

## PREFACE

This Report for the year ended 31 March 2010 has been prepared for submission to the Governor under Article 151 (2) of the Constitution.

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 sales tax, state excise, motor vehicles tax, passengers and goods tax, forest receipts and other tax receipts of the State.

The cases mentioned in this Report are among those which came to notice in the course of test check of records during the year 2009-10 as well as which were noticed in earlier years but could not be included in previous years' Reports.

## OVERVIEW

This Report contains 35 paragraphs including two reviews relating to non/short levy of taxes, duties, royalty, fees, interest and penalty etc., involving ₹ 1,420.98 crore. Some of the major findings are mentioned below:

### 1. General

- ❖ The total receipts of the Government for the year 2009-10 were ₹ 10,346.36 crore. The revenue raised by the State Government during the year was ₹ 4,358.18 crore comprising tax revenue of ₹ 2,574.52 crore and non-tax revenue of ₹ 1,783.66 crore. The State Government also received ₹ 861.63 crore as State's share of divisible Union taxes and ₹ 5,126.55 crore as grants-in-aid from the Government of India.

(Paragraph 1.1)

- ❖ Test check of the records of sales tax, state excise, taxes on vehicles, goods and passengers, forest receipts and other tax and non-tax receipts conducted during the year 2009-10, revealed under assessments/short levy/loss of revenue aggregating ₹ 1,520.93 crore in 1,198 cases. During the course of the year 2009-10, the concerned departments accepted underassessments etc., of ₹ 63.68 crore in 298 cases.

(Paragraph 1.5.1)

### 2. Taxes on Sales, Trade/VAT etc.

- ❖ Acceptance of defective/incomplete statutory forms by the assessing authorities and allowing exemption/concessional rate of tax in the case of 34 dealers resulted in non/short levy of tax of ₹ 27.54 crore in six districts.

(Paragraph 2.8)

- ❖ Allowing of deduction of ₹ 15.34 crore from the gross turnover of 19 contractors by the assessing authorities on account of material supplied by the departments to them for the execution of departmental works resulted in underassessment of tax of ₹ 2.54 crore in seven districts.

(Paragraph 2.9.1)

- ❖ Excess allowance of input tax credit to four dealers on the entire branch transfer of ₹ 169.36 crore instead of on proportionate basis resulted in loss of revenue of ₹ 2.08 crore.

(Paragraph 2.9.2)

### 3. State Excise

- ❖ Low yield of spirit from molasses in a distillery of Una district resulted in short collection of excise duty of ₹ 1.36 crore.

(Paragraph 3.7.1)

#### **4. Taxes on Vehicles, Goods and Passengers**

##### **A review of “Levy and collection of Motor Vehicle tax” revealed as under:**

- ❖ Insufficient application controls in the ‘Vahan’ application had led to inconsistent and incomplete database maintained by the registering authorities.  
**(Paragraph 4.6.8.1 to 4.6.8.3)**
- ❖ Position of arrears of token tax pending collection as on 31 March 2009 was not available with the Department. Token tax of ₹ 4.82 crore in respect of 7,739 vehicles was found uncollected in 17 test checked registering authorities.  
**(Paragraph 4.6.8.3)**
- ❖ Application of incorrect rate of composite fee in all the 89,805 vehicles entering the state without valid National Permit resulted in short realisation of ₹ 22.45 crore during the period April 2004 to May 2009.  
**(Paragraph 4.6.10.1)**
- ❖ Due to not raising of the monthly demand by the RTOs, the Transport Department was not aware of the Special Road Tax of ₹ 26.83 crore recoverable from the HRTC.  
**(Paragraph 4.6.15.1)**
- ❖ Non-payment of Special Road Tax by 190 private stage carriages (PSCs) owners out of 2,297 PSCs owners during the period 2004-05 to 2008-09 resulted in accumulation of arrears of ₹ 1.75 crore.  
**(Paragraph 4.6.15.2)**

#### **5. Forest Receipts**

- ❖ Non/short charging of costs of 23,902/6,605 trees/saplings of different species falling in the alignment area of projects/transmission lines etc. resulted in non/short recovery of revenue of ₹ 4.69 crore in 10 forest divisions.  
**(Paragraph 5.6.1)**
- ❖ In one forest division, departmental charges of ₹ 40.52 lakh was not included in the cost of compensatory afforestation scheme in two cases of diversion of forest land for non-forestry purpose. In 12 forest divisions, ₹ 73.35 lakh realised on account of departmental charges in 56 cases of diversion of forest land for non-forestry purpose was deposited in CAMPA account instead of depositing it in the revenue head of the department resulting in understatement of revenue to that extent.  
**(Paragraph 5.6.2)**
- ❖ In 10 forest divisions, royalty of ₹ 7.40 crore in respect of 107 lots handed over for exploitation were paid late by the Himachal Pradesh State Forest Corporation, on which interest of ₹ 87.12 lakh was not levied by the department.  
**(Paragraph 5.6.3)**

## 6. Other Tax and Non-Tax Receipts

### A Review of “Receipts from Power Sector Projects” revealed as under:

- ❖ Return on equity amounting to ₹ 170.42 crore for the years 2005-06 and 2007-08 to 2009-10 due from five Hydro-electric Projects owned by Himachal Pradesh State Electricity Board (HPSEB) was not claimed by the Government.

**(Paragraph 6.3.8)**

- ❖ Upfront premium/charges of ₹ 707.69 crore realised during 2007-08 to 2009-10 was not treated as receipt of the department and irregularly deposited in the reserve fund.

**(Paragraph 6.3.9)**

- ❖ Non-claiming of the upfront premium/charges on the six hydro electric projects allotted to Satluj Jal Vidyut Nigam Ltd. (SJVN Ltd.) and Himachal Pradesh Power Corporation (HPPC) during January 2007 and October 2008 deprived the State exchequer of revenue of ₹. 196.53 crore.

**(Paragraph 6.3.10)**

- ❖ Non-invoking of provisions of the power policy in supplementary implementation agreements (IAs) executed with independent power producers (IPPs) in respect of two hydro electric projects resulted in loss of revenue of ₹ 114 crore.

**(Paragraph 6.3.11)**

- ❖ Lack of monitoring and internal control resulted in inadmissible rebate to Power Trading Corporation of India (PTC) and non-realisation of surcharge from the PTC resulting in loss of ₹ 8.79 crore.

**(Paragraph 6.3.13)**

- ❖ Non-transfer of power to the PTC from four hydro electric projects during February 2006 to March 2007 resulted in loss of revenue of ₹ 13.92 crore to the State Government.

**(Paragraph 6.3.17)**

- ❖ In 25 sub registrars, incorrect determination of the market value of property and incorrect preparation of *parta* resulted in short realisation of stamp duty and registration fee of ₹ 1.18 crore in 292 cases.

**(Paragraph 6.6)**



## 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 2009-10, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

Sr. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	<b>Revenue raised by the State Government</b>					
	• Tax revenue	1,497.02	1,656.38	1,958.18	2,242.49	2,574.52
	• Non-tax revenue	689.67	1,336.85	1,822.43	1,756.24	1,783.66
	<b>Total</b>	<b>2,186.69</b>	<b>2,993.23</b>	<b>3,780.61</b>	<b>3,998.73</b>	<b>4,358.18</b>
2.	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	493.26	629.16	793.64	837.49	861.63
	• Grants-in-aid	3,878.67	4,212.83	4,567.29	4,471.77	5,126.55
	<b>Total</b>	<b>4,371.93</b>	<b>4,841.99</b>	<b>5,360.93</b>	<b>5,309.26</b>	<b>5,988.18</b>
3.	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>6,558.62</b>	<b>7,835.22</b>	<b>9,141.54</b>	<b>9,307.99</b>	<b>10,346.36<sup>1</sup></b>
4.	<b>Percentage of 1 to 3</b>	<b>33</b>	<b>38</b>	<b>41</b>	<b>43</b>	<b>42</b>

The above table indicates that during the year 2009-10, the revenue raised by the State Government (₹ 4,358.18 crore) was 42 *per cent* of the total revenue receipts against 43 *per cent* in the preceding year. The balance 58 *per cent* of the receipts during 2009-10 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 2009-2010. 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; 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - 901 Share of net proceeds assigned to the States booked in the Finance Accounts 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.

**1.1.2** The following table presents the details of the tax revenue raised during the period 2005-06 to 2009-10:

(Rupees in crore)							
Sr. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+) or decrease (-) in 2009-10 over 2008-09
1.	Taxes on sales, trade etc.	726.98	914.45	1,092.16	1,246.31	1,487.40	(+) 19
2.	State excise	328.97	341.86	389.57	431.83	500.26	(+) 16
3.	Stamps and registration fees						
	Stamps - judicial	3.44	3.18	4.10	4.69	5.95	(+) 27
	Stamps -non-judicial	64.06	68.86	64.12	73.53	84.10	(+) 14
	Registration fees	14.93	20.43	18.77	20.11	23.34	(+) 16
4.	Taxes and duties on electricity	89.29	30.43	81.57	78.83	39.08	(-) 50
5.	Taxes on vehicles	101.51	106.35	113.72	135.53	133.97	(-) 1
6.	Taxes on goods and passengers	42.61	50.22	55.12	62.39	88.74	(+) 42
7.	Land revenue	1.09	1.91	1.89	20.28	14.54	(-) 28
8.	Others <sup>2</sup>	124.10	118.65	137.13	168.99	197.14	(+) 17
	<b>Total</b>	<b>1,496.98</b>	<b>1,656.34</b>	<b>1,958.15</b>	<b>2,242.49</b>	<b>2,574.52</b>	<b>(+) 15</b>

The following reasons for variations were reported by the concerned departments:

**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 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.

**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 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 iron & steel, lime stone, plastic goods under the Himachal Pradesh Taxation (on certain goods carried by road) Act, toll income by auction and more transportation of goods.

The other departments despite being requested (July 2010) did not intimate the reasons for variation in receipts from that of the previous year.

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

**1.1.3** The following table presents the details of the non-tax revenue raised during the period 2005-06 to 2009-10:

(Rupees in crore)

Sr. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+) or decrease (-) in 2009-10 over 2008-09
1.	Power	251.47	910.08	1,414.52	1,255.43	1,214.80	(-) 3
2.	Non ferrous, mining and metallurgical industries	42.90	48.39	56.59	76.57	85.09	(+) 11
3.	Interest receipts	49.29	87.18	66.90	77.97	76.93	(-) 1
4.	Forestry and wild life	149.63	45.55	53.60	55.40	72.11	(+) 30
5.	Public works	12.07	16.50	20.38	22.59	30.81	(+) 36
6.	Other administrative services	14.36	11.13	12.64	14.07	17.28	(+) 23
7.	Police	8.98	8.45	12.31	15.05	11.57	(-) 23
8.	Medical and public health	5.31	5.38	7.68	8.19	5.81	(-) 29
9.	Co-operation	1.68	7.28	4.93	2.80	3.35	(+) 20
10.	Miscellaneous general services (including lottery receipts)	2.13	73.86	47.51	5.25	1.05	(-) 80
11.	Major and medium irrigation	0.44	0.21	0.22	0.17	0.14	(-) 18
12.	Other Non-tax receipts <sup>3</sup>	151.41	122.84	125.15	222.75	264.72	(+) 19
<b>Total</b>		<b>689.67</b>	<b>1,336.85</b>	<b>1,822.43</b>	<b>1,756.24</b>	<b>1,783.66</b>	<b>(+) 2</b>

The following reasons for variations were reported by the concerned departments:

**Forestry and Wild Life:** The increase was stated to be due to receipt from increased sale of various forest produce, compensation from other departments on account of plantation and increase in other miscellaneous forest receipts.

**Non-ferrous, mining and metallurgical industries:** The increase was stated to be due to more receipt of royalty/mineral concession fee, more use/exploration of major and minor mineral in the different development activities in the state. More receipt from Public Works Department and Hydro Electric Projects and Cement Plants established in the state.

**Co-operation:** The increase was stated to be due to more reimbursement of

<sup>3</sup> Comprises mainly receipts from the Himachal Pradesh Public Service Commission, Printing and Stationery, Water Supply and Sanitation, Family Welfare and Housing departments.

share from the National Co-operative Development Corporation, New Delhi for the execution of Integrated Co-operative Development Projects (ICDP) in Kinnaur and Lahaul and Spiti districts of the State.

**Police:** The decrease was stated to be due to less receipt of long term outstanding dues from Bhakra and Beas Management Board and other organisations on account of police forces deployed with them and less collection of fee and penalty etc.

**Public Works:** The increase was stated to be due to receipt from more construction work of residential and non-residential building and more recovery of departmental charges on deposit works.

The other departments despite being requested (July 2010) did not intimate the reasons for variation in receipts from that of the previous year.

## **1.2 Response of the Department/Government towards audit**

### **1.2.1 Failure of the senior officials to enforce accountability and protect the interests 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 with in 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 2009 disclosed that 8,056 paragraphs involving ₹ 494.43 crore relating to 3,432 IRs remained outstanding at the end of the June 2010 as mentioned below alongwith the corresponding figures for the preceding two years.

	<b>June 2008</b>	<b>June 2009</b>	<b>June 2010</b>
<b>Number of IRs pending for settlement</b>	<b>3,377</b>	<b>3,375</b>	<b>3,432</b>
<b>Number of outstanding audit observations</b>	<b>8,085</b>	<b>7,975</b>	<b>8,056</b>
<b>Amount of revenue involved (Rupees in crore)</b>	<b>403.75</b>	<b>470.48</b>	<b>494.43</b>

The department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned below:

Sl. No	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved (₹ in crore)
1.	Finance	Taxes/VAT on Sales, Trade etc.	278	875	71.06
		PGT	222	562	9.52
		OTD	151	196	13.54
		Entertainment tax, luxury tax etc.	128	280	1.01
2.	Excise	State excise	75	252	33.30
3.	Revenue	Land revenue	250	451	0.86
4.	Transport (MVT)	Taxes on motor vehicles	616	1,858	41.95
5.	Stamp and registration	Stamp and registration fees	567	936	12.41
6.	Mines and geology	Non-ferrous mining and metallurgical industries	45	136	18.71
7.	Forest and environment	Forestry and wild life	575	1,576	255.06
8.	Water resources (IPH)	Water rates	109	220	21.98
9.	B&R (PWD)	Public Works Dept	206	312	7.15
10.	Crop husbandry	Horticulture and Agriculture	160	281	1.27
11.	Co-operation	Audit fees and other receipts	50	121	6.61
<b>Total</b>			<b>3,432</b>	<b>8,056</b>	<b>494.43</b>

We have 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 162 IRs issued upto December 2009. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

**It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.**

### **1.2.2 Departmental audit committees meetings**

The Government set up audit committees (May 2009 - January 2010) 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 2009-10 and the paragraphs settled are mentioned below:

(Rupees in crore)				
Sl. No.	Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
1.	Sales tax	1	21	0.51
2.	Stamp duty and registration fees	1	30	0.66
3.	State excise	1	--	0
4.	Taxes on vehicles	1	14	0.44
5.	Land revenue	1	29	0.09
6.	Forest	1	49	6.10
<b>Total</b>		<b>6</b>	<b>143</b>	<b>7.80</b>

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.

**It is recommended that the Government may fix targets for settlement of paragraphs in each meeting and approve suitable action for failure to achieve the targets.**

### 1.2.3 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 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 including two reviews proposed to be included in the Report for the year ended 31 March 2010 were sent to the Principal Secretaries/Secretaries of the respective departments by name between February and June 2010. The Principal Secretaries/Secretaries of the departments did not send replies to the draft paragraphs except reviews despite issue of reminders (July 2010). These paragraphs have been included in this report without the response of the Principal Secretaries/Secretaries of the departments.

### 1.2.4 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 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 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 132 paragraphs (including reviews) included in the Reports of the Comptroller and Auditor General of India on the revenue receipts of the Government of Himachal Pradesh for the years ended 31 March 2005, 2006, 2007 and 2008, which were placed before the Legislature Assembly between 7 April 2006 and 16 December 2008, the action taken

explanatory notes from the concerned departments were received late with average delay of 17, 20, 13 and 9 months in respect of each of these Audit Reports respectively.

### 1.2.5 Compliance with the earlier Audit Reports

In respect of the paragraphs featured in the Audit Reports 2004-05 to 2008-09, the departments/Government accepted audit observations involving ₹ 213 crore of which ₹ 72.81 crore had been recovered till 31 March 2010 as mentioned below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
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
2008-09	182.02	126.33	38.92
<b>Total</b>	<b>482.16</b>	<b>213.00</b>	<b>72.81</b>

### 1.3 Analysis of the mechanism for dealing with the issues raised by Audit

In order 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 in respect of Transport Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.3.1 to 1.3.2.2 discuss the performance of the Transport Department to deal 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 1999-2000 to 2008-09.

#### 1.3.1 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 2010 are tabulated below:

(Rupees 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.	1999-2000	453	1,335	4.60	49	276	0.55	51	366	0.66	451	1,245	4.49
2.	2000-01	451	1,245	4.49	46	277	1.08	33	219	0.08	464	1,303	5.49
3.	2001-02	464	1,303	5.49	55	273	1.31	28	194	0.11	491	1,382	6.69
4.	2002-03	491	1,382	6.69	51	312	1.29	54	286	0.51	488	1,408	7.47
5.	2003-04	488	1,408	7.47	56	341	0.21	53	304	0.49	491	1,445	7.19
6.	2004-05	491	1,445	7.19	54	270	5.75	50	218	0.28	494	1,497	12.66
7.	2005-06	494	1,497	12.66	46	208	13.97	08	137	0.12	532	1,568	26.51
8.	2006-07	532	1,568	26.51	55	269	5.97	30	191	3.20	557	1,646	29.28
9.	2007-08	557	1,646	29.28	54	326	9.45	21	160	10.22	590	1,812	28.51
10.	2008-09	590	1,812	28.51	52	299	4.52	20	187	4.34	622	1,924	28.69



Adhoc Committee meetings are arranged by the Government between the department and this office. Spot settlement parties are also formed by this office periodically to watch compliance made by the departments and settle old paragraphs. As would be evident from the above table, against 453 IRs with 1,335 outstanding paragraphs as on 1999-2000, the number of outstanding IRs rose to 622 with 1,924 paragraphs at the end of 2008-09. This is indicative of the fact that sincere efforts were not taken by the department in this regard resulting in piling up of the outstanding IRs and paragraphs.

### **1.3.2 Assurances given by the department/Government on the issues highlighted in the Audit Report**

#### **1.3.2.1 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 below:

(Rupees in lakh)

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 31.03-2010
1999-2000	5	72.89	4/47.17	71.73	26.42	27.88
2000-01	4	127.54	3/38.06	38.06	0.52	12.42
2001-02	6	98.53	2/37.07	71.70	--	17.17
2002-03	6	340.85	5/205.83	225.28	1.41	121.39
2003-04	1	2,413.08	1/1,853.83	2,413.08	--	131.46
2004-05	3	49.36	3/40.80	49.36	--	--
2005-06	6	2,120.25	5/955.18	2,114.95	0.61	111.36
2006-07	5	288.78	5/288.78	288.78	--	13.11
2007-08	7	479.17	7/477.00	477.00	1.59	60.88
2008-09	8	566.96	6/60.40	395.83	40.35	40.35

It is evident from the above table that the progress of recovery of accepted cases was very slow through out the last ten years. The recovery of accepted cases was to be pursued as arrears recoverable from parties. No mechanism for pursuance of the accepted cases had been devised and position of arrears including accepted audit recoveries was not available with the Director Transport. In the absence of suitable mechanism in place, the department could not monitor the recovery of accepted cases. The position has been elaborated in Chapter IV of this Audit Report.

**We recommend that the department may take immediate action to install a mechanism to pursue and monitor prompt recovery of dues involved in accepted cases.**

#### **1.3.2.2 Action taken on the recommendations accepted by the departments/Government**

During the period 1999-2000, we conducted the reviews, which were incorporated in the Audit Reports of the year 2002-03 and 2003-04.

The review on "Working of National Permit Scheme" appeared in the Audit



Report for the year 2002-03. We had recommended that;

- internal control mechanism should be devised in the Department to ensure timely remittance of bank drafts and their credit to Government account;
- treasury reconciliation should be carried out every month well in time;
- there should be co-ordination among the states to exchange information regarding number of operators who are authorised to ply their vehicles in other states; and
- the State Government should develop a strong internal control system to check the deficiencies and lapses in implementation of the various provisions of the Acts, Rules and of instructions issued by the State Government/department so that the revenue receipts due to the Government are collected forthwith.

We have observed that none of the recommendations had been implemented so far.

The review on “Levy and collection of the Motor Vehicle Tax” appeared in the Audit Report of the year 2003-04. We had recommended that;

- an effective and efficient system need to be devised and implemented for timely assessment, collection and credit of the Government dues to their proper head of account.
- a system for prompt raising of demands against the defaulters and in case of non-payment, initiation of recovery proceeding under Land Revenue Act, needs to be introduced.
- to put in place an appropriate control mechanism to ensure the proper monitoring at apex levels and proper maintenance of relevant registers/records.
- strict action may be initiated against officials involved in embezzlement cases and strong controls may be instituted to reconcile receipts credited into the Government account.

We are happy to report that all the above recommendations have been accepted and efforts are being made for their implementation. The department is gradually shifting from manual system to the electronic system.

#### **1.4 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 5 years etc.

During the year 2009-10, the audit universe comprised of 450 auditable units, of

which 292 units were planned and audited during the year 2009-10 which is 65 per cent of the total units. The details are available in the Annexure-I.

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

## **1.5 Results of audit**

### **1.5.1 Position of local audit conducted during the year**

Test check of the records of 292 units of sales tax/Value added tax, state excise, motor vehicles, goods and passengers, forest receipts, and other departmental offices conducted during the year 2009-10 revealed under assessments/short levy/loss of revenue aggregating ₹ 1,520.93 crore in 1,198 cases. During the course of the year, the departments concerned accepted underassessment and other deficiencies of ₹ 63.68 crore involved in 298 cases which were pointed out in audit during 2009-10. The departments collected ₹ 5.10 crore in 257 cases during 2009-10.

### **1.5.2 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) including two performance reviews on “Levy and collection of Motor Vehicle Tax” and “Receipts from Power Sector Projects” relating to short/non-levy of tax, duty and interest penalty etc., involving financial effect of ₹ 1,420.98 crore. The departments/Government have accepted audit observations involving ₹ 829.55 crore out of which ₹ 3.81 crore had been recovered. The replies in the remaining cases have not been received (August 2010). These are discussed in succeeding chapter II to VI.

## CHAPTER-II TAXES ON SALES, TRADE/VAT ETC.

### 2.1 Tax administration

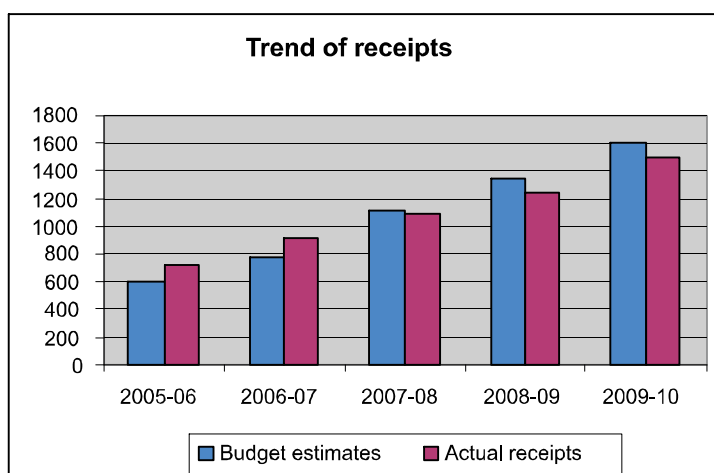
Sales Tax/Value Added Tax law and rules framed there under are administered at the Government level by the Principal Secretary (Excise and Taxation). The Excise and Taxation Commissioner (ETC) is the head of the Excise and Taxation Department who is assisted by one Additional ETC, one Joint ETC, eight Deputy ETC, 13 Assistant Excise and Taxation Commissioners (AETCs) and 69 Excise and Taxation Officers. 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

Actual receipts from the Sales tax/VAT during the last five years 2005-06 to 2009-10 along with the total tax and non-tax receipts during the same period is exhibited in the following table and graph.

(Rupees in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax and non-tax receipts of the State	Percentage of actual Sales tax/VAT receipts vis-à-vis total tax and non-tax receipts
2005-06	600.00	726.98	(+) 126.98	(+) 21	2,186.69	33
2006-07	780.00	914.45	(+) 134.45	(+) 17	2,993.23	31
2007-08	1,115.00	1,092.16	(-) 22.84	(-) 2	3,780.61	29
2008-09	1,336.81	1,246.31	(-) 90.50	(-) 7	3,998.73	31
2009-10	1,604.17	1,487.40	(-) 116.77	(-) 7	4,358.18	34



It would be seen from the above that the variation between the budget estimates and actual which was 21 *per cent* during 2005-06 and as high as 17 *per cent*

during 2006-07, has come down to the level of two to seven *per cent* during the period 2007-08 to 2009-10. We recommend that the department continue this practice of preparing the budget estimates on realistic basis.

### 2.3 Arrears in assessment

The number of cases pending assessment at the beginning of the year 2009-10, becoming due during the year, disposed during the year and pending at the end of each year during 2005-06 to 2009-10 as furnished by the Excise and Taxation Department in respect of the taxes on sales, trade/VAT etc; are as mentioned below:

Year	Opening balance	Cases which become due for assessment during the year	Total assessments due	Cases disposed during the year	Cases remaining at the end of the year	Percentage of disposal (col. 5 to 4)
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	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	

We noticed that the percentage of disposal which ranged between 30 and 46 *per cent* during the period 2005-06 to 2008-09 has increased to the level of 71 *per cent* in 2009-10.

**The Government needs to continue and monitor this practice to bring down the percentage of pending assessments in the interest of revenue.**

### 2.4 Cost of collection

The gross collection in respect of taxes on sales, trade/VAT etc. revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2005-06 to 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection of the preceding year were as follows:

(Rupees 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 sales, trade/VAT etc.	2005-06	726.98	9.38	1.29	0.95
	2006-07	914.45	10.33	1.13	0.91
	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

The above table indicates that the percentage of expenditure on collection was more than the all India average percentage for all the years during 2005-06 to 2008-09.

**The Government needs to take appropriate measures to bring down the cost of collection.**

## 2.5 Impact of audit

During the last five years (including the current year's report), we have pointed out 1,064 cases 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 ₹ 227.56 crore. Of these, the Department/Government had accepted audit observation in 186 cases involving ₹ 7.04 crore and had since recovered ₹ 2.53 crore. The details are shown in the following table:

Year	No. of units audited	(Rupees in crore)				
		Amount objected		Amount accepted		Amount recovered
		No. of cases	Amount	No. of cases	Amount	Amount
2005-06	16	212	46.23	74	1.73	1.10
2006-07	13	194	6.80	56	2.94	0.73
2007-08	10	239	82.45	17	1.26	0.52
2008-09	12	167	36.36	18	0.23	0.01
2009-10	12	252	55.72	21	0.88	0.17
<b>Total</b>	<b>63</b>	<b>1,064</b>	<b>227.56</b>	<b>186</b>	<b>7.04</b>	<b>2.53</b>

The department had so far recovered ₹ 2.53 crore which included recovery of accepted cases pertaining to the period prior to 2005-06 also. This is indicative of the fact that the department had not been able to enforce prompt recovery even in accepted cases.

## 2.6 Results of audit

Test check of the records of 12 units relating to VAT/sales tax assessments and other records revealed underassessment of tax and other irregularities involving ₹ 55.72 crore in 252 cases, which fall under the following categories:

Sr. No.	Categories	(Rupees in crore)	
		Number of cases	Amount
1.	Non/short levy of tax due to acceptance of defective statutory forms	68	21.58
2.	Irregular/incorrect/excess allowance of ITC	105	3.41
3.	Underassessment of tax	32	2.38
4.	Evasion of tax due to suppression of sales/purchases	07	0.21
5.	Other irregularities	40	28.14
<b>Total</b>		<b>252</b>	<b>55.72</b>

During the course of the year, the department accepted underassessment and other deficiencies of ₹ 88 lakh in 21 cases which were pointed out in audit during the earlier years. An amount of ₹ 16.60 lakh was realised in 39 cases during the year 2009-10.

A few illustrative cases involving ₹ 34.06 crore are mentioned in the following paragraphs.

## 2.7 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/acceptance of defective statutory forms/wrong deduction of material cost/excess/incorrect allowance of input tax credit/incorrect application of rate of tax/irregular concession/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 we point out such omissions on the part of the Assessing Authorities (AAs) in audit, but 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 of the internal audit.

## 2.8 Evasion of tax due to acceptance of defective statutory forms

The AAs while finalising the assessments, accepted defective/incomplete declaration forms, allowed concession/exemption without production of the prescribed forms which resulted in short/non-levy of tax of ₹ 27.54 crore.

### Six AETCs<sup>4</sup>

We noticed during the test check of the records between August 2009 and

The Central Sales Tax (CST) Act, 1956 and the rules framed there under provide for concessional rate of tax in respect of interstate sales and exemption from tax in respect of branch transfers and export sales subject to furnishing of declarations in the prescribed forms viz. "C", "F" and "H" respectively.

March 2010 that the AAs while finalising the assessments between August 2006 and November 2009 of 34 dealers for the period from 2001-02 to 2007-08 allowed incorrect concession/exemption of

₹ 16.82 crore. We found that the transactions were either not supported by the declaration forms or the declaration forms produced in support of the transactions were duplicate, photocopied, incomplete or invalid as detailed in the Annexure-II.

The forms were liable to be rejected at the time of assessment but the concerned AAs did not scrutinise the forms. This resulted in short/non-levy of tax of ₹ 27.54 crore including interest of ₹ 10.72 crore on the turnover of ₹ 160.12 crore.

We reported the matter to the Department and to the Government between December 2009 and March 2010. We have not received their replies (September 2010).

## 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;

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<sup>4</sup> Kangra: two dealers: ₹ 1.61 crore; Mandi: one dealer: ₹ 5 lakh; Shimla: eight dealers: ₹ 85 lakh; Sirmour: five dealers: ₹ 18.76 crore; Solan: 12 dealers: ₹ 5.34 crore and Una: six dealers: ₹ 93 lakh.

- (ii) exemption/concessional rate of tax in respect of industrial units subject to prescribed conditions;
- (iii) correct determination of turnover.

The AAs while finalising the assessment did not observe some of the above provisions in some cases as mentioned in the paragraphs 2.9.1 to 2.9.7. This resulted in non/short levy/non-realisation of tax/interest of ₹6.52 crore.

### 2.9.1 Incorrect deduction of cost of material

#### Seven AETCs<sup>5</sup> (19 contractors)

The HPGST/HPVAT Act provide that sale includes transfer of property in goods involved in execution of the works contract.

We noticed between August 2009 and March 2010 in the assessments finalised

As per ETC's instructions of December 2008 if the material is partly or wholly supplied by the contractee and value thereof is a 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.

(between December 2005 to December 2009) that the AAs allowed deduction of ₹ 15.34 crore from the GTO on account of material supplied by the departments to them for the execution of the

departmental works. The deduction allowed from the GTO was irregular as supply of the material by the departments to the contractors tantamount to sale. This resulted in underassessment of the tax of ₹ 1.54 crore on which interest of ₹ 1 crore was also leviable (Annexure-III).

We reported the matter to the Department and to the Government between October 2009 and April 2010. We have not received their replies (September 2010).

### 2.9.2 Excess allowance of input tax credit (ITC)

Under HPVAT Act, the ITC is 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.

#### Two AETCs<sup>6</sup>

We noticed between November 2009 and February 2010 that during the years

As per rule 23 of HPVAT Rules, the ITC in respect of branch transfers shall not be admissible upto 4 per cent.

2005-06 and 2006-07, four dealers had made purchases valued at ₹ 101.07 crore after

<sup>5</sup> Bilaspur district: one contractor; Chamba district: two contractors; Kangra district: three contractors; Kullu district: three contractors; Mandi district: two contractors; Shimla district: seven contractors and Una district: one contractor.

<sup>6</sup> Sirmour: three dealers: ₹ 1.99 crore and Solan: one dealer: ₹ 9 lakh.



paying input tax of ₹ 4.04 crore. The dealer had made the branch transfers of ₹ 169.36 crore out of gross turnover of ₹ 324.01 crore. The dealers were not entitled to ITC of ₹ 1.39 crore on the branch transfers as the rate of tax paid goods involved in the branch transfer was four *per cent*. However, the AAs while finalising (between August 2008 and July 2009) the assessments of these dealers allowed the same. This resulted in excess allowance of ITC of ₹ 2.08 crore including interest of ₹ 69 lakh, as mentioned in the annexure-IV.

We reported the matter to the Department and to the Government between February 2010 and March 2010. We have not received their replies (September 2010).

### 2.9.3 Incorrect allowance of input tax credit

#### Six AETCs<sup>7</sup>

We cross checked between August 2009 and March 2010 the returns of 35

As per notification dated 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. However, no provision has been incorporated in the annual returns to establish quantum of sales made from tax paid purchases to regulate adjustment of ITC.

dealers with their trading, profit and loss accounts available in the assessment files of the dealers and noticed that during 2007-08 and 2008-09 the purchase value of the stock in hand was ₹ 56.21 crore. Out of this, the dealers sold

the goods with the purchase value of ₹ 48.27 crore and value of goods in hand were ₹ 7.94 crore. The dealers were entitled to input tax credit of ₹ 3.36 crore on the purchase value of stock sold. However, the AAs while finalising assessments between November 2008 and December 2009 allowed input tax credit of ₹ 3.87 crore on the entire stock including closing stock of the dealers. This resulted in excess allowance of ITC of ₹ 50.44 lakh. The dealers are liable to pay interest of ₹ 13.59 lakh on incorrect benefit of ITC passed on to them.

After we pointed out the cases between August 2009 and March 2010, the Department accepted the audit observation and intimated (September 2010) that the cases of 22 dealers had been reassessed and additional demand of ₹ 8.45 lakh had been created, out of which ₹ 6.93 lakh had been recovered. Further report on recovery and reply of the Government to whom the cases were forwarded between October 2009 and April 2010 has not been received.

**The Government may consider incorporating a provision in the annual returns to establish quantum of sales made from tax paid purchases to regulate adjustment of ITC.**

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<sup>7</sup> Bilaspur: six dealers: ₹ 3.62 lakh; Chamba: six dealers: ₹ 10.71 lakh; Kangra: 12 dealers: ₹ 27.27 lakh; Mandi: five dealers: ₹ 5.40 lakh; Shimla: four dealers: ₹ 9.67 lakh and Una: two dealers: ₹ 7.36 lakh.



## 2.9.4 Application of incorrect rate of tax

Taxes on goods are leviable in accordance with the rates prescribed in the HPGST/HPVAT Act and CST Act.

### 2.9.4.1 Three AETCs<sup>8</sup>

We noticed between September 2009 and February 2010 that five dealers made

Sales made to the Government departments on declarations in form 'D' are taxable at the concessional rate of four *per cent*. In the absence of the requisite form, tax shall be levied at the rates as prescribed in the schedules of the Acts.

intra state sales valued at ₹ 3.10 crore. The dealers claimed concessional rate of tax of four *per cent* on the context that the sales were made to the government departments. We noticed that though the dealers had not

furnished form 'D', the AAs while finalising (between November 2008 and March 2009) the assessments for the years between 2004-05 and 2007-08 allowed the concessional rate of tax as claimed by the dealers. This omission resulted in short realisation of tax of ₹ 35.61 lakh including interest of ₹ 10.74 lakh.

### 2.9.4.2 AETC Mandi

We noticed (December 2009) that a dealer made inter-state sales of Mild Steel

The rate of tax on intra state sale of Mild Steel scrap and on inter-state sale supported by 'C' form is four *per cent*. However in case of inter-state sales of mild steel scrap without 'C' forms, tax shall be calculated at the rate of eight *per cent*.

scrap valued at ₹ 33.94 lakh and paid tax at rate of four *per cent*. However, no declaration forms were furnished by dealer and the AA while finalising the assessment of 2004-05 in July 2008, incorrectly treated it as local sale and levied tax at the rate of four *per cent* instead of eight *per cent*. This resulted in short levy of tax of ₹ 2.49 lakh including interest of ₹ 1.13 lakh.

### 2.9.4.3 AETC Sirmour

We noticed (between January and February 2010) that the AAs while finalising

Non-LD grade limestone was taxable at the rate of 30 *per cent* upto 20.6.2005 and thereafter at the rate of four *per cent*.

the assessments of two dealers between September 2008 and November 2008 levied tax on the sale of limestone valued at ₹ 9.99 lakh, made between 1.4.2005 and

20.6.2005, at the rate of four *per cent* instead of 30 *per cent*. The omission resulted in short levy of tax of ₹ 4.38 lakh including interest of ₹ 1.78 lakh.

<sup>8</sup> Bilaspur: one dealer: ₹ 2.47 lakh; Chamba: three dealers: ₹ 31.45 lakh and Mandi: one dealer: ₹ 1.69 lakh.

#### 2.9.4.4 AETC Kangra

We noticed (between September and November 2009) that the AAs while finalising the assessments of two dealers between August and September 2008 levied tax on the sale of rubber crumb/scrap valued at ₹ 2.43 crore made between 2005-06 and 2006-07 at the rate of four *per cent* instead of 12.5 *per cent*. The omission resulted in short levy of tax of ₹ 32.06 lakh including interest of ₹ 11.38 lakh.

Rubber crumb/scrap is taxable at the rate of 12.5 *per cent*.

We reported the matter to the Department and to the Government between October 2009 and March 2010. We have not received their replies (September 2010).

#### **2.9.5 Incorrect exemption of tax**

As per the Excise and Taxation Department notification dated July 1999, new village industrial units means an industrial unit located in Himachal Pradesh which commences commercial production on or after the 1 April 1999.

##### 2.9.5.1 AETC Mandi

We noticed (December 2009) that a dealer running a new village industrial unit located in industrially backward area was granted exemption from the payment of sales tax from 5.6.1999 to 4.6.2007. Our scrutiny of the balance sheet revealed that the capital investment<sup>9</sup> of the unit had exceeded required limit in 2004-05. But the AAs while finalising (September 2008) the assessments did not take cognisance of the facts and allowed exemption from 2004-05 to 2006-07. No internal audit or inspection of the office was conducted. This omission resulted in incorrect exemption of tax of ₹ 10.64 lakh including interest of ₹ 4.14 lakh.

As per the above notification, a new village industrial unit shall be entitled to exemption from payment of sales tax provided that its capital investment does not exceed ₹ 10 lakh.

After we pointed out the case in December 2009, the Department accepted the audit observation and intimated (September 2010) that the case of the dealer had been reassessed (August 2010) and additional demand of ₹ 5.20 lakh had been created. Further report on recovery and reply of the Government to whom the case was forwarded in January 2010 has not been received.

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<sup>9</sup> 2004-05: ₹ 17.04 lakh; 2005-06: ₹ 21.05 lakh and 2006-07: ₹ 19.30 lakh.

### 2.9.5.2 AETC Kangra

We noticed (November 2009) from the assessment order (February 2009) of a small scale industrial unit<sup>10</sup>

As per the notification dated July 1999, a small scale industrial unit shall pay 25 per cent of the full rate of tax provided that the annual turnover of the unit does not exceed ₹ 60 lakh. The benefits were also admissible under the HPVAT Act, 2005.

availing concessional rate of tax from 2003-04, that its turnover during 2007-08 was ₹ 64.32 lakh. Hence the dealer was not entitled to concessional rate of tax. But the AA did not take cognisance of the facts and incorrectly levied tax at the rate of 3.125 per cent

instead of 12.5 per cent. This resulted in short levy of tax of ₹ 7.63 lakh including interest of ₹ 1.60 lakh.

We reported the matter to the Department and to the Government in December 2009. We have not received their replies (September 2010).

## 2.9.6 Underassessment due to incorrect deduction

### AETC Sirmour

We noticed in February 2010 that the AA while finalising (between May 2008 and June 2008) the assessments for the period 2000-01 to 2004-05 of an industrial unit<sup>11</sup>,

HPGST Act, 1968 and rules framed there under provide deduction from turnover of a dealer, the purchase value of goods used in the manufacture of finished goods which have already suffered tax under the Act. However, no such deduction was available for inter-state sales covered under the CST Act, 1956.

incorrectly allowed deduction of purchase value of tax paid goods valued at ₹ 2.31 crore from the inter-state sales valued at ₹ 4.54 crore. Incorrect allowance of deduction resulted not only in violation of the provisions of the CST Act, 1956 but also in underassessment of tax of ₹ 9.38 lakh including interest

of ₹ 5.19 lakh.

After we pointed out the case in February 2010, the Department accepted the audit observation and intimated (September 2010) that the case of the dealer had been reassessed (May 2010) and additional demand of ₹ 4.38 lakh had been created. Further report on recovery and reply of the Government to whom the case was forwarded in March 2010 has not been received.

## 2.9.7 Incorrect determination of turnover

Under HPGST Act, 1968 and HPVAT Act, 2005, sale includes transfer of the right to use any goods for any purpose for cash, deferred payment or other valuable consideration by way of or as part of any service or in any other manner.

<sup>10</sup> M/s Anand Tyre, Nagrota Bagwan, Kangra.

<sup>11</sup> M/s Bang Minerals and Chemicals, Sataun, Paonta Sahib.

#### Four AETCs<sup>12</sup>

We noticed between November 2009 and March 2010 that four dealers received hire charges of ₹ 27.46 lakh on account of machinery and plant for the period from 2003-04 to 2007-08. But the dealers did not include the amount in their respective turnovers and did not pay any tax on it. The AAs while finalising the assessments of the dealers between December 2007 and June 2009 omitted to detect the mistake. This resulted in short levy of tax of ₹ 4.40 lakh including interest of ₹ 1.71 lakh.

Hire charges received on account of plant and machinery is a part of turnover as per the definition of “sale” and is liable to be taxed at the rates prescribed in the respective Acts.

After we pointed out the cases between November 2009 and March 2010, the Department accepted the audit observation and intimated (September 2010) that the cases of the dealers had been reassessed and additional demand of ₹ 1.87 lakh had been created, out of which ₹ 36,000 had been recovered. Further report on recovery and reply of the Government to whom the cases were forwarded between December 2009 and April 2010 has not been received.

#### AETC Una

We noticed between February and March 2010 that AAs while finalising (between February and March 2009) the assessments of two dealers<sup>13</sup> for the period 2004-05 to 2007-08, did not levy tax on delivery/freight charges valued at ₹ 120.96 lakh received by them. Non-inclusion of the delivery/freight charges in the turnover had resulted in underassessment of tax of ₹ 19.15 lakh including interest of ₹ 8.24 lakh.

Freight and delivery charges form a part of sale price and are taxable at the rate of eight per cent upto 2004-05 and 12.5 per cent thereafter.

We reported the matter to the Department and to the Government in April 2010. We have not received their replies (September 2010).

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<sup>12</sup> Bilaspur: one: ₹ 0.68 lakh, Mandi: one: ₹ 0.96 lakh, Shimla: one: ₹ 0.78 lakh and Una: one: ₹ 1.98 lakh.

<sup>13</sup> M/s Omid Engg. Pvt. Ltd., Deoli, Tehsil Amb and M/s Bangana Gas Services, Bangana, Una.

## CHAPTER-III STATE EXCISE

### 3.1 Tax administration

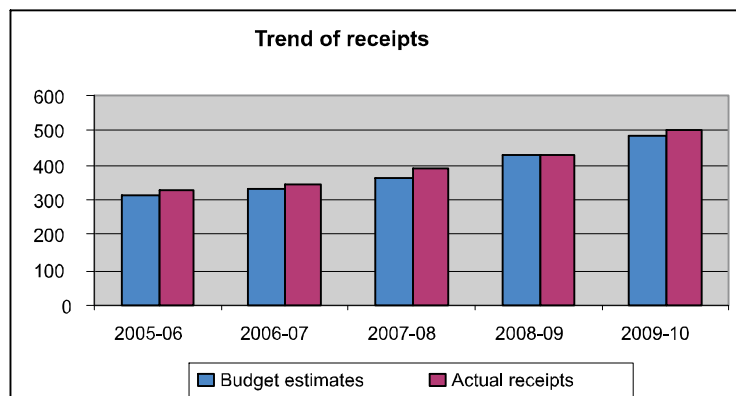
Principal Secretary (Excise and Taxation) is the administrative head at Government level. The department is headed by the Excise and Taxation Commissioner (ETC). The department has been divided in three Zones<sup>14</sup> which are headed by the Additional ETC (South Zone), Deputy ETC of North Zone and Central Zone. Besides, 22 Excise and Taxation Inspectors under the control of Assistant Excise and Taxation Commissioner (AETC) of the respective districts, are deputed to oversee and regulate levy/collection of excise duties and allied levies.

### 3.2 Trend of receipts

Actual receipts from the State Excise during the years 2005-06 to 2009-10 along with the total tax/non-tax receipts during the same period is exhibited in the following table and paragraphs:

(Rupees 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
2005-06	315.00	328.97	(+) 13.97	(+) 4	2,186.69	15
2006-07	330.00	341.86	(+) 11.86	(+) 4	2,993.23	11
2007-08	362.69	389.57	(+) 26.88	(+) 7	3,780.61	10
2008-09	428.61	431.83	(+) 3.22	(+) 1	3,998.73	11
2009-10	480.07	500.26	(+) 20.19	(+) 4	4,358.18	11



It would be seen from the above that there was no major variation between the actuals and budget estimates prepared by the department except during 2007-08 indicating therein that the budget estimates were prepared on realistic basis.

<sup>14</sup> South Zone (Shimla, Solan, Sirmour, Kinnaur and Spiti area).  
North Zone (Chamba, Kangra and Una).  
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 2005-06 to 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection for 2008-09 were as follows:

(Rupees 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	2005-06	328.97	4.24	1.29	3.34
	2006-07	341.86	3.86	1.13	3.40
	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

The above table indicates that the percentage of expenditure on collection was always less than the all India average percentage during the period 2005-06 to 2008-09.

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

### 3.4 Impact of audit

During the last five years (including the current year's report), we have pointed out 192 observations on 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 ₹ 54.14 crore. The Department/Government had accepted audit observations in 199 cases involving ₹ 19.28 crore. The details are shown in the following table:

(Rupees in crore)

Year of Audit Report	No. of units audited	Observations included		Observations accepted		Amount recovered
		No.	Amount	No.	Amount	
2005-06	36	38	3.03	14	0.48	1.82
2006-07	35	25	2.08	125	3.56	1.56
2007-08	33	44	2.53	8	0.41	2.54
2008-09	38	30	37.61	9	1.35	6.05
2009-10	38	55	8.89	43	13.48	0.10
<b>Total</b>	<b>180</b>	<b>192</b>	<b>54.14</b>	<b>199</b>	<b>19.28</b>	<b>12.07</b>

The department had so far recovered ₹ 12.07 crore which included recovery of accepted cases pertaining to the period prior to 2005-06 also. This is indicative of the fact that the department had not been able to enforce prompt recovery even in accepted cases.

### 3.5 Results of audit

Test check of the records of 38 units relating to excise duty, license fee receipts etc., revealed non/short realisation of excise duty/license fee/interest/penalty

and other irregularities involving ₹ 8.89 crore in 55 cases, which fall under the following categories:

Sr. No.	Categories	Number of cases	(Rupees in crore)
			Amount
1.	Non/short realisation of excise duty	08	1.49
2.	Non/short realisation of license fee, interest/penalty	33	2.41
3.	Other irregularities	14	4.99
<b>Total</b>		<b>55</b>	<b>8.89</b>

During the course of the year, the department accepted underassessment and other deficiencies of ₹ 13.48 crore in 43 cases which were pointed out in earlier years. An amount of ₹ 9.52 lakh was realised in six cases during the year 2009-10.

A few illustrative cases involving ₹ 1.47 crore are mentioned in the following paragraphs.

### 3.6 Audit observations

*Scrutiny of the records in the offices 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 we point out such omissions in audit, but 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 of internal audit so that occurrence of such cases can be avoided.*

### 3.7 Non-compliance of provisions of 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 fixed fee, additional fee, interest at prescribed rate.*

*The AETCs did not observe some of the above provisions in the cases mentioned in paragraphs 3.7.1 to 3.7.4 which resulted in non/short levy of excise duty/fixed fee/additional fee/interest of ₹ 1.47 crore.*

#### 3.7.1 Low yield of spirit from molasses

##### AETC Una

We noticed in October 2009 that a brewery<sup>15</sup> used 7,39,619 mounds<sup>16</sup> (2,73,659 quintals) of molasses for manufacture of rectified spirit (RS) during 2008-09. Against the yield of

As per norms fixed in the PDR, 1932, as applicable to Himachal Pradesh, one mound of molasses shall produce 3.5 London proof gallons of country spirit. Shortfall in production below fixed norms was, thus, not allowable.

<sup>15</sup> M/s Rangar Breweries Ltd., Mehatpur, Una.

<sup>16</sup> One mound = 0.37 quintal yields 3.5 London proof gallons.



RS 1,17,52,545 proof litres<sup>17</sup> as per prescribed norms, the actual yield was shown as 1,03,97,285 proof litres. Thus, 13,55,260 proof litres involving excise duty of ₹ 1.36 crore was short produced for which no reasons were on record. This resulted in loss of revenue to that extent.

After we reported the matter, the AETC stated that the yield of spirit from molasses depends upon sugar contents, starch and quality of yeast and temperature conditions. The provision of rule 9.37 of the PDR 1932 does not take into account these critical factors. However, we observed that the department had not taken any initiative to revise the norms. As such, the existing norms will apply.

The matter was reported to the Department and to the Government in November 2009. We have not received their replies (September 2010).

### 3.7.2 Short recovery of fixed fees

#### Three AETCs<sup>18</sup>

We noticed between August and November 2009 that nine licensees imported 17.45 lakh proof litres of Indian Made Foreign Liquor and 24.43 lakh bulk litres of beer during 2008-09. They were liable to pay "Fixed fees" of ₹ 24.78 lakh against which the licensees paid ₹ 20.72 lakh. This resulted in short realisation of ₹ 4.06 lakh. We noticed that the five licensees had paid the minimum fees while the remaining four had paid it short. The AETCs did not take any action to recover the fees short realised.

As per Excise Announcements 2008-09, "Fixed fees" of ₹ 1 per proof litre subject to minimum of ₹ 25,000 in respect of foreign liquor and 30 paise per bulk litre on beer, wine and cider subject to minimum of ₹ 15,000 was chargeable from L-1-B (wholesale vend) licensees.

We reported the matter to the Department and to the Government between November and December 2009. We have not received their replies (September 2010).

### 3.7.3 Non-levy of interest

#### Four AETCs<sup>19</sup>

We noticed between October 2009 and February 2010 that 35 licensees deposited license fee of ₹ 4.43 crore late with an average delay of 127 days during 2008-09. They were liable to pay interest of ₹ 4.04 lakh on the belated payments. However, the concerned AETCs did not levy the same. This resulted in short recovery of revenue to that extent.

Excise Announcements for the year 2008-09 provide for levy of interest for non-payment/belated payment of license fee.

<sup>17</sup> One gallon = 4.54 proof litres.

<sup>18</sup> Kangra: four licensees: ₹ 2.05 lakh; Solan: four licensees: ₹ 0.92 lakh and Una: one licensee: ₹ 1.09 lakh.

<sup>19</sup> Hamirpur: ₹ 1.98 lakh; Kullu: ₹ 1.10 lakh; Mandi: ₹ 0.52 lakh and Una: ₹ 0.44 lakh.



We reported the matter between October 2009 and February 2010 to the Department. It accepted the audit observation and intimated (September 2010) that out of recoverable amount of ₹ 4.04 lakh, ₹ 2.73 lakh<sup>20</sup> had been recovered and attempts were being made to recover the balance amount. Further report on recovery and the reply of the Government to whom the cases were forwarded between November 2009 and February 2010 have not been received.

### 3.7.4 Non-levy of additional fee on short lifting of minimum guaranteed quota

#### AETC Shimla

We noticed in November 2009 that three licensees<sup>21</sup> lifted 26,628 proof litres against MGQ of 49,100 proof litres of liquor fixed by the department during 2008-09. This resulted in short lifting of 12,652 proof litres<sup>22</sup> for which additional fee of ₹ 2.53 lakh though payable was not demanded by the AETC. The mistake had escaped the notice of the

Excise Announcements 2008-09 provide that every licensee shall be required to lift minimum guaranteed quota (MGQ) as fixed for each vend. Failing which he shall be liable to pay license fee based on MGQ. Additional fee of ₹ 20 per proof litre shall be paid by the licensee on the quantity falling short of 80 *per cent* of MGQ.

ETC also to whom the 'Annual Lifting and Consumption Statement' enclosed with the return was furnished.

After we reported the matter in November 2009 to the Department, it accepted the audit observation and intimated (September 2010) that ₹ 16,000 had been recovered from one licensee. Further report on recovery and reply of the Government to whom the cases were forwarded in December 2009 has not been received.

<sup>20</sup> Hamirpur: ₹ 1.21 lakh; Kullu: ₹ 1.10 lakh; Mandi: ₹ 32,000 and Una: ₹ 10,000.

<sup>21</sup> M/s Kewal Ram, ₹ 0.65 lakh; M/s Kuldeep Kumar Kaith, ₹ 0.94 lakh and M/s Sharma and Co. (Dinesh Kumar), ₹ 0.94 lakh.

<sup>22</sup> 80 *per cent* of MGQ of 49,100 proof litres i.e. 39,280 proof litres - 26,628 proof litres = 12,652 proof litres.

## CHAPTER-IV TAXES ON VEHICLES, GOODS AND PASSENGERS

### 4.1 Tax administration

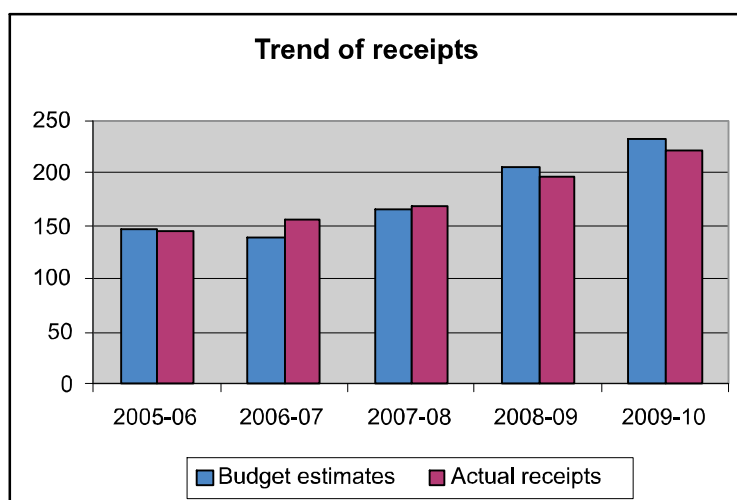
The receipts from the transport department are regulated under the provisions of the Central and the State Motor Vehicle Acts and rules made there under, and is under the administrative control of the Director Transport, who is assisted by a team of officers/staff in the performance of his duties relating 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 administrable by the Excise and Taxation Commissioner of the state.

### 4.2 Trend of receipts

Actual receipts from the taxes on motor vehicles, goods and passengers tax during the last five years 2005-06 to 2009-10 along with the total tax/non-tax receipts during the same period is exhibited in the following table and graph:

(Rupees 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
2005-06	147.00	144.12	(-) 2.88	(-) 2	2,186.69	7
2006-07	140.00	156.57	(+) 16.57	(+) 12	2,993.23	5
2007-08	166.35	168.84	(+) 2.49	(+) 2	3,780.61	4
2008-09	205.16	197.92	(-) 7.24	(-) 4	3,998.73	5
2009-10	232.52	222.71	(-) 9.81	(-) 4	4,358.18	5



It would be seen from the above that the variation between the actuals and the budget estimates prepared by the department remained between two to four *per cent* except during 2006-07 when it was 12 *per cent*. We recommend that the department continue this practice of preparing the BEs on realistic basis.

### 4.3 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 2005-06 to 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection for 2008-09 were as follows:

(Rupees 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	2005-06	144.12	1.28	0.89	2.74
	2006-07	156.57	1.90	1.21	2.61
	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

The above table indicates that the percentage of expenditure on collection was always less than the all India average percentage during the period 2005-06 to 2008-09.

**The government needs to continue and monitor this practice of efficient tax collection.**

### 4.4 Impact of audit

During the last five years (including the current year's report), we have pointed out 1,278 observations with revenue implication of ₹ 134.02 crore. Of these, the Department/Government had accepted audit observations in 800 cases involving ₹ 41.71 crore and had since recovered ₹ 32.51 crore. The details are shown in the following table:

(Rupees in crore)

Year of Audit Report	Observation included		Observation accepted		Amount recovered
	No.	Amount	No.	Amount	Amount
2005-06	207	23.82	40	0.32	11.90
2006-07	273	16.23	546	9.26	16.30
2007-08	271	10.75	60	10.40	2.64
2008-09	276	14.87	89	5.06	0.40
2009-10	251	68.35	65	16.67	1.27
<b>Total</b>	<b>1,278</b>	<b>134.02</b>	<b>800</b>	<b>41.71</b>	<b>32.51</b>

The department had so far recovered ₹ 32.51 crore which included recovery of accepted cases pertaining to the period prior to 2005-06 also. This is indicative of the fact that the department had not been able to enforce prompt recovery even in accepted cases.

### 4.5 Results of audit

Test check of the records of 72 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 receipts revealed under

assessment of tax and other irregularities involving ₹ 68.35 crore in 251 cases, which fall under the following categories:

(Rupees in crore)			
Sr. No.	Categories	Number of cases	Amount
1.	Levy and collection of motor vehicle tax (a review)	1	57.95
2.	Evasion of <ul style="list-style-type: none"><li>• Token tax</li><li>• Passenger and goods tax</li></ul>	88 24	1.05 1.12
3.	Non/short realisation of <ul style="list-style-type: none"><li>• Token tax and composite fee</li><li>• Passenger and goods tax</li></ul>	23 24	0.38 0.72
4.	Other irregularities <ul style="list-style-type: none"><li>• Vehicles tax</li><li>• Passenger and goods tax</li></ul>	91 Nil	7.13 Nil
<b>Total</b>		<b>251</b>	<b>68.35</b>

During the course of the year, the department accepted underassessment and other deficiencies of ₹ 16.67 crore in 65 cases, of which were pointed out in audit during the years 2009-10 and the rest in earlier years. An amount of ₹ 1.27 crore was realised in 79 cases during the year 2009-10.

A review of “**Levy and collection of Motor Vehicle tax**” with financial impact of ₹ 57.95 crore and few illustrative cases involving ₹ 3.70 crore are mentioned in the following paragraphs.

## **4.6 “Levy and collection of Motor Vehicle tax”**

### **4.6.1 Highlights**

- Insufficient application controls in the ‘Vahan’ application had led to inconsistent and incomplete database maintained by the registering authorities.

**(Paragraph 4.6.8.1 to 4.6.8.3)**

- Position of arrears of token tax pending collection as on 31 March 2009 was not available with the Department. Token tax of ₹ 4.82 crore in respect of 7,739 vehicles was not collected in 17 test-checked registering authorities.

**(Paragraph 4.6.8.3)**

- Application of incorrect rate of composite fee in all the 89,805 vehicles entering the state without valid National Permit resulted in short realisation of ₹ 22.45 crore during the period April 2004 to May 2009.

**(Paragraph 4.6.10.1)**

- Due to non-raising of the monthly demand by the RTOs, the Transport Department was not aware of the Special Road Tax of ₹ 26.83 crore recoverable from the HRTC.

**(Paragraph 4.6.15.1)**

- Non-payment of Special Road Tax by 190 private stage carriages (PSCs) owners out of 2,297 PSCs owners during the period 2004-05 to 2008-09 resulted in arrears of ₹ 1.75 crore.

**(Paragraph 4.6.15.2)**

### **4.6.2 Introduction**

Levy and collection of receipts from the Motor Vehicles are regulated under the Motor Vehicle Act, 1988; Central Motor Vehicles Rules 1989; Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972; Himachal Pradesh Motor Vehicles Taxation Rules (HPMVR), 1974 and Himachal Pradesh Motor Vehicles Rules, 1999.

Receipts from the motor vehicles mainly comprises of token tax, special road tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under the National Permit Scheme.

Token tax is leviable on the motor vehicles and paid in advance either quarterly or annually in accordance with Rule 3 of the HPMVR, at the rate prescribed by the Government from time to time however, on non-transport vehicles it is leviable in lump sum. In addition to the token tax Special Road Tax (SRT) is also levied on all stage carriage transport vehicles at the rate prescribed from time to time.

The department switched over to the computerisation from April 2006. There are two softwares, one for registration of vehicles called 'VAHAN' and other for issue of the driving licenses called 'SARTHI'. However, the software does not contain module for the levy and collection of the SRT and penalty.

#### **4.6.3 Organisational setup**

Principal Secretary (Transport) is the administrative head at the Government level and Director Transport (DT) is the head of department (HOD). He is assisted by an Additional Director cum Secretary State Transport Authority (STA) at Shimla, 10 Regional Transport Officers (RTOs), 54 Registering & Licensing Authorities (RLAs) in the State. There are 11 Transport barriers<sup>23</sup> at the entry point of the State manned by the Assistant Regional Transport Officers under the control of six RTOs<sup>24</sup>.

#### **4.6.4 Audit Objectives**

We conducted the review with a view to ascertain;

- the efficiency and efficacy of the system for determination and collection of taxes and fees;
- evaluate the system of internal controls to ensure that there is no delay in realisation of the revenue;
- determine whether adequate provisions and rules exist; and are being followed by the Department for determination and collection of the revenue; and
- the information generated through computerised database was complete and reliable.

#### **4.6.5 Scope of Audit and audit methodology**

We test checked the records for the period 2004-05 to 2008-09 maintained in the office of the Director Transport Himachal Pradesh, STA Shimla, eight RTOs<sup>25</sup> and eight RLAs<sup>26</sup>. The selection of these RTOs was made on the basis of geographical location and revenue earned by them. The selection of RLAs was based on the stratified random sampling mentioned in the annexure-V. Out of 11 transport barriers, nine were test checked.

For the purpose of the IT audit we test checked the database of 'Vahan/Sarthi' applications maintained by STA Shimla and three RTOs<sup>27</sup> using Computer Aided Audit Techniques between June 2009 to May 2010. The units were selected on the basis of random sampling method using IDEA (CAATs).

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<sup>23</sup> Baddi, Barotiwala, Damtal, Gagate, Kala Amb, Kandwal, Mehtpur, Paonta Sahib, Parwanoo, Sawarghat and Tunuhatti.

<sup>24</sup> Bilaspur, Chamba, Kangra, Sirmour, Solan and Una.

<sup>25</sup> Bilaspur, Hamirpur, Kangra, Kullu, Mandi, Shimla, Solan and Una.

<sup>26</sup> Amb, Bilaspur, Jogindernagar, Nalagarh, Nurpur, Parwanoo, Solan and Una.

<sup>27</sup> Dharamsala, Shimla and Solan.

We also included observations noticed in audit during 2004-05 to 2008-09 in the review.

#### 4.6.6 Acknowledgement

We acknowledged the co-operation of the Transport Department in providing necessary information and records for audit. An entry conference was held in June 2009 with the department and the scope and the methodology for conducting the review were discussed. The draft review was forwarded to the department and to the Government in June 2010 and was discussed in the exit conference held in August 2010. The Director Transport represented the Department. Replies of the Department received during the exit conference and at other times have been appropriately incorporated in the relevant paragraphs.

#### 4.6.7 Trend of Revenue

A comparison of budget estimates (BEs) and actual receipts under motor vehicle taxes during the years 2004-05 to 2008-09 is given below:

(Rupees in crore)

Year	BEs	Actual receipts as per Finance account	Variation (+) increase (-) decrease	Variation (per cent)
2004-05	94.18	107.82	(+)13.64	(+) 14
2005-06	110.00	101.51	(-) 8.49	(-) 8
2006-07	110.00	106.35	(-) 3.65	(-) 3
2007-08	120.00	113.72	(-) 6.28	(-) 5
2008-09	136.50	135.53	(-) 0.97	(-) 1

Increase in the BEs and actual receipts during 2008-09 as compared to 2007-08 were due to deposit of arrears of ₹ 11.63 crore by Himachal Road Transport Corporation this year.

#### System deficiencies

##### 4.6.8 Deficiencies noticed in system

We analysed the data generated by 'Vahan' in the STA Shimla and three RTOs<sup>28</sup> and found a number of deficiencies in the application and general controls in the computerised system. These are mentioned as below:-

##### 4.6.8.1 Inadequacies in implementation of application controls

Application controls in a system provide assurance to the management that all transactions are valid, authorised and recorded. Unusual and improbable data makes the data integrity doubtful and tantamount to unreliability of data or points to absence of validation controls.

We noticed that there were bypassed, which was evident from the facts that:

- 1,035 vehicles were shown to have been registered prior to date of their purchase (Annexure-VI).
- Incomplete data in some of the crucial fields (Annexure-VII).
- Invalid series of registration number in 212 cases (Annexure-VIII).

<sup>28</sup>

Dharamsala, Shimla and Solan.

- Blank insurance cover note in 3,220 cases and 278 out of 892.
- Duplicate insurance cover notes (Annexure-IX), duplicate engine number/chassis numbers (Annexure-X) in the database.

The facts indicate that though the system require approval of a competent authority for each transaction, it has not been applied as the staff responsible for the data entry was also doing the work of approval. Thus, the integrity of the data could not be vouchsafed. We observed that this would not have been possible unless the transactions were fed at the back end<sup>29</sup>.

DT while accepting the audit contention intimated (September 2010) that the matter is under consideration with the National Informatics Center (NIC) to improve the system and remove the deficiencies.

**The Government may consider issuing directions to the department for not by passing the controls/procedures provided in the application.**

#### 4.6.8.2 Inadequacies in implementation of the general controls

A user can be created by the database administrator for feeding data into the computer and can only be deleted by him. The name, user ID and password etc. are recorded in the user master table. We noticed that in 'owner' table there were 75 users who did not exist in the user master table but had entered the data in the

table as detailed below:-

Name of RTO	Total number of users in master table	Number of invalid users	Number of entries by invalid users	Total entries in the data base
STA Shimla	10	3	19	11,649
RTO Dharamsala	7	29	21,972	33,836
RTO Shimla	14	5	1,685	11,107
RTO Solan	14	38	9,062	16,492
<b>Total</b>	<b>45</b>	<b>75</b>	<b>32,738</b>	<b>73,084</b>

This indicates that the internal control system of the department is weak and need strengthening by way of supervision at the higher level. Non-existence of user in the master table could only be possible due to their subsequent deletion from the table. In the absence of valid user ID the responsibility for feeding incorrect data or any other mistake in the database could not be ascertained.

**The Government may consider the reasons for non-availability of user in master table.**

#### 4.6.8.3 Non-maintenance of centralised data

While developing 'VAHAN' application it was planned that the details of the vehicles would be maintained centrally in a server by NIC. However, we

<sup>29</sup> Direct data entry in the database bypassing the validation checks prescribed in the data entry form.



noticed that this was not being done defeating the very purpose for which it was created.

The DT Himachal Pradesh, Shimla had also not prescribed any return for ascertaining the uncollected amount of token tax from RTOs and RLAs. He was unaware of the token tax pending collection in the department. The position of outstanding amount of token tax was not available with the RTOs and RLAs. The tax

No return for indicating arrears in collection of token tax has been prescribed for registering authorities.

defaulter's list generated by the system did not contain the outstanding amount of tax due and the period for which it was due. We collected the information of outstanding amount of token tax from the records of eight RLAs<sup>30</sup>, eight RTOs<sup>31</sup> and STA, Shimla. Out of 26,372 tests checked vehicles, token tax of ₹ 481.73 lakh in respect of 7,739 vehicles<sup>32</sup> for the period 2004-05 to 2008-09 had not been recovered from the vehicle owners. The quantum of the arrears may be more if thorough check of all the RAs is conducted. In the absence of this vital information, the monitoring for recovery of the arrears at the apex level could not be ascertained.

The Secretary (STA) stated (July 2010) that directions are being issued to the field units to submit details of arrears quarterly/annually.

After we pointed it out, the DT intimated (September 2010) that recovery process has been initiated and ₹ 24.24 lakh has been recovered and efforts are going on to recover the balance amount.

**The Government may consider:**

- to have an effective centralised database on the server for online application software for collection and deposit of motor vehicles taxes;
- to modify the system so as have a provision for ascertaining amount of arrear of token tax and the period for which it was due.

#### 4.6.8.4 Deficiency in exchange of the information

We noticed that the information relating to the NPs issued to the other states by the STAs were not being forwarded to the concerned STAs. In the similar manner the STAs of other states did not inform the STA HP state about the NPs issued by them. As a result STA HP was unaware of the permits issued by other states and composite fee realised there

CMVR provides that the authority, which grants a National Permit (NP) shall inform the concerned state transport authorities the registration number of motor vehicle, name and address of the permit holder and the period for which the authorisation is valid.

<sup>30</sup> Amb, Bilaspur, Kullu, Nalagarh, Nurpur, Parwanoo, Solan and Una.

<sup>31</sup> Bilaspur, Hamirpur, Kangra at Dharamshala, Kullu, Mandi, Shimla, Solan and Una.

<sup>32</sup> 399 cases of buses/mini buses/stage carriage: ₹ 141.04 lakh; 107 cases of construction equipment vehicles: ₹ 15.08 lakh; 4,279 cases of goods carriers: ₹ 164.38 lakh; 973 cases of tractors: ₹ 27.86 lakh and 1,981 cases of maxi cabs/taxi/motor cabs: ₹ 133.37 lakh.

against.

**The department may consider putting in place a system for exchange of information regarding the NPs issued by the STA to vehicles opting to ply from or to the State.**

#### **4.6.9 Lack of system/internal control in timely remittance of Bank Drafts**

We analysed the bank drafts received from the other states on account of composite fee under national permit scheme and the SRT in eight RTOs and STA Shimla. Out of these, we noticed in RTOs Una and Solan that the bank drafts received were either not deposited in treasury or were deposited late. The department had not devised any control mechanism for reviewing the work done in timely realisation of tax and encashment of the banks drafts by the RTOs by way of inspection at the apex level. This resulted in non-realisation of ₹ 140.39 lakh (fraudulent use of the banks drafts ₹ 1.03 lakh, non deposit of ₹ 11.42 lakh, late deposit of ₹ 127.94 lakh) and non-transmission to other States/UTs of ₹ 70.51 lakh as mentioned in the following paragraphs:-

##### **4.6.9.1 Fraudulent use of bank drafts**

###### Regional Transport office, Solan

Our scrutiny of the system of receipt of the bank drafts revealed that though particulars of fees, vehicle number and permit numbers were entered in the National Permit Register at the time of issue of the permit but there was no system for recording the vehicle number at the back of the banks drafts. As a result of this deficiency the fraudulent use of the banks drafts was possible. This was evident in RTO Solan where during 2008-09 the internal audit wing of the department had detected fraudulent use of 25 banks drafts valued at ₹ 1.03 lakh for granting/renewing National Permits (NPs) of 19 vehicles. Thus there was a need for putting in place a system for recording vehicle number at the back of the banks drafts and it would be strengthened if it is done under the attestation of an authorised officer so as to avoid their reuse.

Under the National Permit Scheme, composite fee at prescribed rates is recovered from goods carriages in the shape of BDs. Composite fee received on behalf of other states/UTs in the shape of BDs is required to be sent to the concern state intimating permit number and other particulars of the vehicles.

The DT apprised (September 2010) that the department has initiated disciplinary proceedings against the erring official and case has also been reported to the Vigilance department.

**It is recommended that the department may install a mechanism of recording vehicle number at the back of the banks drafts under the attestation of an authorised officer to avoid their reuse.**

#### 4.6.9.2 Non-transmission of banks drafts to other States/UTs

Our scrutiny of the records of RTO Solan in November, 2009 revealed that 20,218 banks drafts amounting to ₹ 9.16 crore were received during the year 2008-09 on account of composite fee from the NP holders. Out of these 1,718 banks drafts amounting to ₹ 70.51 lakh were not sent to the respective States/UTs.

Bank Drafts received on behalf of other states are required to be sent to respective STAs. A bank draft if not encashed within a period of six months should be sent for revalidation.

The validity of these banks drafts had also expired and were sent to the concerned banks for revalidation between August and October 2009.

We noticed that these banks drafts were kept unauthorisedly by the dealing assistant for more than a year but the RTO and supervisory staff failed to check this irregularity.

After we pointed it out, the DT intimated (September 2010) that out of 1,718 banks drafts 1,493 BDs valuing for ₹ 45.83 lakh have been sent to the concerned STAs/RTAs after revalidation. Remaining 225 banks drafts are yet to be revalidated.

#### 4.6.9.3 Non-deposit/late deposit of bank drafts of SRT

Our scrutiny (November 2009) of the bank draft register of two RTOs for the period 2004-05 to 2008-09 revealed that 184 bank drafts valued at ₹ 1.07 crore were received from stage carriages of other States during August 2008 and March 2009. Out of these, 12 bank drafts valued at ₹ 5.61 lakh were neither entered in the cash book nor deposited into the treasury and 172 bank drafts valued at ₹ 1.01 crore were deposited late after an average delay of 3 months.

HP Financial Rules, provide that bank drafts received by the departmental officers should be entered into the cash book and credited into the treasury on the same day or on next working day. The reconciliation of amounts posted in the cash book and remitted into the treasury is to be done every month.

The RTO Solan had at no time made any efforts to check the cash book and ensure the whereabouts of these drafts, resulting in non-realisation of revenue of ₹ 5.61 lakh and delayed remission of ₹ 1.01 crore. We further noticed that the RTO Una had received 159 bank drafts valued at ₹ 26.54 lakh during August to October 2008 but deposited the bank drafts after an average delay of 75 days.

Thus, the above irregularities indicate that the RTOs have failed to exercise the prescribed checks on bank drafts register and cash books to ensure prompt deposit of bank drafts. The possibility of encashment of bank drafts in connivance of vehicle owners in such cases could not be ruled out.

After we pointed out in audit (November 2009), the DT intimated (September 2010) that in case of RTO Solan ₹ 2.32 lakh has been deposited after revalidation of five bank drafts and balance seven bank drafts of ₹ 3.29 lakh have already been sent to the bank for revalidation and further added that

instructions have been issued to all the RTOs for timely deposit of bank drafts. RTO Una attributed the delay to shortage of the staff.

#### **4.6.9.4 Non-deposit of bank drafts of composite fee**

We test checked the records of STA Shimla and noticed that 36,895 bank drafts valued at ₹ 18.09 crore were received from other states on account of composite fee from 2004-05 to 2008-09. Out of these 120 bank drafts valued at ₹ 5.81 lakh were not credited to the Government account as the validity of bank drafts had expired. Out of these 12 bank drafts were sent for revalidation on 24.5.2005. But no follow up action was taken by the department to get these bank drafts revalidated despite lapse of a period of over five years. Further whereabouts of 108 bank drafts were not made available.

After we pointed out (June 2009) in audit, the DT intimated (September 2010) that out of 120 bank drafts, 99 bank drafts valuing ₹ 4.84 lakh have been revalidated and deposited in the Government treasury. Reminders to concerned banks have been issued for revalidation of remaining 21 bank drafts. Thus, facts indicate that the department needs to strengthen its monitoring control in deposit of bank drafts.

#### **4.6.10 Leakage of revenue at entry points of the state**

##### **4.6.10.1 Faulty system at transport barriers**

The Department had installed eleven transport barriers at entry points, out of which nine were test checked. We noticed (February 2009) during the audit of accounts of two barriers under RTO Una that the software developed by the department for levy and collection of the composite fee at the barriers was incorrectly programmed. Against prescribed rate of fee of ₹ 5,000 it was programmed as ₹ 2,500 in the software. Thus for each vehicle entering into the state, the Government suffered a loss of ₹ 2,500.

Transport barriers established at entry points of the State were required to recover composite fee for ₹ 5,000 in lump sum from each goods carrier entering the State without valid National Permit (NP).

Though the mistake was pointed out in February 2009, the Department did not rectify the mistake till May 2009. We further noticed (between September 2009 and February 2010) that the Government had suffered a loss of revenue of ₹ 22.45 crore in respect of 89,805 vehicles entering the state through nine transport barriers during the period April 2004 to May 2009. Out of this, ₹1.56 crore in respect of 6,243 vehicles pertained to the period after we had pointed out the irregularity. Timely departmental action could have avoided this loss.

After we pointed out this, the Director of Transport accepted (September 2010) the fact stating that incorrect application of rates of composite fee had occurred due to wrong master database in the software. Process for recovery has been started. Out of ₹ 22.45 crore, ₹ 2.03 crore in respect of 8,126 vehicles has been recovered.

#### 4.6.10.2 Installations of transport barriers

We noticed that the Excise and Taxation Department had established multipurpose excise and taxation barriers at 34 entry points in the State to plug the leakage of passengers and goods tax. However, the Transport Department has established only 11 barriers and proposed establishing nine more barriers in December 2008 for which the approval of Government has not been received (June 2009). There was nothing on record to show how to plug the leakage of revenue in respect of the remaining 14 entry points.

We noticed that there was no provision in the Acts/Rules or by way of instructions to maintain coordination between the Excise and Taxation Department and Transport Department to check the evasion of tax by transport vehicles at entry points where no transport barriers existed. In the absence of TBs, the evasion of tax by transporters could not be ruled out.

#### The Government may consider

- opening new transport barriers at entry points;
- issue directions for utilising the multipurpose excise and taxation barriers for checking the evasion of taxes on account of motor vehicles by maintaining coordination with the Excise and Taxation Department.

#### 4.6.11 Absence of provisions for periodical assessment of tax

##### 4.6.11.1 Short determination of the SRT in respect of private stage carriages

We test checked 175 out of 1,068 route permits in two RTOs<sup>33</sup>. The permits were selected on random sampling. Out of these, we noticed that in 30 stage carriages the tax was determined for lesser mileage than that was shown in their permits. This resulted in short realisation of SRT of ₹ 8.06 lakh. The above facts revealed that the department had at no time verified the correctness of the tax determined and paid by the vehicle owners. In absence of internal audit and the provision for assessment, the mistakes remained undetected.

RTO Kangra and Una stated between December 2009 and February 2010 that the matter was being looked into and the amount would be recovered (July 2010).

The DT intimated (September 2010) that the directions have been issued to the concerned RTOs to re-determine the correct SRT.

<sup>33</sup>

Kangra and Una.



### RTO Shimla

**4.6.11.2** We noticed from the tax statements that irregular exemption of ₹ 2.89 lakh on account of the SRT was availed between January 2005 and March 2007 by HRTC Rampur unit in respect of routes mentioned in the permit, due to natural calamity without furnishing certificates from the designated authorities, nor was it demanded by the RTOs. After we pointed out (June 2009) in audit, RTO stated (August 2010) that the HRTC would be asked either to furnish the certificate from the concerned authority or to deposit the SRT.

Exemption from payment of tax may be granted to the vehicle owners in case of damage of roads due to natural calamity subject to production of certificate from a Tehsildar, SDM and PWD.

The above deficiencies could have been taken care of, had there been a provision for periodical assessment of the tax.

The DT intimated (September 2010) that the HRTC has been asked to furnish the required certificates or deposit the SRT.

**The Government may consider incorporating a provision for periodical assessments so that the amount of the tax payable by owners can be correctly assessed.**

### **Compliance deficiency**

#### **4.6.12 Loss of SRT due to fake entries**

Our scrutiny of the records of RTO Solan for the period 2004-05 to 2008-09 revealed that the SRT register was not being maintained from 2004-05 onwards and the details of SRT were being kept in computer. The internal audit wing of department had not at any time pointed out non-maintenance of the records. We also noticed in the test check during 2007-08 that a fake entry of tax of ₹ 0.15 lakh was made in the SRT account in the computer. Thereafter the internal audit wing of the department conducted detailed investigation (June 2009) and could unearth fake entries of tax recovery of ₹ 21.61 lakh in the case of 54 private stage carriages from April 2000 to March 2009. However, our scrutiny (November 2009) further detected fake entries of tax of ₹ 3.66 lakh in respect of 12 stage carriages out of which 10 stage carriages pertained to the period covered in audit by the internal audit wing.

All the RTOs are required to maintain the SRT Register wherein particulars of vehicle such as vehicle number, class of vehicle, seating capacity, classification of route and monthly SRT determined are recorded. The details of SRT collected are entered in the SRT Register, cash book and signed by the RTO with reference to receipts issued and treasury challan to ascertain that amount has actually been deposited into the Government treasury.

Thus, non-maintenance of the prescribed SRT Register and non-exercising of prescribed checks by the RTO paved way for fake entries and resulted in unfair accounts of stage carriages. After we pointed out, RTO Solan accepted (April

2010) that non maintenance of SRT Register had lead to fake entries in the computer to benefit the operator.

The DT intimated (September 2010) that the SRT account of private operators was being re-cast with reference to the connected records and the matter had already been reported in June 2009 to the Vigilance Department and was still under investigation. The DT further stated that an amount of ₹ 4.56 lakh has been recovered and remaining amount shall be recovered shortly.

#### 4.6.13 Incorrect determination of SRT by HRTC

The permits are issued by the concerned RTOs on the basis of declarations made by the HRTC. Monthly tax statements are compiled on the basis of declaration made in the permits in respect of each vehicle.

Our scrutiny of the records of eight RTOs<sup>34</sup> revealed that tax statements of the SRT were not regularly furnished by the HRTC units and (SRT statements where received) were not scrutinised by the RTO to see that the rates applied were according to the classification of route, and the mileage covered as per the authorisation in the route permits. Thus, the SRT paid by the HRTC was being accepted as correct without proper scrutiny. This laxity on the part of the RTOs resulted in short determination of tax. This aspect was also not touched by the internal audit wing. The deficiencies noticed are mentioned in the following paragraphs:-

**4.6.13.1** We noticed deficiencies in collection of the SRT in respect of 16 routes plying on a NH-22. The Regional Managers of HRTC Rampur, Reckong-peo and Rohru had applied incorrect rates in the tax statements. The RTO Shimla had omitted to check the rates and the classification of the routes prescribed in notifications<sup>35</sup>. The tax was paid at the rates prescribed for intra-state routes instead of inter-state route for the period 2004-05 to 2008-09. The failure of the RTOs concerned to determine correctly the amount payable on these routes had resulted in incorrect determination of SRT resulting in non-realisation of revenue of ₹ 24.31 lakh.

The rates of the SRT are higher for inter-state routes than that of intra state routes.

We further noticed that in 64 cases the permit number was not mentioned in the tax statements filed by the HRTC with the RTOs. As such the correctness of the tax paid could not be ascertained.

The DT intimated (September 2010) that the matter has been taken up with the HRTC for re-determination of the SRT.

**4.6.13.2** Four Volvo deluxe buses plying from Shimla to Delhi and 13 stage carriages plying on six routes<sup>36</sup> were granted permits with one straight trip each. Our scrutiny of monthly tax statements revealed that the SRT worked out by the

<sup>34</sup> Bilaspur, Hamirpur, Kangra, Kullu, Mandi, Shimla, Solan and Una.

<sup>35</sup> Notification dated April 2000 and January 2006.

<sup>36</sup> Kalpa-Chandigarh, Nerwa-Chamunda, Reckong Peo-Dharamsala, Rohru-Jawalaji, Shimla-Chandigarh and Shimla-Delhi.



HRTC was incorrect. It had taken lesser mileage/trips in calculation of the tax. The tax payable was ₹ 70.85 lakh against which ₹ 34.23 lakh was paid. This resulted in short collection of the SRT and resultant loss of revenue of ₹ 36.62 lakh.

The DT apprised (September 2010) that the matter has been taken up with the HRTC for re-determination of tax.

#### **4.6.14 Issue of no objection certificate without clearance of tax**

We noticed from the test check of records of the RTO Solan in November 2009 that NOCs of three buses were issued without verification of clearance of outstanding tax of ₹ 3.83 lakh<sup>37</sup>. After we pointed out (November 2009), RTO Solan stated that notices have been issued to the owners of the vehicles and delinquent official has been suspended.

Section 48 (5) of the MVT Act, 1988 lays down that before issuing no objection certificate (NOC), the registering authority shall verify that all amounts due to the Government in respect of that vehicle have been paid by the vehicle owner.

However, RTO being signatory to the NOC, his failure to follow the prescribed system could also not be ignored as it had also led to above loss of revenue.

The DT intimated (September 2010) that the notices have been issued to the vehicle owners to deposit the outstanding tax.

#### **4.6.15 Position of arrears of the SRT**

We noticed that all RTOs except Solan and Una were maintaining SRT registers but it was not reviewed at any time by the RTOs. Further, the position of the arrears was not readily available with the Director Transport. After being requested for the same, he directed the concerned RTOs to furnish the same. However the same has not been furnished till date (August 2010). We collected the same from the HRTC and eight RTOs and our observations are as mentioned under:-

##### **4.6.15.1 Arrears of the HRTC**

An amount of ₹ 26.83 crore was payable as SRT as on 31<sup>st</sup> March 2010 out of which ₹ 11.41 crore pertained to the period upto March 2009.

The DT intimated (September 2010) that the process of raising monthly demands has now been enforced by the department.

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<sup>37</sup> SRT: ₹ 2.73 lakh and token tax: ₹ 1.10 lakh.

#### 4.6.15.2 Arrears of private stage carriages (PSCs)

190 PSCs had not paid SRT of ₹ 1.75 crore for the period from 2004-05 to 2008-09 as per the details in the annexure-XI.

HP MVT (Amendment) Act, 1999 provides that if SRT is not paid within a period of one month from the due date, the taxation authority shall proceed for recovery of the same as Arrears of Land Revenue (ALR).

The department had neither issued demand notices to the owner of these PSCs nor was these cases referred to the concerned Collector for recovery as arrears of land revenue. Inaction on the part of the department resulted in non-

recovery of revenue of ₹ 1.75 crore.

After we pointed out in audit (June 2009 to March 2010), the DT intimated (September 2010) that out of ₹ 1.75 crore, the department had so far recovered ₹ 49.99 lakh and notices have been issued to the owners of PSCs to deposit the balance amount of the SRT.

There is no provision in the Act for levy of interest on delay in payment of tax by the vehicle owners. Thus a considerable amount of Government revenue is foregone.

**The Government may consider incorporating a provision for levy of interest on non-payment of tax and penalty by the vehicle owners in the Acts and issue direction for maintaining SRT registers.**

#### 4.6.16 Internal controls

We noticed that reconciliation of the receipts with the treasury records was not done by four RTOs<sup>38</sup>, three RLAs<sup>39</sup> and STA Shimla for various period covered by audit.

After we pointed out in audit (between June 2009 and January 2010), the concerned taxation authorities stated that efforts would be made to reconcile the figures.

The DT intimated (September 2010) that reconciliation of revenue figures will be made with the treasury and reconciled statements would be obtained.

<sup>38</sup> Bilaspur, Chamba, Shimla and Solan.

<sup>39</sup> Amb, Parwanoo and Shimla.

#### **4.6.16.1 Inadequate Internal Audit System**

Our scrutiny of the records of this wing revealed (April 2010) that no manual

Under the existing system of internal audit in the department, the audit of field offices is to be conducted through the Assistant Controller (F&A) and Section Officers (F&A) posted at the Directorate. For this purpose, one Assistant Controller, two Section Officers and one assistant have been posted in the department.

regulating the functioning of internal auditing has been prepared. The internal audit wing has also not drawn the annual audit plan or fixed monthly targets of audit of the field units.

A perusal of the record revealed that out of total 68 auditable

units, only 4 to 14 units were audited during each of the years 2004-05 to 2008-09. No monitoring system to watch the compliance of the internal audit observations has been evolved to know the position of the outstanding observations and monetary value thereof as no register or other record maintained for the purpose was shown to us.

Thus, keeping in view the size of the department the internal audit system was not adequate and effective.

The inadequacy in conducting the internal audit was attributed by the Department (June 2009) to the shortage of staff and diversion of their duties to perform the duties other than that of the internal auditors. Reply of the department is not tenable as the diversion of the staff posted for internal audit to perform other duties has weakened the internal audit system to check the evasion of the motor vehicles taxes. There is a need for strengthening the internal audit system of the Transport Department to monitor/ensure the correctness of taxes paid.

The DT while admitting audit contention assured (September 2010) that the department will prepare and approve annual audit plan and professionally trained staff provided for the purpose would be deployed on this important work.

#### **4.6.17 Conclusion**

Receipt from the Motor Vehicle tax is an important source of revenue for the State Government. However, substantial amount of the revenue under the motor vehicle taxes had been lost or not collected due to various deficiencies. The monitoring mechanism to keep control over collection of the revenue was ineffective. Internal audit system was also not adequate. There was no system to ensure timely collection as well as payment of the composite fee from other State Transport Authorities. The insufficient application controls in the 'Vahan' system had led to inconsistent and incomplete maintenance of vehicle database by the registering authorities. The department requires rejuvenating the system of levy, assessment and collection of taxes.

#### **4.6.18 Recommendations**

The Government may consider:

- strengthening of inbuilt monitoring system for correct assessment of token tax and timely collection and deposit of Government dues;
- setting up an effective and efficient internal control mechanism for timely assessment and collection of SRT and its deposit into Government account;
- strengthening the Internal Audit System of the Transport Department to monitor the assessment and correctness of taxes, by clearly defining the duties of Internal Audit Wing;
- prescribing mechanism for proper accounting and timely deposit of bank drafts by RTOs;
- devising a mechanism of availabilities of information between Himachal Pradesh and outside state transport authorities about the receipt/payment of composite fee;
- opening of new transport barriers at 23 vulnerable entry points which had not been covered as of now; and
- maintaining an effective centralised database for online application software for assessment, collection and deposit of motor vehicle taxes.

#### 4.7 Other Audit observations

Scrutiny of the records in the offices of the Transport Department relating to revenue received from taxes on vehicles, taxes on 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. We pointed out such omission in audit each year, but not only do the irregularities persist but also remain undetected till an audit is conducted. There is need for the Government to consider directing the Department 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 Acts/Rules

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

- (i) payment of motor vehicles tax/token tax by the owner of vehicles 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 ₹2.18 crore.

##### 4.8.1 Non-levy of penalty for late payment of SRT

Our scrutiny of the records of nine RTOs<sup>40</sup> revealed that the SRT for the period from July 2007 to August 2008 aggregating to ₹ 14.78 crore was deposited in August and December 2008 by the HRTC after an average delay of 216 days. However, RTOs had made no efforts to levy penalty of ₹ 1.91 crore.

As per Transport Department's notification dated 26 July 2006, if 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.

After we pointed out (June 2009 to March 2010), the Department stated that the matter would be taken up with the HRTC to deposit the penalty amount.

The DT informed (September 2010) that the matter had been taken up with the HRTC to deposit the penalty amount.

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<sup>40</sup> Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Solan and Una.

#### 4.8.2 Short levy of token tax due to misclassification of vehicles

##### RTO Kullu

Dumper and self loading concrete mixers fall within the category of construction equipment vehicles.

The token tax leviable on construction equipment vehicles was revised from ₹ 6,000 to ₹ 8,000, ₹ 9,000 to ₹ 11,000 and from ₹ 11,000 to ₹ 14,000 in respect of light, medium and heavy vehicles respectively from 11 June 2007.

This has been clarified by the Director Transport, vide letter dated, 13 October 2004.

We noticed that 66 heavy construction equipments vehicles registered with RTO Kullu during

2007-08 to 2008-09 were liable to pay the token tax of ₹ 17.56 lakh. However, these were registered as heavy goods vehicles on realisation of token tax of ₹ 2.86 lakh at the lower rate. This resulted in short realisation of token tax of ₹ 14.70 lakh.

Our scrutiny further revealed that vehicles documents were not scrutinised properly at the time of registration resulting in misclassification of construction equipment vehicles as HGV.

After we pointed out (October 2009) in audit, the DT informed (September 2010) that in case of RTO Kullu ₹ 5.43 lakh has been recovered in respect of 18 vehicles and notices have been issued to the owners of the vehicles to deposit the difference of the tax.

#### 4.8.3 Plying of vehicles without valid permits

Our scrutiny of the records between May 2009 and October 2009 of STA

Section 81 of the Motor Vehicle Act, 1988 and Rule 68 of the HPMVR, Rules, 1999, lay down that no owner shall use or permit to use his vehicle as transport vehicle in public place unless the owner of such vehicle has obtained a valid permit from the concerned RTO/STA. The permit is valid for a period of five years from the date of its issue.

Shimla and RTOs Kullu and Shimla for the period 2007-08 to 2008-09, revealed that out of 1,480 cases test checked, the owners of vehicles had not renewed their regular permits in 380 cases after the expiry of the validity period. Non-renewal of the permits had thus resulted not only in violation of above provisions of the Act/Rules but

the State Government was also deprived of revenue on account of the permit renewal fees, authorisation fee and penalty of ₹ 11.95 lakh<sup>41</sup>.

After we pointed out (June 2009 to October 2009) in audit, the STA Shimla and RTOs Shimla & Kullu stated that the notices would be issued to the owners of the vehicles to get their route permits renewed or permits would be cancelled.

The DT informed (September 2010) that notices had been issued and ₹ 1.98 lakh had so far been recovered.

<sup>41</sup> RTO Kullu: ₹ 1.65 lakh, RTO Shimla: ₹ 8.45 lakh and STA Shimla: ₹ 1.85 lakh.

#### 4.9 Paragraphs on passenger 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 tax and goods tax at the prescribed rates either monthly or quarterly as may be opted by them.*

##### 4.9.1 Non-registration of Goods and Passenger vehicles

###### Four RLAs and 10 RTOs

We cross verified the records of four RLAs and 10 RTOs with the records of ten AETCs<sup>42</sup>, between

Administrative instructions issued in December 1984 stipulate that 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.

September 2009 and March 2010 and observed that 2,129<sup>43</sup> vehicles were newly registered with concerned RLAs and RTOs during 2008-09 but these were not found registered with the Excise and Taxation Department as required under the

HPPGT Act. As a result, tax amounting to ₹ 66.73 lakh for 2008-09 was not realised from the owners of the vehicles. We noticed that there was no co-ordination between the concerned RLAs/RTOs and AETCs to ensure the registration of the vehicles. A minimum penalty of ₹ 10.64 lakh was also leviable.

We reported the matter to the Department and to the Government between October 2009 and April 2010.

After we pointed out in audit between September 2009 and March 2010, the Excise and Taxation Commissioner Shimla intimated (ETC) (September 2010) that an amount of ₹ 7.54 lakh has been recovered from 264 vehicles of seven districts<sup>44</sup>.

The above mistakes have been pointed out by audit in earlier State Revenue Receipts Audit Reports also but no system has been devised by the department to ensure registration of all vehicles with the Excise and Taxation department.

**The Government may consider putting in place an online electronic system for registration of all goods vehicles with the Excise and Taxation Department as soon as these are registered with the Transport Department.**

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<sup>42</sup> Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Nahan, Shimla, Solan and Una.

<sup>43</sup> Passenger vehicles: 619: ₹ 28.14 lakh and Goods vehicles: 1510: ₹ 38.59 lakh.

<sup>44</sup> Bilaspur: 22 vehicles: ₹ 1.17 lakh, Chamba: 80 vehicles: ₹ 2.47 lakh, Hamirpur: 27 vehicles: ₹ 0.79 lakh, Kangra: 25 vehicles: ₹ 0.76 lakh, Kullu: 62 vehicles: ₹ 1.60 lakh, Mandi: 28 vehicles: ₹ 0.44 lakh and Shimla: 20 vehicles: ₹ 0.31



## 4.9.2 Non-realisation of Goods and Passenger tax

### 10 AETCs

We noticed in the 10 AETCs<sup>45</sup>, between September 2009 and March 2010 that the passenger and goods tax amounting to ₹ 66.90 lakh for 1,530 vehicles<sup>46</sup>, for the period April 2008 to March 2009 was not paid by the owners of the vehicles. The assessing authorities except that of Solan did not issue demand notices to the owners of the vehicles. This resulted in non-realisation of tax of ₹ 66.90 lakh besides minimum penalty of ₹ 7.65 lakh.

The Act provides that if the owner of the vehicle fails to pay the tax due, the taxation authority may direct him to deposit the tax due along-with a penalty not exceeding five times of the amount of tax so assessed subject to minimum of ₹ 500.

We reported the matter to the department and to the Government between October 2009 and March 2010.

After we pointed out in audit between September 2009 and March 2010, the ETC Shimla intimated (September 2010) that an amount of ₹ 10.31 lakh has partly been recovered from the vehicle owners of nine districts<sup>47</sup>.

<sup>45</sup> Bilaspur: 131 vehicles, Chamba: 91 vehicles, Hamirpur: 44 vehicles, Kangra: 127 vehicles, Kullu: 152 vehicles, Mandi: 389 vehicles, Nahan: 56 vehicles, Shimla: 159 vehicles, Solan: 201 vehicles and Una: 180 vehicles.

<sup>46</sup> Passenger vehicles: 487: ₹ 25.67 lakh and Goods vehicles: 1,043: ₹ 41.23 lakh.

<sup>47</sup> Bilaspur: ₹ 1.19 lakh, Chamba: ₹ 2.58 lakh, Hamirpur: ₹ 0.48 lakh, Kangra: ₹ 0.30 lakh, Kullu: ₹ 1.65 lakh, Mandi: ₹ 0.32 lakh, Nahan: ₹ 0.77 lakh, Shimla: ₹ 2.41 lakh and Solan: ₹ 0.61 lakh.

## CHAPTER-V FOREST RECEIPTS

### 5.1 Tax administration

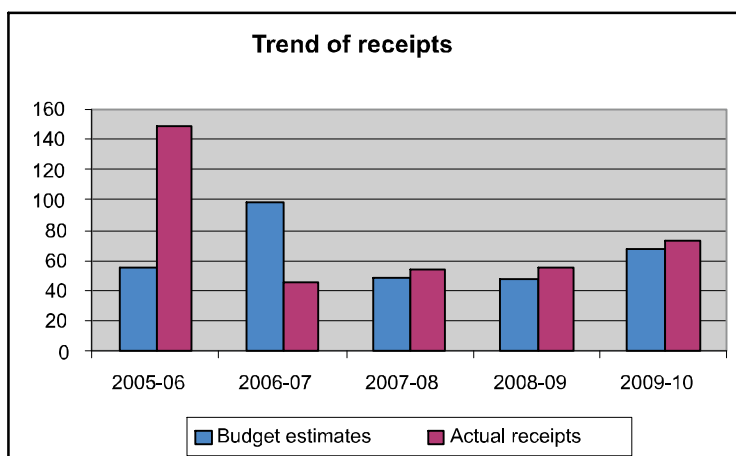
The Forest Department is headed by the Principal Chief Conservator of Forests (PCCF) under the administrative control of the Principal Secretary (Forests) who is assisted by eight Conservators of Forests (CFs) in 37 territorial divisions. Each CF controls the exploitation and regeneration of forest activities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

### 5.2 Trend of receipts

The budget estimates and the actual receipts from the forest during the years 2005-06 to 2009-10 along with the total tax/non-tax receipts during the same period is exhibited in the following table and paragraphs:

(Rupees 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
2005-06	56.00	149.63	(+) 93.63	(+) 167	2,186.69	7
2006-07	98.02	45.55	(-) 52.47	(-) 54	2,993.23	2
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



It would be seen from the above that there was wide variations between the budget estimates and the actuals during the period from 2005-06 to 2008-09. The department may consider framing budget estimates on realistic basis.

### 5.3 Impact of audit

During the last five years (including the current year's report), we have pointed out 1,007 observations involving ₹ 357.97 crore. Of these, the Department/ Government had accepted 889 observations involving ₹ 141.33 crore and had since recovered ₹ 62.88 crore. The details are shown in the following table:

Year of Audit	No. of units audited	Observations included		Observations accepted		Amount recovered
		No.	Amount	No.	Amount	Amount
2005-06	37	178	111.22	54	21.42	15.84
2006-07	37	238	27.37	563	48.94	9.84
2007-08	37	252	88.34	67	16.89	21.68
2008-09	35	165	105.83	120	24.86	12.47
2009-10	33	174	25.21	85	29.22	3.05
<b>Total</b>	<b>179</b>	<b>1,007</b>	<b>357.97</b>	<b>889</b>	<b>141.33</b>	<b>62.88</b>

The department had so far recovered ₹ 62.88 crore which included recovery of accepted cases pertaining to the period prior to 2005-06 also. This is indicative of the fact that the department had not been able to enforce prompt recovery even in accepted cases.

### 5.4 Results of audit

Test check of the records of 33 units relating to forest receipts revealed non/short recovery of royalty, non-levy of interest/extension fee and other irregularities involving ₹ 25.21 crore in 174 cases, which fall under the following categories:

Sr. No.	Particulars	(Rupees in crore)	
		Number of cases	Amount
1.	Non/short recovery of royalty	17	3.25
2.	Non-levy of interest	26	1.73
3.	Non-levy of extension fee	04	0.01
4.	Other irregularities	127	20.22
<b>Total</b>		<b>174</b>	<b>25.21</b>

During the course of the year, the department accepted underassessment and other deficiencies of ₹ 29.22 crore in 85 cases which were pointed out in earlier years. An amount of ₹ 3.05 crore was realised in 29 cases during the year 2009-10.

A few illustrative cases involving ₹ 7.80 crore are mentioned in the following paragraphs.

### 5.5 Audit observations

*Our scrutiny of the records in the offices of forest department relating to revenue received revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/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. We point out such omissions in audit each year, but 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.*

## 5.6 Non-observance of instructions of the Government

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

- recovery of the cost of trees standing on forest land allotted to user agencies;
- charging of the market value of all trees including sapling;
- marking of the trees falling on road alignment;
- payment of interest for delay in payment of royalty by the Himachal Pradesh State Forest Corporation (HPSFC);
- for tapping of resin from the trees of a prescribed diameter and height;
- district forest officers to compound the cases at the rates prescribed from time to time.

We noticed non-compliance of the above rules/instructions in some cases. These have resulted in non-realisation of the Government revenue of ₹ 7.80 crore and are mentioned in the following paragraphs 5.6.1 to 5.6.6.

### 5.6.1 Non/short recovery of revenue

The approval for diversion of the forest land for non-forest purposes is granted by the Government of India, Ministry of Environment and Forest, in favour of a user agency on payment of a specified sum in the form of net present value. The standing trees coming in the alignment of a project to be undertaken by the user agency are marked and handed over to the HPSFC for exploitation.

#### Three DFOs<sup>48</sup>

We test checked the records between August 2009 and March 2010 and

As per departmental instructions of 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 before handing over the area to them, in whose favour the approval for transfer of the forest land has been granted by the Government of India (GOI).

observed that though the approval for transfer of the forest land for non-forestry purposes in respect of four cases was obtained between March 2007 and April 2009, the cost of 507/103 trees/saplings having standing volume of 382.797 cubic meter (cu.m) was not claimed

by the divisions. As a result, revenue of ₹ 62.47 lakh including value added tax (VAT) of ₹ 6.94 lakh was not recovered.

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<sup>48</sup> Dharamsala: Deodar: 13 trees, others: 27 trees: 41.183 cu.m: ₹ 13.50 lakh; Kinnaur: 273 trees: 82.02 cu.m: ₹ 11.40 lakh and Rampur: 297 trees and saplings: 259.594 cu.m: ₹ 37.57 lakh.

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Seven DFOs<sup>49</sup>

We also noticed that during 2008-09 in seven other divisions, 23,395/6,502 green standing trees/saplings having standing volume of 9,147.6104 cu.m were coming in the alignment of the projects/transmission lines<sup>50</sup>. While working out the demands for these standing trees, the department incorrectly applied the rates as were applicable in 2007-08 and raised the bills accordingly. This resulted in short realisation of revenue of ₹ 4.07 crore including VAT of ₹ 45.22 lakh.

The PCCF had fixed the market rates of green standing trees of various species for the years 2008-09 in July 2008. These rates are applicable from 1st April of the year.

After we reported the matter to the concerned divisions between August 2009 and March 2010, DFO Mandi raised (March 2010) the revised bill of ₹ 1.53 crore. Further report on recovery and the reply from other divisions have not been received (September 2010).

We reported the cases to the Department and to the Government between September 2009 and April 2010; their reply has not been received (September 2010).

**5.6.2 Non-levy/non-crediting of departmental charges**DFO Rampur

Our scrutiny of the records between September and October 2009 revealed that DFO while claiming the cost of CA of ₹ 2.32 crore from the user agency did not include departmental charges of ₹ 40.52 lakh in respect of two cases of diversion of the forest land for non-forestry purposes approved by the GOI between February 2009 and April 2009. This resulted in non-levy of the departmental charges of ₹ 40.52 lakh.

As per instructions of PCCF, Himachal Pradesh, issued in March 2003 and May 2004, departmental charges at the rate of 17.5 per cent was to be charged in the case of compensatory afforestation (CA) schemes to cover the establishment and infrastructure charges of the department.

<sup>49</sup> Bilaspur: 9,098 trees and saplings: 2,350.9864 cu.m: ₹ 8.17 lakh; Churah: Deodar: 12 trees, others: 20 trees: 31.36 cu.m: ₹ 3.52 lakh; Kullu: 89 trees, others: 571 trees: 1,327.75 cu.m: ₹ 32.23 lakh; Mandi: Deodar: 46 trees, 9,084 trees: 2,674.132 cu.m: ₹ 1.53 crore; Nachan: Deodar: 267 trees, others: 7,758 trees: 1,412.288 cu.m: ₹ 1.40 crore; Parvati: Deodar: 463 trees, others: 225 trees: 983.20 cu.m: ₹ 51.91 lakh and Suket: 2,264 trees: 367.894 cu.m: ₹ 18.32 lakh.

<sup>50</sup> 220 KV DC transmission line from Prini to Panarsa to Nalagarh, 220 KV Kangoo to Rauri transmission line, construction of 5 MW Siul-I, HEP and construction of Avalanche control structure on access road to south portal of Rohtang tunnel.

## 12 Forest Divisions<sup>51</sup>

Our scrutiny of the records in 12 forest divisions between August 2009 to March 2010 revealed, that the divisions had realised ₹ 5.16 crore (inclusive of departmental charges of ₹ 73.35 lakh) on account of CA in respect of 56 cases of diversion of the forest land for non-forestry purposes. The departmental charges of ₹ 73.35 lakh were deposited in the CAMP<sup>52</sup> account instead of depositing it in the revenue head of the department.

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 plantation head.

Thus, non-deposit of the departmental charges in the Government account resulted in understating of revenue to that extent.

We reported the matter to the Department and to the Government between October 2009 and May 2010; their reply has not been received (September 2010).

### 5.6.3 Non-levy of interest on delayed payment of royalty

#### 10 DFOs<sup>53</sup>

We noticed in the test check of the records of 10 DFOs, between August 2009 and March 2010 that 107 lots were handed over to the HPSFC for exploitation during the year 2002-03 to 2007-10. Royalty of ₹ 7.40 crore payable between March 2003 and March 2008 was, however, paid late between March 2008 and September 2009. The average delay in payment of royalty was 840 days. Interest of ₹ 87.12 lakh though leviable was not levied by the department for belated deposit of royalty.

The pricing committee in its meetings dated August 2001 and February 2005 decided that the HPSFC would pay interest at the rate of 11.5 per cent per annum upto 2003-04 and thereafter 9 per cent per annum on belated payment of royalty.

After we pointed out the cases to the divisions between August 2009 and March 2010, the Department in respect of the DFO Theog stated (April 2010) that the HPSFC had been asked (August 2009) to release the payment of interest of ₹ 2.39 lakh. Further report on recovery and reply from remaining divisions has not been received (September 2010).

We reported the matter to the Department and to the Government between September 2009 and April 2010; their reply has not been received (September 2010).

<sup>51</sup> Bharmour: 5 cases: ₹ 5.06 lakh; Chamba: 5 cases: ₹ 7.77 lakh; Chopal: 8 cases: ₹ 4.33 lakh; Churah: 3 cases: ₹ 6.86 lakh; Kullu: 4 cases: ₹ 7.16 lakh; Nachan: 7 cases: ₹ 8.77 lakh; Nurpur: 5 cases: ₹ 9.34 lakh; Parvati: 3 cases: ₹ 11.40 lakh; Rampur: 4 cases: ₹ 2.86 lakh; Rohru: 6 cases: ₹ 2.66 lakh; Seraj: 3 cases: ₹ 2.48 lakh and Una: 3 cases: ₹ 4.66 lakh.

<sup>52</sup> Compensatory Afforestation Fund Management and Planning Authority.

<sup>53</sup> Ani, Bharmour, Chamba, Chopal, Kinnaur, Kullu, Parvati, Rohru, Seraj and Theog.

#### 5.6.4 Underassessment of compensation

##### DFO Bharmour

We noticed in November 2009 that National Hydro Power Corporation (NHPC) Chamera-III had committed 15 forest offences of unauthorised dumping of muck between 30.09.2008 and 27.10.2008. We further observed that for first offence committed on 30.9.2008, the damage bill was raised at normal rates. The second and subsequent offences committed by the NHPC during 30.9.2008 and 27.10.2008 were not charged at double the rate of compensation. The NHPC was liable to pay ₹ 123.62 lakh on account of compensation against which the division had raised claim of ₹ 61.89 lakh only. This resulted in short claiming of compensation of ₹ 61.73 lakh.

For compounding forest offence cases under Indian Forest Act 1927, DFO Bharmour fixed (July 2008) the rates of compensation for unauthorised dumping of muck on forest land as ₹ 45 per cu.m. For second and subsequent offence during the same calendar year, compensation at double the rate was to be charged.

We reported the matter to the Department in November 2009. It accepted the audit observation and raised (March 2010) a revised bill of ₹ 123.62 lakh against the user agency. Further report on recovery and reply of the Government to whom the matter was reported in January 2010 has not been received (September 2010).

#### 5.6.5 Loss of revenue due to non-tapping/short handing over of resin blazes

##### DFO Chopal

We noticed in the test check of the records of DFO Chopal between August and September 2009 that out of total 83,174 resin blazes handed over to the HPSFC for resin tapping season 2009, 32,356 *chil* trees were of class IIB<sup>54</sup> and above. Our scrutiny revealed that the division had enumerated one blaze per *chil* tree irrespective of class of tree whereas two blazes were to be enumerated for trees of class IIB and above. This resulted in non-tapping of 32,356 blazes and resultant loss of revenue of ₹ 9.71 lakh.

As per para 3.24 of approved working plan of Chopal forest division operative for the period 2003-04 to 2017-18, two blazes were to be caved for the *chil* trees of class IIB and above.

##### Seven DFOs<sup>55</sup>

We noticed in the test check of the records between August 2009 and March 2010 of seven DFOs that 98,557 resin blazes which should have been handed over to the HPSFC during 2008 and 2009 tapping season were deleted from

<sup>54</sup> Having diameter of 50 cms and above.

<sup>55</sup> Churah, Mandi, Nachan, Parvati, Rajgarh, Rampur and Seraj.



enumeration list without seeking prior approval of the competent authority. The

As per instructions of May 2000 of the PCCF, 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 HPSFC.

deletion of blazes was, therefore, unauthorised which resulted in loss of revenue of ₹ 29.57 lakh.

After we pointed out the cases in audit between August 2009 and March 2010, DFO Seraj at Banjar

stated (March 2010) that the matter was under process since July 2008 to obtain the approval of the CF. The reply is not correct as the requisite approval of the CF was required in advance before deletion of blazes. Reply from the remaining divisions has not been received (September 2010).

We reported the matter to the Department and to the Government between October 2009 and April 2010. We have not received their replies (September 2010).

#### 5.6.6 Loss of revenue due to suspected pilferage of trees

##### DFO Suket at Sundernagar

We noticed in August 2009 that the GOI had granted (June 2005) in-principle approval<sup>56</sup> for diversion of 2.084

As per departmental instructions of May 1995, trees coming in any road alignment are required to be marked in lots and handed over to HPSFC for exploitation after receipt of final approval for diversion of forest land for non-forestry purpose from GOI, Ministry of Environment and Forests.

hectares of forest land for construction of Shilhnu road falling in Suket forest division. As per enumeration list, 89 trees and 71 saplings were coming in the proposed road alignment. Scrutiny revealed that the road had already been constructed by the user agency<sup>57</sup> as intimated by concerned

Range Officer to the DFO in November 2007 without receipt of final approval<sup>58</sup> of the GOI. Our scrutiny further revealed that the trees/saplings coming in the road alignment were neither marked and handed over to the HPSFC for exploitation till August 2009 nor the whereabouts of these trees were known to the department and the possibility of pilferage could not be ruled out. This resulted in loss of revenue of ₹ 9.03 lakh including value added tax of ₹ one lakh.

We reported the matter to the Department and to the Government in September 2009, their replies were awaited (September 2010).

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<sup>56</sup> In principle approval is the conditional acceptance of GOI to the proposal of the State Government for diversion of forest land.

<sup>57</sup> Himachal Pradesh Public Works Department.

<sup>58</sup> Final approval is the approval accorded by GOI to the proposal of the State Government for diversion of forest land.

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## CHAPTER-VI OTHER TAX AND NON-TAX RECEIPTS

### 6.1 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 sets of Acts and Rules framed separately for each department. The tax administration is assisted by a team of officers/officials in the collection of revenue receipts.

### 6.2 Results of audit

Test check of the records of the Multi Purpose Projects and Power, Revenue, Industries, Irrigation & Public Health and Public Works Departments, conducted during the year 2009-10, revealed that non-deposit of tax and royalty etc. and other irregularities amounting to ₹ 1,362.76 crore in 466 cases, which fall under the following categories:

(Rupees in crore)			
Sr. No.	Categories	Number of cases	Amount
1.	<b>“Receipts from Power Sector Projects” (a review)</b>	01	1,111.97
2.	Incorrect determination of market value of property/ exemption on housing loan	121	1.78
3.	Non/short levy of stamp duty and registration fee	24	0.33
4.	Non/short realisation of royalty, dead rent etc.	10	0.29
5.	Non/short recovery of water and abiana charges	55	17.68
6.	Non-deposit of tax and royalty etc.	08	2.62
7.	Other Irregularities	247	228. 09
<b>Total</b>		<b>466</b>	<b>1,362. 76</b>

During the course of the year, the department accepted underassessment and other deficiencies of ₹ 3.43 crore in 84 cases which were pointed out in earlier years. An amount of ₹ 51.10 lakh was realised in 104 cases during the year 2009-10.

A few illustrative cases involving ₹ 204.03 crore and a review of **“Receipts from Power Sector Projects”** with financial impact of ₹ 1,111.97 crore are mentioned in the following paragraphs.

## A. MULTI PURPOSE PROJECTS AND POWER DEPARTMENT

### 6.3 “Receipts from Power Sector Projects”

#### 6.3.1 Highlights

- Return on equity amounting to ₹ 170.42 crore for the years 2005-06 and 2007-08 to 2009-10 due from five Hydro-electric Projects owned by the Himachal Pradesh State Electricity Board (HPSEB) was not claimed by the Government.

(Paragraph 6.3.8)

- Upfront premium/charges of ₹ 707.69 crore realised during 2007-08 to 2009-10 was not treated as receipt of the department and irregularly deposited in the reserve fund.

(Paragraph 6.3.9)

- ₹ 196.53 crore of the upfront premium/charges on the six hydro electric projects allotted to the Satluj Jal Vidyut Nigam Ltd. (SJVN Ltd.) and Himachal Pradesh Power Corporation (HPPC) during January 2007 and October 2008 were not claimed.

(Paragraph 6.3.10)

- Non-invoking of provisions of the Power Policy in supplementary implementation agreements (IAs) executed with independent power producers (IPPs) in respect of the two hydro electric projects resulted in loss of revenue of ₹ 114 crore.

(Paragraph 6.3.11)

- Lack of monitoring and internal control resulted in inadmissible rebate to the Power Trading Corporation of India (PTC) and non-realisation of surcharge from the PTC resulting in loss of ₹ 8.79 crore.

(Paragraph 6.3.13)

- Non-transfer of power to the PTC from four hydro electric projects during February 2006 to March 2007 resulted in loss of revenue of ₹ 13.92 crore to the State Government.

(Paragraph 6.3.17)

#### 6.3.2 Introduction

Power is an essential item for the socio-economic and infrastructure development and development of hydro power forms the basis for the sustainable development of the country. The Himachal Pradesh has an identified power potential of approximately 20,415.02 mega watt (MW) in its five rivers<sup>59</sup> basins. In order to

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<sup>59</sup> Beas, Chenab, Ravi, Satluj and Yamuna.

harness the untapped hydro power potential of the State, the Government of Himachal Pradesh (GoHP) is executing the hydro electric projects (HEPs) through four sectors<sup>60</sup>. Out of this total potential, 6,428.52 MW has been harnessed upto March 2009. Harnessing of hydel power in the State is regulated under the provisions of the Electricity Act 2003, Hydro Power Policy 2006 (Power Policy) of the GoHP and decisions taken by the Government from time to time.

HEPs upto 5 MW capacity were to be executed through Himachal Pradesh Energy Development Agency (Himurja) and above 5 MWs by Multi Purpose Projects and Power (MPP & Power) department. A fixed percentage<sup>61</sup> of the deliverable energy<sup>62</sup> generated by these power producers is placed at the disposal of GoHP which can sell it and earn revenue “royalty” (which shall hence forth be called *power share* of GoHP). The receipts from the MPP & Power mainly comprises of royalty in the shape of power supplied free of cost by all the sectors executing the projects, equity share of power (25 *per cent* at cost) from Nathpa Jhakri HEP and shared generation<sup>63</sup> from Ranjit Sagar Dam (Thein Dam) and Shanan project. As per the power policy, the royalty on water usage in the shape of free power is chargeable ranging from 12 to 30 *per cent* in three time bands<sup>64</sup> in respect of projects above 5 MW. HEPs upto 5MW are exempted from royalty for the first 12 years. The sale of free power and equity share was arranged through the Power Trading Corporation of India (PTC) and the Himachal Pradesh State Electricity Board (HPSEB).

<sup>60</sup> (a) **State sector:** Medium and small HEPs are being executed through this sector. Out of total potential of 1831.45 MW, 466.95 MW projects are under operation, 1364.50 MW projects are under implementation or stand allotted. For the purpose HP Power Corporation (HPPC) was constituted by the Government in December 2006.

(b) **Central sector:** Large size projects involving high capital cost viz. Parbati, Chamera I, II & III, Koldam etc. have been handed over to the Central Public Sector Undertaking like National Hydel Power Corporation (NHPC), National Thermal Power Corporation (NTPC).

(c) **Joint sector:** Nathpa Jhakri Hydro Electric Project (HEP) with generating capacity of 1500 MW has been commissioned under this with Satluj Jal Vidyut Nigam Limited (SJVNL) and Rampur HEP (402 MW) already stands allotted with it. Under Central/Joint sector, 5490.57 MW have been harnessed.

(d) **Private Sector :** In October 1991, Government of India (GOI) mooted the policy of privatisation of power projects in India. Since then, the GoHP has signed memorandum of understanding (MOU)/agreements for various projects from time to time. Under Private Sector, 471.00 MW projects have been commissioned (Projects upto 5 MW commissioned through Him Urja).

<sup>61</sup> 12 *per cent* (15 *per cent* in case of Malana HEP) of deliverable energy.

<sup>62</sup> The energy generated as measured at generator(s) terminals less auxiliary consumption and transmission losses upto power station.

<sup>63</sup> Thein Dam: 4.6 *per cent* and Shanan project: 0.5 *per cent*/MW.

<sup>64</sup> 12 *per cent* of deliverable energy upto 12 years.

18 *per cent* of deliverable energy for the next 18 years.

30 *per cent* of deliverable energy for the remaining period.

### 6.2.3 Organisational set-up

The overall administrative control rests with the Principal Secretary, MPP & Power, who is assisted by the Secretary, HPSEB. The Secretary HPSEB is assisted by the Chief Engineer System Operation (CESO) and the Director State Load Despatch Centre (DSLDC) Totu (Shimla). However, the Government established a post of Director of energy in July 2009 to handle the affairs of Power Sector Projects.

### 6.3.4 Scope of audit and audit methodology

We conducted a review of the efficacy of the system of collection of royalty and receipts from the power projects for the period 2004-05 to 2008-09 in the office of the Principal Secretary, (MPP & Power) between August 2009 and April 2010. We obtained data/information from Satluj Jal Vidyut Nigam Limited (SJVN), National Hydel Power Corporation (NHPC), HPSEB, Himurja and cross verified it with the records maintained by MPP & Power Branch of Himachal Pradesh Secretariat, Chief Accounts Officer (CAO), HPSEB and Director, SLDC Totu, Shimla. The *power share* of GoHP/equity share available at bus bar<sup>65</sup> were correlated with the bills, payments received there against and its accounting in Government accounts.

### 6.3.5 Acknowledgement

We acknowledged the cooperation of the MPP & Power Department in providing necessary information and records for audit. An entry conference was held in November 2009 with the Government and the scope and the methodology for conducting the review were discussed. The draft review was forwarded to the department and to the Government in June 2010 and was discussed in the exit conference held in July 2010. The Principal Secretary (MPP & Power) represented the Government while the Director (Energy) represented the department. Replies of the Government received during the exit conference and at other times have been appropriately incorporated in the relevant paragraphs.

### 6.3.6 Audit objectives

We conducted the review with a view to ascertain that:

- the receipts due to the Government on account of *power share* of GoHP/equity margin, upfront premium/charges, have been assessed and realised correctly as per provisions of the Power Policy, Memorandum of understandings (MOUs)/Implementation Agreements (IAs) entered into; and

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<sup>65</sup> Bus bar means the point at which the energy is received from the power project after auxiliary consumption for further transmission.

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- an adequate internal control mechanism existed to ensure proper realisation of the receipts from the power projects.

### 6.3.7 Trend of revenue

Provisions of the Himachal Pradesh Budget Manual (HPBM) lay down that the actuals of the previous years and the revised estimates should be taken as the best guide in framing the budget estimates (BEs) and a continuance of any growth or decline in income indicated by them, may, in the absence of definite reasons to the contrary, properly be assumed in all the cases in which the proportionate estimates can be usefully employed. Manual provisions also suggest that special attention should be paid to new source of revenue of which account has not been taken in the previous years.

As per estimates of the receipts figures of the BEs and actuals were as under:

(Rupees in crore)				
Year	Budget estimates (BEs)	Actual receipts as per finance account	Variation with reference to finance account	Variation (per cent)
2004-05	231.55	284.71	(+) 53.16	22.96
2005-06	232.00	251.47	(+) 19.47	8.39
2006-07	400.00	910.08	(+) 510.08	127.52
2007-08	525.00	1414.52	(+) 889.52	169.43
2008-09	886.00	1255.43	(+) 369.43	41.70

The details given above indicate that the variation between the BEs and actuals of the receipts from the power projects ranged from 8.39 to 169.43 *per cent*.

After we brought the matter to the notice of the department it stated (October 2009) that income from the hydro power projects is subject to the weather conditions, hydrology of the projects, which keep on changing and the income flows cannot be predicted with certainty. However the Principal Secretary assured (July 2010) that the budgeting process is being streamlined and from the next year onwards the actual receipts will be prepared close to the budget estimates framed by the department.

### Audit findings

#### 6.3.8 Return on Equity (ROE)

The HEPs under the control of the MPP & Power Department were transferred alongwith assets and liabilities to the HPSEB on its formation in the year 1971. The GoHP converted loans amounting to ₹ 234 crore granted to the HPSEB upto March 1993 into equity capital (EQ) in the five HEPs<sup>66</sup> owned by the HPSEB. The Himachal Pradesh Electricity Regulatory Commission (HPERC) was formed in December 2000 and started functioning from January 2001. It approved Return on Equity (ROE) for each year payable by the HPSEB in respect of generation,

<sup>66</sup>

Baner, Gaj, Ghanvi, Khauli and Larji.



transmission and distribution businesses on the basis of equity investment (Annexure-XII).

The MPP and Power department was required to raise the demand for the ROE but we noticed that the department had not maintained any record for monitoring and realisation of the ROE. We obtained the records from the HPSEB and noticed that the ROE amounting to ₹ 212.04 crore was due from the HPSEB for the period from 2005-06 to 2009-10, out of which the ROE of ₹ 41.62 crore for the year 2006-07 was to be deposited into the HPSEB development fund as per the direction of the HPERC. The remaining amount of ₹ 170.42 crore was not demanded by the Government. This resulted in loss of revenue to that extent.

After we pointed this out (April 2010), the department raised the demand.

The Principal Secretary (MPP & Power) while accepting the audit contention intimated (July 2010) that a system of maintaining the record would be developed. He however, stated that keeping the financial conditions of the HPSEB into consideration, a proposal for converting the amount of the ROE into a grant to the HPSEB would be approved. Further action taken has not been intimated (September 2010).

**The Government may consider putting in place a system for maintaining the records and for raising the demands.**

#### **6.3.9 Irregular deposit of upfront premium/charges**

Upfront premium/charges were receipt of the Government in lieu of surrender of potential site to a prospective power producer by the Government. As per the Power Policy, if a power producer is permitted by the Government to withdraw on techno economical grounds, 50 *per cent* of the amount shall be refunded and in other cases no refund is admissible. In the power policy the head of account to which the amount shall be credited, was not mentioned.

We noticed that the Government had realised ₹ 707.69 crore on account of upfront premium/charges from the prospective power producers between July 2007 to October 2009 and deposited it into the treasury under non-interest bearing head “8229-110-Electricity Development Fund”. Depositing of the receipts into the Reserve Fund was irregular as the Reserve Fund is created for specific purpose.

**The receipt classified as revenue should be credited to the concerned revenue division/head of consolidated fund of the state.**

Our scrutiny of records revealed that the Department withdrew ₹ 707.69<sup>67</sup> crore in March 2010 from the Reserve Fund upto October 2009 and transferred the amount into current bank account of the Himachal Pradesh Infrastructure Development Board (HPIDB). The HPIDB is established (January 2002) by the GoHP under the HPID Act, 2001 for financing, construction,

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<sup>67</sup> 2007-08: ₹ 259.37 crore; 2008-09: ₹ 292.42 crore and 2009-10: ₹ 155.90 crore.



maintenance and operation of the infrastructure projects and raise resources on behalf of the State Government for infrastructure projects development. The withdrawal and subsequent transfer of funds outside the Government account for the purpose of investment was irregular.

After we pointed out the matter, the Principal Secretary (MPP & Power) stated (July 2010) that the upfront premium/charges were credited to the reserve fund to refund the upfront premium of the projects that were not viable. He further stated that the amount of upfront premium upto 2009-10 had been transferred to the HPIDB for temporary investment in March 2010. He also stated that at-least 50 *per cent* of this amount would be credited to the concerned receipt head in this year and in future 50 *per cent* of the upfront premium would be credited to the receipt head. For this purpose, in case a change in policy is required the same shall be made.

### 6.3.10 Non-claiming of upfront premium/charges

The Power policy provided that 50 *per cent* of the upfront premium at prescribed rates<sup>68</sup> was to be realised at the time of signing of the MOU upto January 2008 and thereafter in full.

**6.3.10.1** We noticed that the MOUs were signed (October 2008) by GoHP with the SJVNL for allotment of the Luhri HEP 775 MW and the Dhaulasidh HEP 40 MW to the SJVNL in joint sector without recovering upfront charges amounting to ₹ 163 crore. This resulted in non-realisation of ₹ 163 crore.

The Power Policy provides that all projects above 5 MW are liable to pay fixed upfront charges as per the capacity of the project in lieu of surrender of the potential site. The Policy did not exempt any power producers from payment of upfront charges.

**6.3.10.2** Our scrutiny of the records revealed that four HEPs<sup>69</sup> were allotted to the HPPC during January 2007 and October 2008. No terms and conditions were fixed while allotting the projects as such the upfront charges were not realised. This resulted in non-realisation of ₹ 33.53 crore.

After we pointed it out, the Principal Secretary (MPP & Power) stated (July 2010) that being Government Undertaking upfront charges were not recovered from

<sup>68</sup> ₹ 0.45 lakh/MW for HEPs above 2 MW to 5 MW with ceiling of ₹ 0.75 lakh (Non refundable) from December 2006 to January 2008 and ₹ 10 lakh/MW for HEPs upto 5 MW after January 2008 (HEPs to be executed through Himurja).

₹ One lakh/MW for HEPs above 5 MW to 50 MW from December 2006 to January 2008.

₹ Two lakh/MW for HEPs above 50MW to 100 MW from December 2006 to January 2008.

₹ Ten lakh/MW for HEPs above 100 MW from December 2006 to January 2008.

₹ Twenty lakh/MW for HEP above 5 MW allotted after January 2008.

<sup>69</sup> Shongtong Karchham (402 MW), Chirgaon Majhgaon (46 MW), Sainj (100 MW) and Tidong-II (60 MW).

above power producers and change, if required in the policy, would be made to allow for these situations.

### 6.3.11 Non-invoking of provisions of Power Policy

We noticed that the two HEPs<sup>70</sup> were allotted to IPPs in 1993 i.e. prior to the implementation of the Power Policy. The concerned IPPs failed to start the project as they could not adhere to the benchmarks as per IAs. Subsequently, supplementary IAs were signed in December 2007 and March 2009 incorporating the provisions of the Power Policy 2006 but upfront premium of ₹ 114 crore was not charged as per prescribed rules. This resulted in non-realisation of revenue of ₹ 114 crore.

After we pointed it out, the Principal Secretary (MPP & Power) stated (July 2010) that the clause of upfront charges could have been incorporated in the Supplementary IAs but to avoid legal complications it might have not been added at that time. We observed that the failure to incorporate the clauses had resulted in potential loss of ₹114 crore.

### 6.3.12 Non-payment of royalty on power share of GoHP

GoHP decided in January 2006 that *power share* in the shape of royalty at the rate of 12 per cent of the deliverable energy would be charged from the HEPs from April 2006 executed by the HPSEB after 1990 on HPERC tariff. The GoHP is entitled to 12 per cent free power as royalty from the projects, as per the Government of India decision (November 1990), commissioned after 1990.

The Government had not developed any system for ascertaining the amount of royalty due to it from the HPSEB. No time schedule has been fixed by the Government for remission of the royalty due to it. There is no provision for levy of interest or any penal provision in case of non or belated payments of dues in the policy.

We noticed that the HPSEB purchased 2,383.40 lakh units as *power share* of GoHP from its own five HEPs<sup>71</sup> during 2006-07 to 2008-09. The royalty amount of ₹ 68.81 crore on account of *power share* had neither been demanded by the GoHP nor was it paid by the HPSEB. This resulted in non-realisation of ₹ 68.81 crore.

Further, we noticed that the HPSEB had purchased 22,058.74 lakh units on account of *power share* of the GoHP from eight Central/Joint/Private sector projects<sup>72</sup> during 2004-05 to 2008-09. Out of total amount of ₹ 455.22 crore payable to the GoHP at the prescribed rates, the HPSEB had paid ₹ 284.62 crore. An amount of

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<sup>70</sup> M/s Jai Parkash Industries Ltd (Karchham Wangtoo HEP 1000 MW ) and M/s Hazara Engineering Company (Dhamwari Sunda HEP 70MW).

<sup>71</sup> Baner, Gaj, Ghanvi, Khaulvi and Larji.

<sup>72</sup> Bairasiul, Baspa-II, Chamera-I, Chamera-II, Malana, Patikari, Ranjit Sagar Dam and Shanan.

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₹170.60 crore was payable by the HPSEB which had not been demanded by the GoHP. This resulted in short realisation of royalty of ₹ 170.60 crore.

**The Government may consider putting in place a system for ascertaining the amount of royalty due to it from the HPSEB in respect of its own projects and from Central/Joint/Private sector projects. A provision for levy of interest or any penal provision in case of non or belated payments may be considered for incorporation in the policy.**

The Principal Secretary assured (July 2010) that the amount would be realised from the HPSEB and would subsequently be returned in the shape of grant-in-aid and in future, system for payments of free power royalty would be evolved.

### 6.3.13 Monitoring and Internal control

Internal control and checks are prescribed to ensure efficient and smooth working of a system and to see that the rules and instructions are adhered to. We noticed that the Government had not prescribed any check(s) in the collection of the dues from the power projects. There existed no Directorate office for raising the demand and ensuring prompt and correct payments of Government receipts due on account of royalty on sale of power.

The GoHP entered into power purchase agreements (PPAs) with the PTC in May and December 2005 for sale of the Governments' share of power/equity share. The GoHP/Chief Electrical Inspector (CEI) were required to verify the correctness of the payments made by the PTC.

We noticed that GoHP had not put in place any system for raising the bills. The PTC made payments and even prepared the bills itself. The department had not developed any control mechanism for ensuring prompt raising of the bills and for ensuring the correct receipt from the PTC. It was stated that the CEI had visited the office and

verified the bills between January 2006 to January 2007 but we found a number of deficiencies that resulted in non-realisation of ₹ 8.79 crore as mentioned in the following paragraphs:

#### 6.3.13.1 Inadmissible rebate to PTC and non-realisation of surcharge

We obtained information from the PTC through the GoHP for receipt of payments

As per PPAs, the GoHP was required to fax fortnightly bills to the PTC of free power royalty/equity share. Two *per cent* rebate in payment was admissible to the PTC if the payment was made within seven days from the receipt of the fax bill. In case the payment was made beyond 30 days surcharge at the rate of 15 *per cent* per annum was to be charged.

and found that during the period April 2005 to March 2009 the bills were prepared by the PTC itself. The PTC had prepared 121

bills<sup>73</sup> during this period and had made payments after deducting two *per cent* on account of rebate in all the bills. Our scrutiny revealed that in 21 cases the PTC had made payment of ₹ 142.69 crore between July 2005 and March 2009 with average delay of 19 days. Though it was not entitled for any rebate it availed rebate of ₹ 2.99 crore. We also noticed that out of the above cases in three cases the bills were prepared by the PTC after an average delay of ten days but had availed rebate of ₹ 1.61 crore.

We further noticed that in seven cases an amount of ₹ 54.24 crore was paid after 30 days from the due date. Since no bills were prepared by the department, the amount of surcharge could not be claimed. As such, there was non-realisation of surcharge of ₹ 79.25 lakh.

Thus, inadmissible rebate of ₹ 2.99 crore was claimed by the PTC. Besides, surcharge of ₹ 79.25 lakh was not realised from the PTC. This resulted in loss of revenue of ₹ 3.78 crore.

**We recommend a system may be put in place for prompt raising of demands and ensuring the correctness of amount paid on account of the energy bills.**

After we pointed above facts to the Government, the Principal Secretary stated (July 2010) that the bills were not raised because of absence of the Directorate Office and the same has been framed by the Government vide notification dated July 2009 and hoped that the system will run smooth hereafter.

#### 6.3.13.2 Non-realisation of sale proceeds

We noticed that as per monthly regional energy account of the Northern Regional Electricity Board, royalty of ₹ 1.82 crore was payable by the PTC on account of 68.52 lakh units *power share* of the GoHP sold to Punjab in October 2005. No bill was raised against the PTC. This remained unnoticed to the PTC also. In absence of a system for maintenance of the accounts in respect of royalty due to it, the Government was unaware of this receipt resulting in non-realisation of the amount to the extent of ₹ 1.82 crore.

As per PPA (May 2005), *power share* of the GoHP from the NJHEP upto October 2005 was to be sold through the PTC. The rate of royalty for sale of *power share* was ₹ 2.653/kwh.

The Principal Secretary (MPP & Power) stated (July 2010) that the demand would be raised against the PTC.

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<sup>73</sup> The first fortnightly bills were prepared by the PTC on the basis of data obtained from Northern Regional Load Despatch and second fortnightly bills on the basis of data of Northern Regional Electricity Board.

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### 6.3.13.3 Irregular deduction of wheeling charges

Our test check of the records (November 2009) revealed that wheeling charges<sup>74</sup> of ₹ 3.19 crore beyond delivery point<sup>75</sup> were deducted by the PTC from royalty bills of November 2006 and December 2006 whereas these charges were to be borne by the PTC.

As per PPA transmission charges, transmission losses etc. beyond the delivery point shall be borne by the PTC and PTC customer.

The Government admitted in January 2010 that no formal bills were raised to the PTC. The Principal Secretary (MPP & Power) stated (July 2010) that the audit point would be examined and if needed demand for wheeling charges will be raised.

### 6.3.14 Internal Audit

Internal Audit is a vital component of control mechanism to enable an organisation to assure itself that prescribed systems are functioning reasonably well. We noticed that the department had not introduced any system of internal audit in the absence of which the department was unaware of the malfunctioning of assessment and collection of royalty and other dues.

**We recommend that the Government may consider putting in place a system of internal audit for ensuring of assessment and collection of royalty and other dues.**

### 6.3.15 Non-deposit of revenue into the Government account

HEPs upto 5 MW capacity were to be executed through the Himachal Pradesh Energy Development Agency (Himurja).

We noticed (May 2010) that the Director, Himurja had realised an amount of ₹ 4.19 crore<sup>76</sup> during 2006-07 to 2009-10 on account of upfront premium and extension fee from 227 IPPs in respect of HEPs upto 5 MW and deposited into the bank account of the Himurja instead of crediting it to Government account.

Further we noticed that out of this, an amount of ₹ 2.95 crore had been spent to meet administrative expenditure by the Director, Himurja and to promote the on going schemes as confirmed by him in May 2010. Remaining amount was still

State Financial Rules require that departmental receipts be credited into Government accounts. Further, utilisation of these receipts towards expenditure is prohibited.

<sup>74</sup> It means the operation whereby distribution system and associated facilities of a transmission licensee or distribution licensee used by other person for conveyance of electricity on payment of charges.

<sup>75</sup> The Delivery point for sale of energy means the stage from where the electricity is transmitted through transmission lines by the Power Grid Corporation.

<sup>76</sup> Upfront premium: 2006-07 to 2009-10: ₹ 1.71 crore and extension fee 2006-07 to 2008-09 ₹ 2.48 crore.



lying with the Himurja and being reflected in the balance sheets as payable to GoHP. The amount was not demanded by the Government.

Direct utilisation of the Government receipts towards expenditure and non-deposit thereof in the Government account was in contravention of the financial rules.

The Principal Secretary (MPP & Power) stated (July 2010) that it was a small autonomous body registered for development of renewal energy sources and system would be developed for deposit of Government revenue into the proper receipt head or adjustment as Grant-in-Aid.

### **6.3.16 Un-authorised deduction of transmission and distribution losses**

**6.3.16.1** We noticed that transmission losses were availed of by the HPSEB.

As per instructions of the GoHP issued in October 2005, the HPSEB was required to pay *power share* at prescribed rates on gross units. Further the Government clarified in March 2006 that T&D losses shall not be admissible to the HPSEB.

The department had not detected the mistake. This resulted in cumulative loss of revenue of ₹ 11.73 crore upto March 2009.

The Principal Secretary (MPP & Power) stated (July 2010) that demand would be raised to the

HPSEB for payment of the amount of ₹ 11.73 crore.

### **6.3.16.2 Late deposit of Government receipts**

Our test check of records revealed that an amount of ₹ 1,605.64 crore was received between August 2005 and February 2009 from two corporations<sup>77</sup> on account of

As per Rule 2.4, Himachal Pradesh Financial Rules (HPFR) 1971, Volume-I, departmental receipts collected during the day is required to be credited into the treasury on the same day or on the morning of the next day at the latest.

upfront premium and royalty on sale of *power share* of the GoHP/equity share. These amounts were deposited late by the department into the treasury with average delay of 11 days, affecting ways and means positions of the Government. Had these amounts been deposited timely,

the Government could earn interest of ₹ 1.81 crore during the period of delay calculated at ruling rate of 3.5 *per cent* per annum paid by the banks.

After we pointed this out, the Principal Secretary (MPP & Power) stated (July 2010) that the mechanism for receipt and deposit of funds was not fully established in the beginning and efforts would be made for crediting the amounts into the treasury through electronic transfer of money.

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<sup>77</sup> M/s Brakel Corporation: ₹ 173.42 crore (upfront premium deposited after 62 days) and M/s PTC: ₹ 1432.22 crore (sale proceeds of *power share*/equity share, average delay in depositing was 11 days).

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### 6.3.16.3 Non-reconciliation with the treasury

We noticed that no basic records were maintained by the department as such important checks like reconciliation of the receipts between the treasury records and the department records could not be done.

After we pointed this out, the Government stated (July 2010) that reconciliation with the treasury would be done.

### 6.3.17 Loss of revenue due to non-transfer of power share to PTC

As per decision of the GoHP (January 2006) the *power share* of the GoHP from four projects<sup>78</sup> was to be transferred to the PTC for sale.

We noticed that the above four projects supplied 1,705.25 lakh units of *power share* of the GoHP to the HPSEB between February 2006 and May 2006 and November 2006 to March 2007 meant for transfer to the PTC. The HPSEB instead of transferring the energy to the PTC consumed itself and paid royalty at its own rates. The Government had at no time directed the HPSEB to transfer the energy to the PTC or pay royalty at the PTC rate. The lack of action on the part of the department resulted in loss of revenue of ₹ 13.92 crore.

Further, as per PPA (December 2005), the PTC was to pay, the minimum rate for *power share* of GoHP at Rs. 3 per kwh while the rates payable by HPSEB were ₹ 1.93 upto May 2006 and ₹ 2.35 thereafter.

After we pointed this out, the Principal Secretary (MPP & Power) stated (July 2010) that in future the HPSEB shall not be allowed to utilise *power share* of the GoHP to be sold through the PTC.

### 6.3.18 Conclusion

The review indicated that the department needs to strengthen the internal control and maintain relevant records for assessment and collection of royalty of *power share* of the GoHP. The upfront premium realised from the IPPs has not been treated as revenue of the department. The amount was kept under Reserve Fund which is irregular. Non-existence of any penal provision in the rules for timely payment of free power of the GoHP purchased by the HPSEB, the payments had been inordinately delayed which resulted in accumulation of arrears. Further, the PPA (December 2005) provides for raising the fortnightly bills to the PTC and verification of payments made by the PTC to the GoHP through quarterly visit of the GoHP officials to the PTC office. The department had failed to effectively scrutinise the receipt and correctness of payments due from the HPSEB and the PTC. This led to non/short realisation of revenue.

<sup>78</sup>

Baspa HEP, Malana HEP, Shanan HEP and Thein Dam.



### **6.3.19 Recommendations**

**The State Government may consider to:**

- **put in place a system for maintaining the records and for raising the demand.**
- **evolve a system for ascertaining the amount of royalty due to it from the HPSEB in respect of its own projects and from Central/Joint/Private sector projects. A provision for the levy of interest or any penal provision in case of non or belated payments may be considered for incorporation in the policy.**
- **put in place a system for prompt raising of demands and ensuring the correctness of amount paid on account of energy bills.**
- **develop a system of internal audit for ensuring of assessment and collection of royalty and other dues.**

The Principal Secretary accepted (July 2010) the recommendations and stated that appropriate action will be taken for implementation.

#### 6.4 Other Audit observations

*Our scrutiny of the records in the offices of Power, Revenue, Stamp duty and registration departments revealed cases of non-recovery, short recovery, non-deposit and incorrect determination of market value 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 are pointed out in audit each year, but 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.*

#### 6.5 Non-recovery of electricity duty

According to the Himachal Pradesh Electricity (Duty) Act, 1975, and the Rules made thereunder, electricity duty (ED) was 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.

We collected the information from the office of the Chief Electrical Inspector (CEI), and noticed (April 2010) that ED of ₹ 167.83 crore realised by the Board, was payable as on 31.3.2009. Besides, the Board also collected ED of ₹ 69.56 crore during the period April 2009 to September 2009. We, however, noticed that out of total ED of ₹ 237.39 crore, the Board deposited ₹ 38 crore only in May 2009. Thus, balance of ₹ 199.39 crore on account of the ED had not been deposited by the Board till March 2010 and revenue to that extent remained out of the Government account. In absence of an interest provision and a deterrent penalty clause the Board continued to retain the money year after year. The minimum interest that Government could have saved on the loans raised by it amounted to ₹ 16.39 crore.

There is no provision of interest/penalty for non/belated payment of electricity duty into the Government account.

After we pointed out (May 2010), the CEI intimated (June 2010) that the ED of ₹ 140 crore had been deposited by the Board on 5<sup>th</sup> April 2010. Further, report on recovery of the remaining amount was awaited.

We reported the matter to the Government in May 2010. We have not received their reply (September 2010).

**In view of the above the Government may consider incorporating a provision of interest/penalty for non/belated payment of electricity duty into the Government account.**

## B. REVENUE DEPARTMENT

### 6.6 Incorrect determination of market value of property

#### 25 Sub Registrars<sup>79</sup> (SRs)

As per clarifications issued by the Inspector General of Registration in June 1998 and October 2004, the market value of land for the purpose of sale is to be arrived at on the basis of the kind of land mentioned in the revenue records and *partas* thereof issued by the *patwaris*. Fees/duties are leviable on consideration amount or market value, whichever is higher.

We checked the records of the above offices and noticed between May 2009 and March 2010 that 292 documents were registered during 2007-08 for a consideration of ₹ 17.61 crore. We cross checked these documents with the *partas*<sup>80</sup> prepared by the concerned *patwaris* and found that their market value was ₹ 39.54 crore. The registering authorities, while registering the documents failed to correlate the consideration with that of the *partas*. This resulted in short realisation of stamp duty of ₹ 1.09 crore and registration fee of ₹ 8.92 lakh (Annexure-XIII).

After we pointed out the cases between May 2009 and March 2010, the SR Sainj intimated in March 2010 that out of ₹ 1.11 lakh, ₹ 0.15 lakh had been recovered and efforts were being made to recover the balance amount. Further report on realisation has not been received (September 2010).

We reported the matter to the Government between August 2009 and March 2010. We have not received their replies (September 2010).

#### 6.6.1 Short recovery of stamp duty on lease deed

##### Three Sub Registrars<sup>81</sup> (SRs)

Article 35 of schedule-1 of Indian Stamp Act, 1899, provides that where a lease is granted for a fine or premium or for money advanced in addition to rent received, the stamp duty as applicable to conveyance (No. 23) is chargeable. As per the Indian Stamp (Himachal Pradesh Amendment) Act 1970, where the lease purports to be for a term not exceeding 100 years, stamp duty is chargeable at the rate of three *per cent* of consideration amount.

during 2008, 26 lease deeds were registered for periods ranging from 10 to 40 years, for consideration amount of premium aggregating to ₹ 16.72 crore. SRs while registering these deeds levied stamp duty at the rate of one *per cent* inadvertently instead of

<sup>79</sup> Bijhri, Bilaspur, Dalhousie, Dharamsala, Ghumarwin, Hamirpur, Indora, Jhandutta, Joginernagar, Junga, Kangra, Kasauli, Kullu, Manali, Mandi, Nahan, Nalagarh, Pachhad, Palampur, Poanta Shaib, Rajgarh, Sainj, Shimla (Urban), Solan and Sundernagar.

<sup>80</sup> It is a valuation report of the land prepared by the *Patwari*.

<sup>81</sup> Kalpa, Nichar and Sangla in Kinnaur District.

three *per cent*. Thus, against stamp duty of ₹ 50.16 lakh, ₹ 16.72 lakh were levied, resulting in short realisation of revenue of ₹ 33.44 lakh.

We reported the matter to the Department and the Government in September 2009; we have not received (September 2010) their replies.

## C. INDUSTRIES DEPARTMENT

### 6.7 Short recovery of dead rent

#### Mining Officer Solan

We noticed in May 2009 that 12 lessees paid royalty of ₹ 27.59 lakh on account of crushing stone extracted by them from 514.10 hectares of leased area during 2008-09. The dead rent payable by the concerned lessees for the leased area amounted to ₹ 51.41 lakh. Since the amount of the royalty paid was less than the dead rent due, the lessees were required to pay the amount of dead rent. The department failed to detect this which resulted in short recovery of dead rent of ₹ 23.82 lakh.

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.

After we reported the matter to the department in May 2009, it intimated in December 2009 that recovery of ₹ 7.34 lakh has been made from nine lessees. We have not received (September 2010) the report on recovery in respect of the remaining amount and the reply of the Government to whom matter was reported in March 2010.

#### 6.7.1 Non-realisation of royalty on rock salt

#### Mining Officer Mandi

We checked the returns filed by a lessee<sup>83</sup> in the above office and found (December 2009) that he had extracted 2,994 metric tonnes of rock salt between 2007-08 and 2008-09. The lessee was liable to pay a royalty of ₹ 8.33 lakh. But it was neither paid by the lessee nor was it demanded by the department resulting in

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 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<sup>82</sup> value for the purpose of levy of royalty payable at the rate of 10 *per cent* of the value so arrived at.

<sup>82</sup> Month wise average value of rock salt fixed by Indian Bureau of Mines.  
<sup>83</sup> M/s Hindustan Salts Ltd., Mandi.

non-realisation of the Government revenue to that extent. Though the lessees had filed the returns, the mistakes were not detected by the MO.

After we reported the matter to the Department in January 2010, it accepted (March 2010) our audit observation and directed the lessee to deposit the royalty. We have not received further report on realisation (September 2010).

### 6.7.2 Non-recovery of royalty and interest

#### MO Nahan

We noticed in May 2009 that a mining lease of a lessee was renewed in September

As per terms and conditions of standard mining lease agreement entered into under the Himachal Pradesh Minor Minerals (Concession) Revised Rules, 1971, the lessee shall pay the minimum royalty of ₹ 6.70 lakh per annum or on the basis of production based on consumption of electricity and other measures which ever is higher. If the lessee does not deposit the royalty on due dates, interest at the rate of 24 per cent per annum shall be charged for the period of default.

2008 for a period of five years effective from 28.9.2005. As per renewed lease, a minimum royalty of ₹ 13.41 lakh was recoverable for the period from October 2005 to September 2007 against which royalty of ₹ 7.12 lakh was paid during this period. This resulted in short levy of ₹ 8.55 lakh including interest of ₹ 2.26 lakh.

We also noticed in three<sup>84</sup> other MOs during May and August

2009 that six lessees<sup>85</sup> for the period from April 2007 to March 2009 deposited the royalty of ₹ 13.42 lakh after an average delay of 11 months. Interest of ₹ 2.73 lakh<sup>86</sup> on late deposit of royalty was not demanded by the department from the lessees.

We pointed out the omissions to the Department (May and August 2009) and the Government (May 2010). The department intimated (May 2010) that ₹ 6.29 lakh as difference in enhancement of royalty had now been recovered in April 2010. Interest of ₹ 0.11 lakh had also been recovered by MO Solan. We have not received further reports of recovery in the remaining cases (September 2010).

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<sup>84</sup> Bilaspur, Dharamsala and Solan.

<sup>85</sup> M/s Delta stone crusher, M/s Raj Kumar Queries, M/s Nav Durga stone crusher, M/s Ashok stone crusher, M/s Balbir Singh Milan stone crusher and M/s New Rohani stone crusher.

<sup>86</sup> Bilaspur: ₹ 0.19 lakh, Dharamsala: ₹ 2.43 lakh and Solan: ₹ 0.11 lakh.

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## D. IRRIGATION AND PUBLIC HEALTH DEPARTMENT

### 6.8 Non-levy of water charges

#### Two IPH divisions<sup>87</sup>

We test checked the records between September 2009 and November 2009 and noticed that water charges of ₹ 11.13 lakh<sup>88</sup> for the period 2007-08 and 2008-09 were not levied by the department. This resulted in non-recovery of ₹ 11.13 lakh.

Under section 5 of the Himachal Pradesh Water Supply Act, 1968, the water rates shall be levied at the rates prescribed from time to time on the basis of flat rate or metered connections.

After we pointed out the cases between September 2009 and November 2009, IPH Dalhousie division intimated in March 2010 that ₹ 2.17 lakh had been recovered and efforts were being made to recover the balance amount. Report of recovery from Bhunter division has not been received (September 2010).

We reported the matter to the Department and the Government between October and December 2009; we have not received (September 2010) their replies.

#### 6.8.1 Undue retention of Government money

#### Two IPH divisions<sup>89</sup>

We noticed in May and July 2009 that ₹ 11.62 lakh<sup>90</sup> collected for water charges/sale of tender forms etc. during March 2008 and February 2009 were deposited in treasury with average delay of 19 days. The department however, did not ensure that the Government receipts collected are deposited promptly in the treasury.

Himachal Pradesh Financial Rules, 1971, 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.

After we pointed out the cases in May and July 2009, the department while admitting the facts of delay in remittances stated that delay in deposit was due to shortage of staff and deployment of staff on other emergent work. It further assured that in future the Government money would be deposited promptly in the treasury.

We reported the matter to the Government between June and July 2009. We have not received their replies (September 2010).

<sup>87</sup> Bhunter and Dalhousie.

<sup>88</sup> Bhunter: ₹ 5.95 lakh and Dalhousie: ₹ 5.18 lakh.

<sup>89</sup> Nohradhar and Padhar.

<sup>90</sup> Nohradhar: ₹ 1.26 lakh and Padhar: ₹ 10.36 lakh.



## E. PUBLIC WORKS DEPARTMENT

### 6.9 Non-deposit of royalty

#### PWD divisions<sup>91</sup>

As per standard agreement entered into by the State Public Works Department (PWD) with the contractors engaged in construction of centrally funded roads, contractors are required to hand over useful stones extracted in formation cutting of the roads at prescribed quantity. Failure to restore the useful stones to the department attracted levy of recovery at the rate of ₹ 170 per cubic meter which among other levies also included the element of royalty of stones.

We collected information from the records in seven divisions between June 2004 to

The department has fixed 2.24 metric tones as conversion factor for one cubic meter of building stones, masonry stone including boulders. The rate of royalty for one metric tonne was ₹ 10. Thus rate of royalty of useful stone per metric tonne was ₹ 22.40.

September 2008 and noticed that in 132 cases the contractors extracted 9,82,750.14 cubic meter of useful stones. The divisions collected ₹ 2.20 crore on account of royalty but instead of crediting to the revenue head the amount was utilised by the department for its expenditure.

Thus, the failure of the PWD to credit the element of royalty in the State Government account deprived the Government of legitimate revenue of ₹ 2.20 crore.

We reported the matter to the Government between September 2009 and February 2010. We have not received their replies (September 2010).

#### 6.9.1 Non-deposit of tax

##### Public Works Division Jubbhal

We noticed in May 2009 that the division had deducted ₹ 26.82 lakh<sup>92</sup> at source

Under Rule 38 of Himachal Pradesh Value Added Tax Rules, 2005, tax deducted at source by public works department from the bills of the contractors was required to be deposited within 15 days of the close of the month of deduction. Failure to deposit the tax attracted levy of penalty upto twice the amount of tax so deducted.

from the contractor's bills during the year 2007-08 and 2008-09. The amount was required to be deposited under the revenue head "0040-VAT" account but was kept under "Public Works Deposit" and utilised unauthorisedly. For non-deposit of tax, the division was also liable to pay penalty

of ₹ 53.64 lakh.

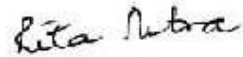
<sup>91</sup> Bhabanagar, Chopal, Kullu-I, Nirmand, Rampur, Sundernagar and Theog.

<sup>92</sup> 2007-08: ₹ 24.48 lakh and 2008-09: ₹ 2.34 lakh.



We pointed out the matter to the Division in May 2009. It admitted (May 2009) the audit observation and stated that the tax could not be deposited with Excise Department due to non-availability of funds in the previous years. This indicates that the receipts were utilised for departmental expenditure which is against the financial rules.

We reported the matter to the Department and the Government in June 2009. We have not received their replies (September 2010).



**(RITA MITRA)**

**Principal Accountant General (Audit)  
Himachal Pradesh**

**Shimla  
The**

**Countersigned**



**(VINOD RAI)**

**Comptroller and Auditor General of India**

**New Delhi  
The**

**Annexure-I**  
(Reference: Paragraph-1.4)  
**Audit Planning**

Sl. No.	Principal heads	Units audited
1.	Sales Tax	12
2.	Motor Vehicle Tax	62
3.	Stamps and Registration Fees	82
4.	Passenger and Goods Tax	10
5.	State Excise Duty and MNTP	38
6.	Forest	33
7.	Mining	08
8.	Entertainment Duty	04
9.	Luxury Tax	03
10.	MP Barriers	10
11.	Non-Tax Receipts	30
<b>Total</b>		<b>292</b>

**Annexure-II**  
(Reference: Paragraph-2.8)  
**Evasion of tax due to acceptance of defective statutory forms**  
(Rupees in crore)

Sl. No.	Nature of irregularity	Turnover	Tax effect
			<u>Tax</u> <u>Interest</u>
1.	48 'C' and 31 'F' forms were duplicate/photo copied but AA allowed concession/exemption from the turnover.	7.02	<u>0.81</u> 0.41
2.	30 'F' forms contained transactions for more than one calendar month but were allowed exemption.	101.92	<u>11.88</u> 7.73
3.	48 'C' forms were not addressed to the assesseees that claimed the concession.	3.11	<u>0.29</u> 0.23
4.	76 'C' forms were found incomplete as they did not contain essential details like purchase order, challan number, description of goods dispatched, date of delivery etc.	8.88	<u>0.77</u> 0.40
5.	43 declarations in 'F' forms were addressed to those branches that were not specified in the registration certificates.	34.24	<u>2.48</u> 1.70
6.	The declaration forms 'C', 'F' and 'H' were not produced by three dealers but concession/exemption from payment of tax was allowed.	4.95	<u>0.59</u> 0.25
<b>Total</b>		<b>160.12</b>	<b><u>16.82</u></b> <b>10.72</b>

**Annexure-III**  
(Reference: Paragraph 2.9.1)  
Incorrect deduction of cost of material

(Rupees in lakh)

District	No. of contractors	Year/DOA	Value of material supplied/ deduction allowed	Tax leviable at 4/8/12.5 per cent	Interest leviable	Total tax effect
Bilaspur	1	2004-05 November 2008	12.03	0.96	0.82	1.78
Chamba	2	2001-02 to 2005-06 Between December 2006 and December 2009	143.92	12.02	11.63	23.65
Kangra	3	2005-06 to 2007-08 September 2008 and February 2009	86.04	10.75	4.71	15.46
Kullu	3	2003-04 to 2006-07 Between December 2005 and October 2008	728.97	78.69	53.60	132.29
Mandi	2	2004-05 to 2006-07 Between January 2008 and August 2008	141.57	12.49	9.58	22.07
Shimla	7	2005-06 to 2007-08 Between March 2007 and June 2009	400.94	37.10	18.25	55.35
Una	1	2003-04 and 2004-05 April 2008	20.09	1.61	1.42	3.03
<b>Total</b>	<b>19</b>	<b>-</b>	<b>1,533.56</b>	<b>153.62</b>	<b>100.01</b>	<b>253.63</b>

**Annexure-IV**  
(Reference: Paragraph 2.9.2)  
Excess allowance of input tax credit

(Rupees in crore)

Name of AETC	Year/Date of assessment	Gross turnover	Transfer otherwise than by way of sale	ITC claimed	ITC not admissible on BT/CS but allowed	Interest	Total
1	2	3	4	5	6 (4/3 x 5)	7	8 (6+7)
AETC Sirmour	2006-07 31.7.2009	171.84	56.73	3.68	1.21	0.60	1.81
	2006-07 24.7.2009	30.78	13.78	0.23	0.10	0.04	0.14
	2005-06 29.8.2008	24.36	10.66	0.06	0.02	0.02	0.04
AETC Solan	2006-07 6.3.2009	97.03	88.19	0.07	0.06	0.03	0.09
	<b>Grand total</b>	<b>324.01</b>	<b>169.36</b>	<b>4.04</b>	<b>1.39</b>	<b>0.69</b>	<b>2.08</b>

**Annexure-V**  
(Reference: Paragraph 4.6.5)  
**Selection of RLAs**

Having revenue of upto Rs. 0.50 crore	One unit
Having revenue of Rs. 0.50 crore to 1 crore	One unit
Having revenue of Rs. 1 crore to 1.50 crore	Four units
Having revenue of Rs. 1.50 crore to 2 crore	One unit
Having revenue of Rs. 2 crore to 4 crore	One unit

**Annexure –VI**  
(Reference: Paragraph 4.6.8.1)

**Detail of vehicle registered prior to their date of registration**

Name of auditee unit	Total number of record in 'OWNER' database	No. of vehicles where registration date is prior to date of purchase of vehicle	No. of days the vehicles were registered prior to their date of purchase
STA Shimla	11,649	30	25 to 3,963 days
RTO Dharamsala	33,836	875	1 to 8,940 days
RTO Shimla	11,107	75	12 to 4,705 days
RTO Solan	16,492	55	24 to 6,069 days
<b>Total</b>	<b>73,084</b>	<b>1,035</b>	

**Annexure–VII**  
(Reference: Paragraph 4.6.8.1)  
**Incomplete data captured in OWNER table**

Sr. No.	Name of Unit	Total records in 'owner' table	Number of blank entries in										
			Purchase date	Father's name	Address-1	Vehicle Maker Name	Model	Engine Number	Seating capacity	HP	Unladen weight	Manufacturing month	Manufacturing year
1	STA Shimla	11649	9850	171	34	46	9326	31	7	2560	433	713	713
2	RTO Dharamsala	33836	18950	2053	384	1762	5868	271	141	2725	930	11996	1763
3	RTO Shimla	11107	3310	474	310	1667	2452	299	84	2294	395	3066	1070
4	RTO Solan	16492	5273	671	99	460	4347	97	21	464	206	3075	173

**Annexure-VIII**  
(Reference: Paragraph 4.6.8.1)  
**Detail of incorrect registration number**

Name of Unit	Series allotted (UP MAST table)	Invalid Series in use	
		Series	No. of cases
STA Shimla	HP62, HP62A, HP01, HP02	ZZ00	2
RTO Dharamsala	HP01D, HP02D, HP04, HP68	Blank,0,5,53..6A, GP,HO, H0,NE,P3,PI, ZZ, zz	80
RTO Shimla	HP01A, HP02A, HP50, HP63, HP63A	JP, NE, NP, P5, SP,ZZ hp	44
RTO Solan	HP01, HP02, HP59, HP64, HP64A	12, DP, HH, HY, P1, SL, ZZ, hp	86
	<b>Total</b>		<b>212</b>

### Annexure-IX

(Reference: Paragraph 4.6.8.1)

#### Detail of duplicate Insurance Certificates

Name of auditee unit	Total records	No. of Blank Cover notes	No. of duplicate Cover notes <sup>93</sup>
STA Shimla	1,684	76	7 (15)
RTO Dharamsala	5,071	211	112 (289)
RTO Shimla	7,243	389	40 (87)
RTO Solan	11,184	2,544	119 (401)
<b>Total</b>		<b>3,220</b>	

### Annexure-X

(Reference: Paragraph 4.6.8.1)

#### Detail of Blank/duplicate Engine numbers/ chassis numbers

Name of RTO	Total records	Blank/invalid Engine No.	No. of Duplicate Engine No.	Blank/invalid Chassis No.	No. of duplicate Chassis No.
STA Shimla	11,649	2	251	1	130
RTO Dharamsala	33,836	298	138	37	120
RTO Shimla	11,107	256	84	-	38
RTO Solan	16,492	100	444	1	152
<b>Total</b>		<b>656</b>			<b>440</b>

### Annexure-XI

(Reference: Paragraph 4.6.15.2)

#### Arrears of private stage carriages

Sr. No.	Name of Unit	Total No. of vehicle	No. of test checked vehicle	No. of vehicles not paid SRT	Period of defaulter	Total amount
1.	RTO, Bilaspur	245	100	49	2005-06 to 2008-09	51,24,970
2.	RTO, Solan	274	50	19	2004-09 to 2008-09	22,08,078
3.	RTO Una	298	50	09	-do-	13,15,033
4.	RTO, Kangra	770	200	32	2006-07 to 2008-09	34,41,427
5.	RTO, Shimla	352	100	34	2004-05 to 2008-09	24,63,685
6.	RTO, Hamirpur	358	100	20	2008-09	12,09,107
7.	RTO, Chamba	00	30	08	-do-	3,10,523
8.	RTO, Nahan	00	50	19	-do-	14,01,450
	<b>Total</b>	<b>2297</b>	<b>680</b>	<b>190</b>		<b>174,74,273</b>

<sup>93</sup>

The figures in bracket indicate total number of duplicate cover notes made of the number of cover notes shown outside the bracket.

**Annexure-XII**  
(Reference: Paragraph 6.3.8)  
**Return on equity**

(Rupees in crore)

Year	Generation		Transmission		Distribution		Total	
	EQ	ROE	EQ	ROE	EQ	ROE	EQ	ROE
2005-06	121.39	17.00	52.73	7.38	108.00	17.28	282.11	41.66
2006-07	94.98	13.30	80.77	11.30	106.36	17.02	282.11	41.62
2007-08	135.23	18.93	65.76	9.21	81.12	12.98	282.11	41.12
2008-09	108.27	15.16	79.05	11.07	109.95	17.59	297.27	43.82
2009-10	108.27	15.16	79.05	11.07	109.95	17.59	297.27	43.82
<b>Total</b>		<b>79.55</b>		<b>50.03</b>		<b>82.46</b>		<b>212.04</b>

**Annexure-XIII**  
(Reference: Paragraph 6.6)

Sub registrar wise details of incorrect determination of market value of property

(Rupees in lakh)

Sr. No.	Name of SR Office	Number of cases	Consideration value as per partas prepared by patwari halqa	Consideration value as per conveyance deed executed	Short realisation		Total
					Stamp duty	Registration fee	
1	2	3	4	5	6	7	8
1	Bijhri	01	19.02	3.40	0.78	0.18	0.96
2	Bilaspur	07	37.20	16.50	1.03	0.42	1.45
3	Dhalousie	12	119.40	71.98	2.37	0.35	2.72
4	Dharamsala	02	38.23	17.69	1.03	0.06	1.09
5	Ghumarwin	05	26.21	3.12	1.15	0.22	1.37
6	Hamirpur	01	65.35	1.30	3.20	0.23	3.43
7	Indora	11	103.21	92.39	0.60	0.05	0.65
8	Jhandutta	09	42.48	27.16	0.77	0.14	0.91
9	Jogindernagar	19	65.28	32.79	1.62	0.42	2.04
10	Junga	06	116.17	73.90	2.47	0.31	2.78
11	Kangra	13	24.86	15.43	0.47	0.19	0.66
12	Kullu	25	207.84	125.86	3.92	0.79	4.71
13	Kasauli	04	18.59	3.90	0.68	0.27	0.95
14	Mandi	28	634.41	251.21	19.18	1.23	20.41
15	Manali	22	357.37	241.63	4.74	0.56	5.30
16	Nahan	04	72.00	49.61	1.12	0.32	1.44
17	Nalagarh	22	177.29	136.39	2.04	0.45	2.49
18	Pacchad	04	64.08	48.42	0.99	0.03	1.02
19	Paonta Sahib	11	145.87	89.88	2.69	0.43	3.12
20	Palampur	33	108.04	75.68	1.57	0.58	2.15
21	Rajgarh	14	770.58	101.59	33.49	0.32	33.81
22	Sainj	12	47.90	28.93	0.97	0.15	1.12
23	Solan	05	259.82	49.85	10.51	0.33	10.84
24	Shimla (Urban)	11	186.18	152.96	1.61	0.26	1.87
25	Sundernagar	11	246.86	49.72	9.84	0.63	10.47
	<b>Total</b>	<b>292</b>	<b>3,954.24 or Say ₹ 39.54 crore</b>	<b>1,761.29 or say ₹ 17.61 crore</b>	<b>108.84 or say ₹ 1.09 crore</b>	<b>8.92 or say ₹ 0.09 crore</b>	<b>117.76 or say ₹ 1.18 crore</b>