49.29	87.18	66.90	77.97	(+) 17
2.	Other non-tax receipts	89.59	151.41	122.84	125.15	222.75	(+) 78
3.	Forestry and wild life	102.17	149.63	45.55	53.60	55.40	(+) 3
4.	Non-ferrous, mining and metallurgical industries	38.42	42.90	48.39	56.59	76.57	(+) 35
5.	Miscellaneous general services (including lottery receipts)	1.86	2.13	73.86	47.51	5.25	(-) 89
6.	Power	284.71	251.47	910.08	1,414.52	1,255.43	(-) 11
7.	Major and medium irrigation	0.09	0.44	0.21	0.22	0.17	(-) 23
8.	Medical and public health	3.70	5.31	5.38	7.68	8.19	(+) 7
9.	Co-operation	1.64	1.68	7.28	4.93	2.80	(-) 43
10.	Public works	9.08	12.07	16.50	20.38	22.59	(+) 11
11.	Police	7.74	8.98	8.45	12.31	15.05	(+) 22
12.	Other administrative services	29.00	14.36	11.13	12.64	14.07	(+) 11
<b>Total</b>		<b>610.77</b>	<b>689.67</b>	<b>1,336.85</b>	<b>1,822.43</b>	<b>1,756.24</b>	<b>(-) 4</b>

The reasons for increase/decrease in receipts during 2008-09 over those of 2007-08 though called for in June 2009 from the concerned departments were not received (September 2009) except the departments mentioned below:

**Co-operation:** The decrease was stated to be due to less reimbursement of share from Co-operative Societies to State Government and less reimbursement of grant-in-aid from National Co-operative Development Corporation New Delhi.

**Public works:** The increase was stated to be due to recovery on account of departmental charges on deposit works.

**Police:** The increase was stated to be due to receipt of outstanding dues from other organisations on account of police forces deployed with them, receipt on account of sale of arms and ammunitions to the state of Madhya Pradesh, deposit of permit fee on account of passes issued for restricted road and more receipt from auction of unserviceable items of the department.

## 1.2 Variations between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2008-09 in respect of the principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sr. No.	Head of revenue	Budget estimates	Actual receipts	Variations excess(+) or shortfall (-)	Percentage of variation
1.	Taxes on sales, trade etc.	1,336.81	1,246.31	(-) 90.50	(-) 7
2.	State excise	428.61	431.83	(+) 3.22	(+) 1
3.	Taxes on goods and passengers	68.67	62.39	(-) 6.28	(-) 9
4.	Taxes on vehicles	136.49	135.53	(-) 0.96	(-) 1
5.	Other taxes and duties on commodities and services	142.69	168.99	(+) 26.30	(+) 18
6.	Stamps and registration fees	95.42	98.33	(+) 2.91	(+) 3
7.	Taxes and duties on electricity	90.32	78.83	(-) 11.49	(-) 13
8.	Land revenue	1.85	20.28	(+) 18.43	(+) 996
9.	Industries	10.10	8.55	(-) 1.55	(-) 15
10.	Forestry and wild life	46.94	55.40	(+) 8.46	(+) 18
11.	Interest receipts	63.58	77.97	(+) 14.39	(+) 23
12.	Education, sports, art and culture	49.67	56.84	(+) 7.17	(+) 14
13.	Crop husbandry (including horticulture)	4.92	5.40	(+) 0.48	(+) 10
14.	Non -ferrous, mining and metallurgical industries	54.53	76.57	(+) 22.04	(+) 40
15.	Housing	2.34	2.05	(-) 0.29	(-) 12
16.	Fisheries	1.05	1.24	(+) 0.19	(+) 18
17.	Water supply and sanitation	18.27	18.18	(-) 0.09	(-) 1
18.	Police	12.62	15.05	(+) 2.43	(+) 19
19.	Medical and public health	6.81	8.19	(+) 1.38	(+) 20
20.	Stationery and printing	4.46	5.64	(+) 1.18	(+) 26
21.	Public works	16.61	22.59	(+) 5.98	(+) 36
22.	Social security and welfare	1.84	3.55	(+) 1.71	(+) 93
23.	Animal husbandry	0.42	0.51	(+) 0.09	(+) 21
24.	Power	886.00	1,255.43	(+) 369.43	(+) 42

The reasons for variations though called for in June 2009 were not furnished (September 2009) by the concerned department except the departments mentioned below:

**Taxes and duties on electricity:** The decrease was stated to be mainly due to non-deposit of electricity duty in time during the year by the Himachal Pradesh State Electricity Board.

**Land revenue:** The increase was stated to be more receipts on account of sale of Government properties, receipts of rent for water mill and other receipts.

**Industries:** The decrease was stated to be due to less receipts of license fees, revenue from industrial areas and less receipts from unserviceable material/ other miscellaneous receipts.

**Forestry and wild life:** The increase was stated to be due to receipts from other organisation/department on account of sale of wood and other forest produce.

**Non-ferrous, mining and metallurgical industries:** The increase was stated to be due to receipt of lump-sum amount from a company under other miscellaneous receipts and excessive exploitation/utilisation of minerals.

**Fisheries:** The increase was stated to be due to increase in production of fish in Gobindsagar and issue of more fisheries license during the year.

**Stationery and printing:** The increase was stated to be due to more receipts on account of sale of stationery articles, unserviceable materials and printing charges including recoveries of previous years.

### 1.3 Analysis of collection

The breakup of the total collections at pre assessment stage and after regular assessment of state excise, taxes on sales and trade, passengers and goods tax and other taxes and duties on commodities and services during the year 2008-09 and the corresponding figures for the preceding two years, as furnished by the Excise and Taxation Department is mentioned below:

(Rupees in crore)

Sr. No.	Head of revenue/ Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
1.	State excise						
	2006-07	341.33	--	1.62	1.09	341.86	100
	2007-08	388.53	--	1.19	0.15	389.57	100
	2008-09	428.04	2.57	1.63	0.41	431.83	99
2.	Taxes on sales, trade etc.						
	2006-07	898.73	9.28	6.74	0.30	914.45	98
	2007-08	1,059.01	18.64	16.20	1.69	1,092.16	97
	2008-09	1,228.57	12.36	6.28	0.90	1,246.31	99
3.	Taxes on goods and passengers						
	2006-07	47.76	1.04	1.42	-- <sup>3</sup>	50.52	95
	2007-08	52.83	1.20	1.09	--	55.12	96
	2008-09	58.66	1.85	1.89	0.01	62.39	94
4.	Other taxes and duties on commodities and services						
	2006-07	118.06	0.69	0.03	0.09	118.65 <sup>4</sup>	99
	2007-08	136.54	0.64	0.06	0.08	137.13 <sup>5</sup>	100
	2008-09	168.36	0.56	0.08	0.01	168.99	100

<sup>3</sup> Rs. 35,463 only

<sup>4</sup> excludes Rs. (-) 4 lakh on account of share of net proceeds assigned to the state

<sup>5</sup> excludes Rs. (-) 3 lakh on account of share of net proceeds assigned to the state

The above table shows that collection of revenue at the pre-assessment stage ranged between 94 and 100 *per cent* during the years 2006-07 to 2008-09.

#### 1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2006-07, 2007-08 and 2008-09 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2007-08 were as follows:

(Rupees in crore)

Sr. No.	Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of collection for the year 2007-08
1.	Taxes on sales, trade etc.	2006-07	914.45	10.33	1.13	0.83
		2007-08	1,092.16	11.35	1.04	
		2008-09	1,246.31	12.88	1.03	
2.	State excise	2006-07	341.86	3.86	1.13	3.27
		2007-08	389.57	4.05	1.04	
		2008-09	431.83	4.46	1.03	
3.	Taxes on vehicles, goods and passengers	2006-07	156.57	1.90	1.21	2.58
		2007-08	168.84	2.73	1.62	
		2008-09	197.92	1.75	1.00	
4.	Stamp duty and registration fee	2006-07	92.47	2.24	2.42	2.09
		2007-08	86.99	1.01	1.16	
		2008-09	98.33	1.23	1.25	

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

#### 1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 568.60 crore of which Rs. 159.39 crore were outstanding for more than five years, as mentioned below:

(Rupees in crore)

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than five years as on 31 March 2009	Remarks
1.	Taxes on sales, trade/vat etc.	120.38	53.77	Arrears pertained to the years 1968-69 and onwards. Demands for Rs. 43.51 crore had been certified as arrears of land revenue. Recoveries amounting to Rs. 3.66 crore were stayed by the High Court/other judicial authorities. Demands for Rs. 4.27 crore were likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 68.94 crore has not been intimated (September 2009).

2.	Forestry and wild life	61.57	18.20	Arrears pertained to the years 1949-50 and onwards. The outstanding amounts relate to contractor agency: Rs. 3.84 crore; Himachal Pradesh State Forest Corporation: Rs. 57.59 crore and the balance Rs. 14 lakh relates to other Government departments. Specific action taken to effect the recovery has not been intimated (September 2009).
3.	Taxes and duties on electricity	167.83	Nil	The arrears were recoverable from Himachal Pradesh State Electricity Board.
4.	Taxes on vehicles	109.10	56.53	The arrears pertained to the year 1977 and onwards. Specific action taken to effect the recovery has not been intimated (September 2009).
5.	Taxes on goods and passengers	13.21	11.14	Arrears pertained to the year 1969-70 and onwards. Demands for Rs. 2.87 crore had been certified as recovery of land revenue. Demands for Rs. 2 lakh were likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 10.32 crore has not been intimated (September 2009).
6.	Police	10.67	3.50	Arrears pertained to the years 1990-91 and onwards. The outstanding amounts relate to Bhakra and Beas Management Board: Rs. 2.66 crore; Satluz Jal Vidyut Nigam Ltd. Authorities: Rs. 1.79 crore; Railway Authorities: Rs. 1.96 crore; Civil Aviation Authority: Rs. 1.01 crore; Yamuna Hydrel Project Khodri Majri and Cement Corporation of India, Rajban: Rs. 56 lakh and National Hydro Electric Power Corporation: Rs. 1.62 crore. The remaining Rs. 1.07 crore relates to other <sup>6</sup> departments/institutions. For recovery of arrears pertaining to the National Hydro Electric Power Corporation, case had been filed under Land Revenue Act. However efforts were being made to recover the outstanding amount. Further report has not been received (September 2009).
7.	Water supply, sanitation and minor irrigation	64.59	8.36	Arrears pertained to the years 1963-64 and onwards. Rs. 60.43 crore relates to Municipal Corporation, Shimla, Municipalities and Notified Area Committees. The remaining arrears relating to minor irrigation and housing (Rs. 4.16 crore) were recoverable through Deputy Commissioners of the districts and Superintending Engineers respectively. Specific action taken to effect the recovery has not been intimated (September 2009).

<sup>6</sup> All India Radio, Intelligence Bureau, United Commercial Bank, Shimla and Rohru, Punjab National Bank, Shimla, Mandi, Kinnaur and Punjab State Electricity Board, Patiala

8.	State excise	7.87	4.22	Arrears pertained to the year 1972-73 and onwards. Demands for Rs. 5.52 crore had been certified as arrears of land revenue. Recoveries amounting to Rs. 1 lakh were stayed by the High Court and other judicial authorities. Demands for Rs. 5 lakh were likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 2.29 crore has not been intimated (September 2009).
9.	Other taxes and duties on commodities and services	5.40	1.56	Arrears pertained to the years 1989-90 and onwards. Demands for Rs. 2.88 crore had been certified as arrears of land revenue. Specific action taken in respect of the remaining arrears of Rs. 2.52 crore has not been intimated (September 2009).
10.	Industries (including village and small scale industries).	5.78	1.51	Arrears pertained to the years 1979-80 and onwards. Specific action taken to effect the recovery has not been intimated (September 2009).
11.	Non-ferrous, mining and metallurgical industries	0.89	0.17	Arrears pertained to the years 1970-71 and onwards. Specific action taken to effect the recovery has not been intimated (September 2009).
12.	Land revenue	1.03	0.43	Arrears pertained to the year 1975-76 and onwards. Specific action taken to effect the recovery has not been intimated (September 2009).
13.	Public works	0.28	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery has not been intimated (September 2009).
<b>Total</b>		<b>568.60</b>	<b>159.39</b>	

### **1.6 Arrears in assessments**

The number of cases pending assessment at the beginning of the year 2008-09, becoming due during the year, disposed during the year and pending at the end of each year during 2004-05 to 2008-09 as furnished by the Excise and Taxation Department in respect of taxes on sales, trade/vat etc; are as mentioned below:

Year	Opening balance	Cases which become due for assessment during 2008-09	Total assessments due	Cases disposed during 2008-09	Cases remaining at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
2004-05	1,06,169	61,266	1,67,435	55,733	1,11,702	33
2005-06	1,11,702	65,968	1,77,670	76,491	1,01,179	43
2006-07	1,01,179	32,832	1,34,011	61,251	72,760	46
2007-08	72,760	36,675	1,09,435	45,361	64,074	41
2008-09	64,074 VAT: 38,319	38,760 49,452	1,02,834 87,771	32,592 24,581	70,242 63,190	30



The above table indicates that the percentage of assessment completed during the year 2004-05 to 2008-09 ranged between 30 and 46 *per cent*. As of 31 March 2009, arrears in assessment under this head were 1,33,432 cases (GST: 4,220, CST: 66,022 and VAT: 63,190). The department needs to complete the pending assessments in a time bound manner.

### 1.7 Evasion of tax

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and demand for additional tax raised during 2008-09 are mentioned below:

Sr. No.	Head of revenue	Cases pending as on 31 March 2008	Cases detected during 2008-09	Total cases	Cases in which assessments/ investigations completed and additional demand including penalty etc. raised		Number of cases pending as on 31 March 2009
					Number of cases	Amount of demand (Rupees in lakh)	
1.	Taxes on sales, trade etc.	50	5,812	5,862	5,765	391.27	97
2.	State excise	4	384	388	388	7.51	-
3.	Passengers and goods tax	300	2,184	2,484	2,210	58.39	274
4.	Other taxes and duties on commodities and services	7	593	600	592	23.29	8
<b>Total</b>		<b>361</b>	<b>8,973</b>	<b>9,334</b>	<b>8,955</b>	<b>480.46</b>	<b>379</b>

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

### 1.8 Refunds

The number of refund cases pending at the beginning of the year 2008-09, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2008-09 as reported by the Excise and Taxation Department are mentioned below:

Sr. No.	Particulars	Sales tax		State excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	29	0.74	--	--
2.	Claims received during the year	20	0.77	33	0.40
3.	Refunds made during the year	26	0.90	33	0.40
4.	Balance outstanding at the end of year	23	0.61	--	--

(Rupees in crore)

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

### **1.9 Failure of the senior officials to enforce accountability and protect the interests of the Government**

Principal Accountant General (Audit), Himachal Pradesh arranges to conduct periodical inspection of Government departments to test check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). When important irregularities etc., detected during inspection are not settled on the spot, IRs are issued to the heads of the offices inspected with a copy to the next higher authority. The financial rules/orders of the Government provide for prompt response by the executive to the IRs issued by the audit to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during inspection. The heads of offices and the next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the audit. Serious irregularities are also brought to the notice of the head of the department by the audit. A half yearly report of pending reports is sent to the Financial Commissioner-cum-Secretary (Finance) in respect of the pending IRs to facilitate monitoring of audit observations in the pending IRs.

The number of IRs and audit observations relating to revenue receipts upto 31 December 2008, which were pending settlement by the departments as on 30 June 2007, 30 June 2008 and 30 June 2009 are mentioned below:

Particulars	Position as on 30 June		
	2007	2008	2009
Number of IRs pending for settlement	3,209	3,377	3,375
Number of outstanding audit observations	7,586	8,085	7,975
Amount of revenue involved (Rupees in crore)	334.72	403.75	470.48

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

The department wise breakup of the IRs and audit observations outstanding as on 30 June 2009 is mentioned below:

Sr. No.	Department	Number of outstanding		Amount of audit observations raised (Rupees in crore)	Year to which observations relate	Number of IRs to which even first replies not received
		IRs	Audit observations			
1.	Revenue	831	1,409	13.67	1977-78 to 2007-08	67
2.	Forest Farming and Conservation	573	1,658	266.57	1970-71 to 2007-08	7
3.	Excise and Taxation	730	2,020	110.21	1973-74 to 2007-08	18
4.	Transport	603	1,807	26.33	1972-73 to 2007-08	17
5.	Other departments (Irrigation –cum-Public Health, Public Works, Agriculture, Barrier, Horticulture, Co- operation, Food and Civil Supplies and Mining)	638	1,081	53.70	1976-77 to 2007-08	22
<b>Total</b>		<b>3,375</b>	<b>7,975</b>	<b>470.48</b>		<b>131</b>

The issue of outstanding IRs was brought to the notice of the Chief Secretary to the Government in August 2009. It is recommended that the Government may look into the matter to ensure that replies to IRs/paragraphs are sent as per the prescribed time schedule, recovery of loss/under assessment is effected in a time bound manner and the system of response to audit observations in the department is revamped.

### **1.10 Departmental audit committees meetings**

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

For expeditious clearance of the outstanding audit observations, it is necessary that the audit committees meet annually and ensure that final action is taken on all outstanding audit observations. For the year 2008-09, five out of 10 Government departments relating to revenue receipts, convened meetings of the audit committees. (The matter relating to annual meeting in respect of the remaining departments was under correspondence). This indicates that the Government/departments had not taken initiative to use the machinery created for expeditious settlement of the outstanding audit observations. In the meetings, 120 paras were settled.

### **1.11 Response of the State Government to draft audit paragraphs**

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

Thirty nine draft paragraphs including three reviews proposed to be included in the Report for the year ended 31 March 2009 were sent to the Principal Secretaries/Secretaries of the respective departments by name between March and May 2009. The Principal Secretaries/Secretaries of the departments did not send replies to the draft paragraphs except reviews and two draft paragraphs of state excise, despite issue of reminders (June 2009). These paragraphs have been included in this report without the response of the Principal Secretaries/Secretaries of the departments.

### **1.12 Follow up on Audit Reports-summarised position**

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Vidhan Sabha, the departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by Government within three months of tabling the Report, for the consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Report(s) were being delayed inordinately. Out of 117 paragraphs (including reviews) included in the Reports of the Comptroller and Auditor General of India on revenue receipts of the Government of Himachal Pradesh for the years ended 31 March 2004, 2005, 2006 and 2007, action taken explanatory notes had not been received upto 31 July 2009 in respect of 10 paragraphs from four departments<sup>7</sup> although these Audit Reports were placed before the Legislature Assembly between 8 April 2005 and 10 April 2008.

### **1.13 Compliance with the earlier Audit Reports**

In respect of paragraphs featured in the Audit Reports 2003-04 to 2007-08, the departments/Government accepted audit observations involving Rs. 124.87 crore of which only Rs. 35.48 crore had been recovered till 31 March 2009 as mentioned below:

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<sup>7</sup> 2005-06: Irrigation-cum-Public Health, Revenue and Public Works Departments  
2006-07: Revenue and Industries Departments

(Rupees in crore)			
Year of Audit Report	Total money value	Accepted money value	Recovery made
2003-04	107.31	38.20	1.59
2004-05	54.39	7.11	1.89
2005-06	58.32	12.32	0.28
2006-07	82.38	61.28	30.71
2007-08	105.05	5.96	1.01
<b>Total</b>	<b>407.45</b>	<b>124.87</b>	<b>35.48</b>

### 1.14 Results of audit

Test check of the records of taxes on sale, trade, state excise, taxes on vehicles, goods and passengers, forest receipts, other tax and non-tax receipts conducted during 2008-09 revealed underassessments/short levy/loss of revenue and other observations amounting to Rs. 267.04 crore in 1,001 cases. During the year, the departments accepted under assessment of Rs. 38.78 crore in 385 cases pointed out in 2008-09. No replies have been received in respect of the remaining cases.

This report contains 39 paragraphs including three reviews relating to non/short levy of tax, royalty, fees, interest and penalty etc. involving Rs. 182.02 crore. The department/Government accepted audit observations involving Rs. 126.33 crore of which Rs. 38.92 crore had been recovered upto August 2009. These are discussed in succeeding chapter-II to VI.