

CHAPTER-1 : GENERAL**1.1 Trend of revenue receipts**

The tax and non tax revenue raised by the Government of Himachal Pradesh during the year 2005-06, the State's share of divisible Union taxes and grants in aid received from the Government of India during the year and corresponding figures for the preceding four years are given below:

(Rupees in crore)						
Sr. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
I.	Revenue raised by the State Government					
	• Tax revenue	916.50	889.57	984.33	1,251.88	1,497.02
	• Non tax revenue	198.33	175.49	291.76	610.77	689.67
	Total	1,114.83	1,065.06	1,276.09	1,862.65	2,186.69
II.	Receipts from Government of India					
	• State's share of divisible Union taxes	324.13	345.60	449.54	537.32	493.26 [@]
	• Grants in aid	2,276.84	2,248.09	2,255.29	2,234.54	3,878.67
	Total	2,600.97	2,593.69	2,704.83	2,771.86	4,371.93
III.	Total receipts of the State	3,715.80	3,658.75	3,980.92	4,634.51	6,558.62
IV.	Percentage of I to III	30	29	32	40	33

[@] 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 2005-2006. Figures under the major head "0020-Corporation Tax"; "0021-Taxes on Income other than Corporation Tax"; "0028-Other Taxes on Income and Expenditure"; "0032-Taxes on Wealth"; "0037-Customs"; "0038-Union Excise Duties"; "0044-Service Tax" and "0045-Other Taxes and Duties on Commodities and Services- 901 Share of net proceeds assigned to States" booked in the Finance Accounts under A-Tax Revenue have been excluded from the revenue raised by the State Government and included in State's share of divisible Union taxes.

1.1.1 The details of tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given below:

(Rupees in crore)							
Sr. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) or decrease (-) in 2005-06 over 2004-05
1.	Taxes on sales, trade etc.	355.08	383.34	436.75	542.37	726.98	(+) 34
2.	State excise	236.28	273.42	280.12	299.90	328.97	(+) 10
3.	Stamps and registration fees	34.27	37.40	52.37	75.34	82.43	(+) 9
4.	Taxes and duties on electricity	8.32	0.25	16.67	88.00	89.29	(+) 1
5.	Taxes on vehicles	132.70	81.98	78.37	107.82	101.51	(-) 6
6.	Taxes on goods and passengers	34.27	31.45	33.96	38.32	42.61	(+) 11
7.	Other taxes and duties on commodities and services	63.73	77.13	86.98 ^x	97.54 [@]	124.10 [*]	(+) 27
8.	Land revenue	51.85	4.60	0.84	2.30	1.09	(-) 53
	Total	916.50	889.57	986.06^x	1,251.59[@]	1,496.98[*]	(+) 20

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

Taxes on sales, trade etc: The increase was mainly due to implementation of Value Added Tax Act, 2005, increase in receipts of petrol, diesel and aviation turbine fuel and more import of material by the industrial units.

State excise: The increase was mainly due to establishment of two new distilleries, increase in auction money by three *per cent*, more consumption of liquor.

Taxes on goods and passengers: The increase was due to more income from yarn, iron and steel and plastic goods and increase in number of vehicles.

Other taxes and duties on commodities and services: The increase was mainly due to imposition of professional tax, receipts of bid money from auction of toll barriers and more receipts under Himachal Pradesh certain goods (carried by road) and Luxury tax Act.

Land revenue: The decrease was mainly due to less receipts from rates cesses on land and miscellaneous receipts.

1.1.2 The details of major non tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given below:

* Excludes Rs.(-) 0.04 crore on account of share of net proceeds assigned to State

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

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

(Rupees in crore)

Sr. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) or decrease (-) in 2005-06 over 2004-05
1.	Interest receipts	7.67	9.97	11.35	42.77	49.29	(+) 15
2.	Other non tax receipts	86.51	66.21	101.51	89.59	151.41	(+) 69
3.	Forestry and wild life	28.98	31.52	76.93	102.17	149.63	(+) 46
4.	Non ferrous, mining and metallurgical industries	32.97	35.46	36.84	38.42	42.90	(+) 12
5.	Miscellaneous general services (including lottery receipts)	1.80	2.81	1.81	1.86	2.13	(+) 15
6.	Power	7.13	(-)0.08	35.01	284.71	251.47	(-)12
7.	Major and medium irrigation	11.06	0.06	0.06	0.09	0.44	(+)389
8.	Medical and public health	3.31	3.10	3.36	3.70	5.31	(+) 44
9.	Co-operation	1.26	1.68	1.44	1.64	1.68	(+) 2
10.	Public works	3.10	6.82	7.54	9.08	12.07	(+) 33
11.	Police	7.57	7.87	8.08	7.74	8.98	(+) 16
12.	Other administrative services	6.97	10.07	7.83	29.00	14.36	(-) 50
	Total	198.33	175.49	291.76	610.77	689.67	(+) 13

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

Forestry and wild life: The increase was due to receipt of more royalty from Himachal Pradesh State Forest Corporation.

Non ferrous, mining and metallurgical industries: The increase was mainly due to more recovery of pending amount of royalty from stone crusher owners, more receipt of registration fees, penalty/ fine under illegal mining, receipt from drilling operation and other miscellaneous receipts.

Power: The decrease was mainly due to shut down of production units of Nathpa Jhakri project during July to October 2005 caused by floods resulting in accumulation of silt/water.

Major and medium irrigation: The increase was mainly due to more receipts on account of water supplied to the farmers from Shah Nahar project and Balh valley medium irrigation plan.

Medical and public health: The increase was mainly due to receipts from drugs manufacturers, recovery of over payments, auction of waste material and sale of tender forms.

Police: The increase was due to receipt of outstanding recoveries from NJPC Jhakri, banks and reimbursement of cost of police supplied to other departments/organisations.

The reasons for variation, though called for from other departments, were awaited (September 2006).

1.2 Variations between budget estimates and actuals

Variation between the budget estimates and actuals of revenue receipts for the year 2005-06 in respect of the principal heads of tax and non tax revenue are given below:

(Rupees in crore)					
Sr. No.	Head of revenue	Budget estimates	Actual receipts	Variations excess(+) or shortfall (-)	Percentage of variation
1.	Taxes on sales, trade etc.	600.00	726.98	(+)126.98	(+)21
2.	State excise	315.00	328.97	(+)13.97	(+)4
3.	Taxes on goods and passengers	37.00	42.61	(+) 5.61	(+)15
4.	Taxes on vehicles	110.00	101.51	(-) 8.49	(-)8
5.	Other taxes and duties on commodities and services	95.05	124.10*	(+) 29.05	(+)31
6.	Stamps and registration fees	71.58	82.43	(+) 10.85	(+)15
7.	Taxes and duties on electricity	35.15	89.29	(+) 54.14	(+)154
8.	Land revenue	2.18	1.09	(-) 1.09	(-)50
9.	Industries	5.54	24.13	(+) 18.59	(+)336
10.	Forestry and wild life	56.00	149.63	(+) 93.63	(+)167
11.	Interest receipts	11.58	49.29	(+) 37.71	(+)326
12.	Education, sports, art and culture	24.14	41.64	(+) 17.50	(+)72
13.	Crop husbandry (including horticulture)	4.48	8.40	(+) 3.92	(+)87
14.	Non ferrous, mining and metallurgical industries	36.04	42.90	(+) 6.86	(+)19
15.	Housing	1.71	1.96	(+) 0.25	(+)15
16.	Fisheries	0.91	0.74	(-) 0.17	(-)19
17.	Water supply and sanitation	9.70	13.00	(+) 3.30	(+)34
18.	Police	7.80	8.98	(+) 1.18	(+)15
19.	Medical and public health	4.04	5.31	(+) 1.27	(+)31
20.	Stationery and printing	1.70	3.76	(+) 2.06	(+)121
21.	Public works	7.65	12.07	(+)4.42	(+)58
22.	Animal husbandry	0.45	0.53	(+) 0.08	(+)18
23.	Power	232.00	251.47	(+) 19.47	(+)8

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

Taxes on vehicles: The decrease was mainly due to downwards revision of rates of special road tax.

Stamps and registration fees: The increase was due to increase of market value of land, sale of land property, more sale of stamps and registration of more documents.

Taxes and duties on electricity: The increase was due to deposit of balance amount of electricity duty of previous year in 2005-06 by Himachal Pradesh State Electricity Board.

Land revenue: The decrease was due to less receipts of fixed land revenue, sale proceeds of waste land and mutation fee.

* Excludes Rs.(-) 0.04 crore on account of share of net proceeds assigned to State

Industries: The abnormal increase was due to more receipts of licence fees, premium from industrial areas, receipt of central transport subsidy from Government of India and other miscellaneous receipts.

Forestry and wild life: The increase was mainly due to receipt of cost of trees coming in the project area, receipts on account of compensatory plantation and more receipt under catchment area treatment plans and net present value.

Fisheries: The decrease was due to shortfall in production of fish in Gobindsagar and Pong Dam reservoir and consequently less sale of fish and fish seed.

Water supply and sanitation: The increase was due to enhancement of water rates in rural and urban areas.

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

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

Animal husbandry: The increase was mainly due to income generated from sale of immovable/movable property of various offices of the department.

The reasons for variation, though called for from other departments, were awaited (September 2006).

1.3 Analysis of collection

Breakup of the total collections at pre assessment stage and after regular assessment of state excise, taxes on sales and trade, passengers and goods tax and other taxes and duties on commodities and services during the year 2005-06 and the corresponding figures for the preceding two years, as furnished by the Excise and Taxation Department is given below:

(Rupees in crore)							
Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
State excise	2003-04	222.35	57.19	1.50	0.92	280.12	79
	2004-05	299.15	--	1.12	0.37	299.90	100
	2005-06	326.85	--	2.26	0.14	328.97	99
Taxes on sales, trade etc.	2003-04	419.57	13.12	5.86	1.80	436.75	96
	2004-05	520.14	15.40	8.11	1.28	542.37	96
	2005-06	711.10	10.20	6.03	0.35	726.98	98
Taxes on goods and passengers	2003-04	31.96	0.85	1.19	0.04	33.96	94
	2004-05	35.44	1.58	1.30	#	38.32	92
	2005-06	40.47	1.07	1.09	0.02	42.61	95
Other taxes and	2003-04	81.41	5.53	0.05	0.01	86.98 ^ψ	94

Rs. 13,850 only

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

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

duties on commodities and services	2004-05 2005-06	97.02 120.53	0.89 3.56	0.08 0.05	0.16 --	97.54 ^a 124.10 ^a	99 97
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It would be seen from the above that amount collected at pre assessment stage ranged between 95 per cent to 99 per cent during 2005-06.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2003-04, 2004-05 and 2005-06 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2004-05 were as follows:

(Rupees in crore)

Sr. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2004-05
1.	Taxes on sales, trade etc.	2003-04	436.75	6.60	1.51	0.95
		2004-05	542.37	7.57	1.39	
		2005-06	726.98	9.38	1.29	
2.	State excise	2003-04	280.12	4.23	1.51	3.34
		2004-05	299.90	4.19	1.39	
		2005-06	328.97	4.24	1.29	
3.	Taxes on vehicles, goods and passengers	2003-04	112.33	1.25	1.11	2.74
		2004-05	146.14	1.27	0.87	
		2005-06	144.12	1.28	0.89	
4.	Stamps and registration fee	2003-04	52.37	2.05	3.91	3.44
		2004-05	75.34	2.02	2.68	
		2005-06	82.43	1.22	1.48	

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

1.5 Collection of sales tax per assessee

The collection of sales tax per assessee during the period 2001-02 to 2005-06 is mentioned as under:

(Rupees in lakh)

Year	No. of assesseees	Sales tax revenue	Revenue/assessee
2001-02	27,323	35,508	1.30
2002-03	30,903	38,334	1.24
2003-04	33,840	43,675	1.29
2004-05	37,226	54,237	1.46
2005-06	39,486	72,698	1.84

^a Excludes Rs. (-)0.04 crore on account of share of net proceeds assigned to State

It would be seen that the revenue per assessee increased by 26 per cent during 2005-06.

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs.396.96 crore of which Rs. 76.81. crore were outstanding for more than five years, as detailed in the following table:

(Rupees in crore)

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	Remarks
1.	Taxes on sales, trade etc.	100.00	24.61	Arrears pertained to the years 1968-69 and onwards. Out of arrears of Rs.100.00 crore, demands for Rs.50.87 crore had been certified as arrears of land revenue. Recoveries amounting to Rs.2.21 crore were stayed by the High Court/other Judicial Authorities. Recovery of Rs.4.87 crore was held up due to rectification/ review of applications. Demands for Rs.2.92 crore were likely to be written off. Specific action taken in respect of remaining arrears of Rs.39.13 crore called for in April 2006 had not been intimated (September 2006).
2.	Forestry and wild life	75.22	23.13	Arrears pertained to the years 1949-50 and onwards. Out of arrears of Rs.75.22 crore, the outstanding amounts relate to Contractor Agency: Rs.3.89 crore; Himachal Pradesh State Forest Corporation: Rs. 71.26 crore and the balance: Rs.0.07 crore relate to other Government departments. Specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
3.	Taxes and duties on electricity	66.61	--	Arrears were recoverable from Himachal Pradesh State Electricity Board.
4.	Taxes on vehicles	85.76	10.54	Arrears pertained to the year 1977 and onwards. Specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
5.	Taxes on goods and passengers	14.07	7.43	Arrears pertained to the year 1961-62 and onwards. Out of arrears of Rs.14.07 crore, demands for Rs.2.62 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.29 crore were stayed by the High Court/other Judicial Authorities and Government. Specific action taken in respect of remaining arrears of Rs.11.16 crore called for in April 2006 had not been intimated (September 2006).

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	Remarks
6.	Police	13.28	4.79	Arrears pertained to the years 1990-91 and onwards. Out of total arrears of Rs. 13.28 crore, the outstanding amounts relate to Bhakra and Beas Management Board: Rs.7.24 crore; Nathpa Jhakri Power Corporation: Rs.0.84 crore; Railway Authorities: Rs. 1.60 crore; Civil Aviation Authority: Rs.1.00 crore; Yamuna Hydel Project Khodri Majri and Cement Corporation of India, Rajban: Rs. 0.74 crore and National Hydro Electric Power Corporation: Rs. 0.83 crore. The remaining Rs.1.03 crore relates to other* departments/ institutions. For recovery of arrears pertaining to the Bhakra Beas Management Board and Yamuna Hydel Project, Khodri Majri, cases had been filed under Land Revenue Act. Further report had not been received (September 2006).
7.	Water supply, sanitation and minor irrigation	23.63	0.89	Arrears pertained to the years 1963-64 and onwards. Out of arrears of Rs.23.63 crore, Rs. 22.67 crore relates to Municipal Corporation, Shimla, Municipalities and Notified Area Committees. The remaining arrears relating to minor irrigation and housing (Rs.0.96 crore) were recoverable through Deputy Commissioners of the districts and Superintending Engineers

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

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				respectively. Specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
8.	State excise	5.28	3.91	Arrears pertained to the year 1972-73 and onwards. Out of arrears of Rs.5.28 crore, demands for Rs.3.94 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.01 crore were stayed by the High Court and other Judicial Authorities. Demands for Rs.0.05 crore were likely to be written off. Specific action taken in respect of remaining arrears of Rs.1.28 crore called for in April 2006 had not been intimated (September 2006).
9.	Other taxes and duties on commodities and services	3.89	0.05	Arrears pertained to the years 1989-90 and onwards. Out of arrears of Rs.3.89 crore, demands for Rs.1.25 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.18 crore had been stayed by the Government. Specific action taken in respect of remaining arrears of Rs.2.46 crore called for in April 2006 had not been intimated (September 2006).
10.	Industries (including village and small scale industries).	4.98	0.98	Arrears pertained to the years 1977-78 and onwards. Specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
11.	Non ferrous, mining and metallurgical industries	2.69	0.08	Arrears pertained to the years 1970-71 and onwards. Specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
12.	Land revenue	0.77	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
13.	Printing and stationery	0.55	0.40	Arrears pertained to the years 1997-98 to 2002-03 and were recoverable from the Director, Public Relations, Himachal Pradesh Shimla.
14.	Public works	0.23	Awaited	Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2006 had not been intimated (September 2006).
	Total	396.96	76.81	

1.7 Arrears in assessments

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

Head of revenue	Opening balance	New cases due for assessment during 2005-06	Total assessments due	Cases disposed of during 2005-06	Balance at the end of the year	Percentage of column 5 to 4
1.	2.	3.	4.	5.	6.	7.
Taxes on sales, trade etc.	1,11,702	65,968	1,77,670	76,491	1,01,179	43
Luxury tax	1,470	1,258	2,728	1,227	1,501	45
Tax on works contracts	4,427	980	5,407	2,096	3,311	39
Motor spirit tax	8	--	8	--	8	--

1.8 Evasion of tax

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

Sr. No.	Head of revenue	Cases pending as on 31 March 2005	Cases detected during 2005-06	Total	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2006
					Number of cases	Amount of demand (In lakh of rupees)	
1.	Taxes on sales, trade etc.	84	6,032	6,116	6,045	276.06	71
2.	State excise	22	123	145	139	4.35	6
3.	Passengers and goods tax	1,040	4,481	5,521	4,611	60.12	910
4.	Other taxes and duties on commodities and services	10	2,252	2,262	2,252	97.80	10
	Total	1,156	12,888	14,044	13,047	438.33	997

1.9 Refunds

The number of refund cases pending at the beginning of the year 2005-06, claims received during the year, refunds allowed during the year and the cases

pending at the close of the year 2005-06 as reported by the departments is given below:

(Rupees in crore)

Sr. No.	Particulars	Sales Tax		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	16	0.22	--	--
2.	Claims received during the year	19	0.36	3	0.14
3.	Refunds made during the year	14	0.35	3	0.14
4.	Balance outstanding at the end of year	21	0.23	--	--

1.10 Results of audit

Test check of the records of sales tax, state excise, taxes on vehicles, goods and passengers, forest receipts, other tax and non tax receipts conducted during the year 2005-06 revealed under assessments/short levy/loss of revenue amounting to Rs. 219.88 crore in 1,037 cases. During the course of the year 2005-06, the concerned departments accepted under assessments etc., of Rs.28.11 crore involved in 850 cases, which had been pointed out in audit in earlier years.

This report contains 28 paragraphs including one review relating to non/short levy of tax, fees, interest and penalty etc. involving Rs. 58.32 crore. Departments/ Government accepted audit observations involving Rs.12.32 crore of which Rs.0.28 crore had been recovered upto August 2006. No replies have been received in the other cases.

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

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

1.11.2 The number of IRs and audit observations relating to revenue receipts issued during the last three years upto 31 December 2005, which were pending settlement by the departments as on 30 June 2004, 30 June 2005 and 30 June 2006 are given below:

Particulars	At the end of June		
	2004	2005	2006
Number of IRs pending settlement	2,933	2,836	3,052
Number of outstanding audit observations	7,343	6,821	7,135
Amount of revenue involved (in crore of rupees)	341.52	318.50	278.05

1.11.3 Department wise breakup of the IRs and audit observations outstanding as on 30 June 2006 is given below:

Sr. No.	Department	Number of outstanding		Amount of audit observations raised (Rupees in crore)	Year to which observations relate	Number of IRs to which even first replies not received
		IRs	Audit observations			
1.	Revenue	743	1,424	6.13	1977-78 to 2004-05	47
2.	Forest Farming and Conservation	521	1,419	166.93	1970-71 to 2004-05	15
3.	Excise and Taxation	776	1,945	62.66	1973-74 to 2004-05	9
4.	Transport	516	1,499	25.73	1972-73 to 2004-05	28
5.	Other Departments (Irrigation and Public Health, Public Works, Agriculture, Horticulture, Co-operation, Food and Civil Supplies and Mining)	496	848	16.60	1976-77 to 2004-05	14
	Total	3,052	7,135	278.05		113

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

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

1.12 Departmental audit committees meetings

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

For expeditious clearance of the outstanding audit observations, it is necessary that the audit committees meet annually and ensure that final action is taken on all outstanding audit observations. For the year 2005-06, only one (Excise and Taxation Department) out of 10 Government departments relating to revenue receipts, convened meeting of the audit committee, and constitution of committees was not notified by four administrative departments. The matter relating to annual meeting in respect of Forest and Transport departments was under correspondence. Thus majority of the departments had not taken any step in this regard inspite of clear directions from the Finance Department, which indicated lack of interest in reducing the pendency of old objections.

1.13 Response of the State Government to draft audit paragraphs

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

Twenty eight draft paragraphs (including one review) included in the report for the year ended 31 March 2006 were sent to the Principal Secretaries/Secretaries of the respective departments by name between January and July 2006. The Principal Secretaries/Secretaries of the departments did not send replies to 27 draft paragraphs despite issue of reminders (July 2006). These paragraphs have been included in this report without the response of the Principal Secretaries/Secretaries of the departments.

1.14 Follow up on Audit Reports- Summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Vidhan Sabha, the departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by Government within three months of tabling the Report, for the consideration of the committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Report(s) were being delayed inordinately. Out of 153 paragraphs (including reviews) included in the Reports of the Comptroller and Auditor General of India on revenue receipts of the Government of Himachal Pradesh for the years ended 31 March 2001, 2002, 2003 and 2004, action taken explanatory notes had not been received in respect of 43 paragraphs from three[@] departments.

[@] 2002-2003: Forest Farming and Soil Conservation
2003-2004: Forest Farming and Soil Conservation, Multipurpose Projects and Power, Revenue

1.15 Recovery of revenue of accepted cases

During the years between 2000-01 and 2004-05, the departments/Government accepted audit observations involving Rs.63.98 crore of which an amount of Rs.54.51 crore was recovered till 31 March 2006 as detailed below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2000-01	47.03	5.51	0.61
2001-02	19.55	7.12	5.89
2002-03	80.37	6.04	44.54
2003-04	107.31	38.20	1.59
2004-05	54.39	7.11	1.88
Total	308.65	63.98	54.51