

CHAPTER 1: GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Haryana during the year 2007-08, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

Sr. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
I	Revenue raised by the State Government					
	• Tax revenue	6,348.05	7,440.27	9,078.65	10,927.76	11,617.82
	• Non-tax revenue ¹	2,223.05 (1,663.73)	2,544.37 (1,842.83)	2,458.56 (2,264.33)	4,590.76 (4,590.30)	5,097.08 (5,096.89)
	Total (I)	8,571.10 (8,011.78)	9,984.64 (9,283.10)	11,537.21 (11,342.98)	15,518.52 (15,518.06)	16,714.90 (16,714.71)
II	Receipts from the Government of India					
	• State's share ² of net proceeds of divisible Union taxes	600.75	619.26	1,200.97 ³	1295.64 ³	1,634.36 ³
	• Grants-in-aid	671.63	545.16	1,115.13	1,138.27	1,401.48 ⁴
	Total (II)	1,272.38	1,164.42	2,316.10	2,433.91	3,035.84
III	Total receipts of the State (I + II)	9,843.48 (9,284.16)	11,149.06 (10,447.52)	13,853.31 (13,659.08)	17,952.43 (17,951.97)	19,750.74 (19,750.55)
IV	Percentage of I to III	87 (86)	90 (89)	83 (83)	86 (86)	85 (85)

The above table indicates that during the year 2007-08, the revenue raised by State Government was 85 *per cent* of the total revenue receipts and balance 15 *per cent* of the receipts during the year 2007-08 were from the Government of India.

¹ The figures shown in brackets are net of expenditure on prize winning tickets of lotteries conducted by the Government.

² For details please see statement no. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Haryana for the year 2007-08. Figures under the head 0021 - Taxes on income other than corporation tax - share of net proceeds assigned to States booked in the Finance Accounts under A - Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

³ There was abnormal increase in State's share of net proceeds of divisible Union taxes during the year 2005-06. The increase was mainly due to more receipts and adjustment of previous years (Rs. 185.20 crore) under share of net proceeds assigned to the States. During the years 2006-07 and 2007-08, the increase was mainly due to more receipts under "share of net proceeds assigned to States".

⁴ This amount includes Rs. 14.23 crore as adjustment of previous year.

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

(Rupees in crore)

Sr. No.	Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) / decrease (-) in 2007-08 over 2006-07
1.	Taxes on sales, trade etc.	3,838.00	4,760.91	5,604.45	6,853.24	7,720.98	(+) 13
2.	State excise	923.28	1,013.16	1,106.86	1,217.10	1,378.81	(+) 13
3.	Stamp duty and registration fee	695.63	726.58	1,339.73	1,764.98	1,763.28	Negligible
4.	Taxes and duties on electricity	59.06	61.75	61.53	98.28	107.45	(+) 09
5.	Taxes on vehicles	132.39	140.41	172.13	223.66	233.79	(+) 05
6.	Taxes on goods and passengers	660.36	705.16	757.60	738.41	379.39	(-) 49
7.	Other taxes and duties on commodities and services	19.32	20.60	23.23	19.10	24.74	(+) 30
8.	Land revenue	20.01	11.70	13.12	12.99	9.38	(-) 28
	Total	6,348.05	7,440.27	9,078.65	10,927.76	11,617.82	(+) 06

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

- **Taxes on goods and passengers:** The decrease in revenue receipts (49 per cent) was due to reduction of rates of passengers' tax and lesser collections under goods tax and local area development tax (LADT).
- **Land revenue:** The decrease in revenue receipts (28 per cent) was due to less receipt of mutation fee, copying fee and revenue *talbanda*⁵.
- **Other taxes and duties on commodities and services:** The increase in revenue receipts (30 per cent) was due to more collection of entertainment tax.

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

⁵ Charges for serving summons.

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

(Rupees in crore)

Sr. No.	Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+)/ decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	478.01	472.41	442.48	648.63	757.20	(+) 17
2.	Urban development	143.55	317.96	714.09	2,562.34	2,805.24	(+) 09
3.	Road transport	482.21	513.17	548.44	571.18	622.56	(+) 09
4.	Other non-tax receipts	144.02	144.68	185.13	277.34	269.70	(-) 03
5.	Forestry and wildlife	25.48	31.58	32.84	38.62	33.79	(-) 13
6.	Non-ferrous mining and metallurgical industries	76.98	92.73	152.60	136.83	215.74	(+) 58
7.	Miscellaneous general services						
	• State lotteries ⁶	547.16 {(-) 12.16}	697.02 {(-) 4.52}	188.29 {(-) 5.94}	0.40 {(-) 0.06}	0.05 {(-) 0.14}	(-) 87.5 (-) 30
	• Other than lotteries	26.32	8.61	(-) 4.91	129.82	91.20	
8.	Power	2.21	1.84	2.97	4.58	3.76	(-) 18
9.	Major and medium irrigation	183.00	103.32	64.13	87.19	72.27	(-) 17
10.	Medical and public health	31.96	40.92	30.50	31.59	64.91	(+) 105
11.	Co-operation	6.57	7.72	7.12	10.62	7.37	(-) 31
12.	Public works	3.21	6.40	3.04	6.89	6.31	(-) 08
13.	Police	11.71	26.45	7.49	22.79	41.44	(+) 82
14.	Other administrative services	60.66	79.56	84.35	61.94	105.54	(+) 70
Total		2,223.05	2,544.37	2,458.56	4,590.76	5,097.08	(+) 11

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

- **Non-ferrous mining and metallurgical industries:** The increase in revenue receipts (58 per cent) was due to the receipt of very high bids on minor mineral quarries granted on individual basis in Ambala, Bhiwani, Kurukshetra, Mahendragarh, Panipat and Sonipat districts. One month advance instalment deposited in Panipat and Sonipat districts at the time of auction of quarries for the year 2008-09 also contributed to higher revenue.

⁶ The figures in brackets from 2003-04 to 2007-08 show that the net receipts from lotteries were negative i.e. the Government was incurring more expenditure on lotteries than receipts. However, the Government has prohibited the sale of tickets of a lottery organised, conducted or promoted by any State with effect from May 2005 within the State of Haryana.

- **Medical and public health:** The increase in revenue receipts (105 *per cent*) was due to increase in the number of insured persons under the Employees State Insurance (ESI) scheme.
- **Police:** The increase in revenue receipts (82 *per cent*) was due to higher receipt of payment from Railways and other Governments on account of deployment of police force.
- **Other administrative services:** The increase in revenue receipts (70 *per cent*) was due to more receipt of service fee, magisterial fines and forfeiture and sale of land by the Rehabilitation Department to Haryana Urban Development Authority (HUDA).

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

1.2 Initiatives for mobilisation of additional resources

In order to increase the revenue stream and achieve better fiscal management, the State Government had initiated a series of measures in the recent past. Through improved and efficient tax collection and close monitoring of non-essential expenditure, the State Government had eliminated the revenue deficit and achieved a revenue surplus of Rs. 1,213.42 crore and Rs. 2,223.87 crore in the year 2005-06 and 2007-08 respectively.

In the budget speech for the year 2007-08, the Government intimated the House that the measures proposed for financial discipline were likely to help in eliminating the budget deficit. The Government hoped that the share in central sales tax (CST) and other devolutions would also increase as a result of higher expected growth in the national economy. The State tax revenue was also expected to increase substantially.

Tax rules/procedures have been simplified and tax rates rationalised for better compliance of taxes. The value added tax (VAT) scheme was introduced in April 2003 with the dual objective of public convenience and generation of revenue. Sales tax revenue had been showing an increasing trend and the revenue increased from Rs. 3,838.00 crore in 2003-04 to Rs. 7,720.98 crore in 2007-08. It registered an increase of Rs. 867.74 crore during 2007-08. Besides, user charges of public services in technical education, health care services, irrigation water and other services had been revised for mobilisation of resources. The revenue of the State had increased by Rs. 1,196.38 crore (including VAT) due to better fiscal management during the year 2007-08 though the revenue generation received a set back due to phasing out of CST, reduction of rates of stamp duty and passengers and goods tax and drying up of LADT due to court rulings.

1.3 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2007-08 in respect of the main heads of tax and non-tax revenue

are mentioned below:

(Rupees in crore)

Sr. No.	Heads of revenue	Budget estimates	Actual receipts	Variation increase (+)/ decrease (-)	Percentage of variation increase (+)/ decrease (-)
A. Tax revenue					
1.	Taxes on sales, trade etc.	7,832.00	7,720.98	(-) 111.02	(-) 01
2.	State excise	1,320.00	1,378.81	(+) 58.81	(+) 04
3.	Stamp duty and registration fee	1,780.00	1,763.28	(-) 16.72	(-) 01
4.	Taxes and duties on electricity	90.00	107.45	(+) 17.45	(+) 19
5.	Taxes on vehicles	275.00	233.79	(-) 41.21	(-) 15
6.	Taxes on goods and passengers – tax on entry of goods in local areas	924.00	379.39	(-) 544.61	(-) 59
7.	Other taxes and duties on commodities and services	18.00	24.74	(+) 6.74	(+) 37
8.	Land revenue	12.00	9.38	(-) 2.62	(-) 22
B. Non-tax revenue					
9.	Interest receipts	592.16	757.20	(+) 165.04	(+) 28
10.	Urban development	1,002.10	2,805.24	(+) 1,803.14	(+) 180
11.	Forestry and wildlife	24.32	33.79	(+) 9.47	(+) 39
12.	Non-ferrous mining and metallurgical industries	172.60	215.74	(+) 43.14	(+) 25
13.	Miscellaneous general services	5.45	91.25	(+) 85.80	(+) 1,574
14.	Major and medium irrigation	115.65	72.27	(-) 43.38	(-) 38
15.	Co-operation	4.70	7.37	(+) 2.67	(+) 57
16.	Police	20.00	41.44	(+) 21.44	(+) 107
17.	Medical and public health	44.88	64.91	(+) 20.03	(+) 45
18.	Public works	8.90	6.31	(-) 2.59	(-) 29
19.	Other administrative services	82.51	105.54	(+) 23.03	(+) 28

The reasons for variations between the budget estimates and actuals as furnished by the departments are mentioned below:

- **Taxes on goods and passengers:** The decrease in revenue receipts (59 per cent) was due to reduction of rates of passengers' tax and lesser collections under goods tax and LADT.

- **Land revenue:** The decrease in revenue receipts (22 per cent) was due to less recovery of mutation fee, copying fee and revenue *talbana*.
- **Other taxes and duties on commodities and services:** The increase in revenue receipts (37 per cent) was due to more collection of entertainment tax.
- **Urban development:** The increase in revenue receipts (180 per cent) was due to more receipt of licence fee and scrutiny fee on applications received from investors for grant of licences for change of land use, deposit of supervision charges by the Urban Local Bodies Department and recovery of outstanding dues from the HUDA on account of services rendered by the Urban Estate Department.
- **Forestry and wildlife:** The increase in revenue receipts (39 per cent) was due to more availability of forest produce.
- **Non-ferrous mining and metallurgical industries:** The increase in revenue receipts (25 per cent) was due to the receipt of very high bids on minor mineral quarries granted on individual basis in Ambala, Bhiwani, Kurukshetra, Mahendragarh, Panipat and Sonipat districts. One month advance instalment deposited in Panipat and Sonipat districts at the time of auction of quarries for the year 2008-09 also contributed to higher revenue.
- **Co-operation:** The increase in revenue receipts (57 per cent) was due to increase in the number of group housing societies registered.
- **Police:** The increase in revenue receipts (107 per cent) was due to higher receipt of payment from the Railways and other Governments on account of deployment of police force.
- **Medical and public health:** The increase in revenue receipts (45 per cent) was due to increase in the number of insured persons under the ESI scheme.
- **Other administrative services:** The increase in revenue receipts (28 per cent) was due to more receipt of service fee, magisterial fines and forfeiture and sale of land by the Rehabilitation Department to HUDA.
- **Public works:** The decrease in revenue receipts (29 per cent) was mainly due to lesser realisation of rent for non-residential buildings, rest houses and lesser sales for tender forms/disposal of stores etc.
- **Miscellaneous general services:** The increase in revenue receipts (1,574 per cent) was mainly due to debt relief given by the Government of India on repayment of consolidated loan.

The other departments did not intimate (August 2008) the reasons for variations in actuals from that of the budget estimates despite being requested (July 2008).

1.4 Analysis of collection

The break-up of the total collection at pre-assessment stage and after regular assessments of sales tax cases for the year 2007-08 and the corresponding figures for the preceding three years as furnished by the Excise and Taxation Department are mentioned below:

(Rupees in crore)

Head of revenue receipts	Year	Amount collected at the pre-assessment stage	Amount collected after regular assessment (additional demand)	Amount refunded	Net collection	Percentage of collection at pre-assessment stage to net collection
Taxes on sales, trade etc.	2004-05	4,494.23	293.06 ⁷	26.38	4,760.91	94
	2005-06	5,480.84	169.01 ⁷	45.40	5,604.45	98
	2006-07	6,263.05	644.42 ⁷	54.23	6,853.24	91
	2007-08	7,223.15	723.60 ⁷	81.15	7,865.60 ⁸	92

The above table indicates that collection of revenue at the pre-assessment stage ranged between 91 and 98 *per cent* during the years 2004-05 to 2007-08.

1.5 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2005-06 to 2007-08 along with the relevant all India average percentage of expenditure of collection to gross collection for the year 2006-07 are mentioned below:

(Rupees in crore)

Sr. No.	Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
1.	Taxes on sales, trade etc.	2005-06	5,604.45	36.86	0.65	0.82
		2006-07	6,853.24	45.42	0.66	
		2007-08	7,720.98	50.64	0.66	
2.	Taxes on vehicles	2005-06	172.13	6.71	3.89	2.47
		2006-07	223.66	6.93	3.10	
		2007-08	233.79	5.47	2.34	

⁷ It includes amount recoverable on account of penalty for delay in payment of sales tax and purchase tax.

⁸ There is a difference of Rs. 144.62 crore in the departmental figures and the figures given in the Statement No. 11 – Detailed accounts of revenue by minor heads in the Finance Accounts of the Government for the year 2007-08.

Sr. No.	Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
3.	State excise	2005-06	1,106.86	10.75	0.97	3.30
		2006-07	1,217.10	12.09	0.99	
		2007-08	1,378.81	12.95	0.94	
4.	Stamp duty and registration fee	2005-06	1,339.73	5.63	0.42	2.33
		2006-07	1,764.98	10.59	0.60	
		2007-08	1,763.28	12.04	0.68	

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs. 1,981.92 crore of which Rs. 423.65 crore were outstanding for more than five years as mentioned below:

(Rupees in crore)

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than 5 years as on 31 March 2008	Remarks
1.	Taxes on sales, trade etc.	1,591.87	296.68	Recovery of Rs. 256.33 crore were stayed by the High Court and other judicial authorities, Rs. 187.82 crore was stayed due to the order of the Government. Rs. 40.73 crore were held up due to the dealers becoming insolvent, Rs. 17.23 crore were proposed to be written off, Rs. 36.85 crore were held up due to rectification, review and appeal. Recovery of Rs. 190.75 crore was outstanding due to cases pending with the official liquidator/Board of Industrial and Financial Reconstruction (BIFR). Balance amount of Rs. 862.16 crore was at different stages of action.
2.	State excise	52.31	31.23	Recovery of Rs. 14.03 crore were stayed by the High Court and other judicial authorities. Rs. 37 lakh was likely to be written off. Recovery of Rs. 1.10 crore was outstanding due to cases pending with the official liquidator/BIFR. Balance amount of Rs. 36.81 crore was at different stages of action.

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than 5 years as on 31 March 2008	Remarks
3.	Taxes and duties on electricity	85.72 ⁹	51.71	Rs. 1 crore was recoverable from M/s Haryana Concast, Hisar, Rs. 38 lakh from M/s Rama Fibres, Bhiwani, Rs. 30 lakh from M/s Dadri Cement Factory, Charkhi Dadri and Rs. 16 lakh from M/s Competent Alloys, Ballabgarh. The remaining amount of Rs. 83.88 crore was pending towards the consumers of DHBVNL/UHBVNL.
4.	• Taxes on goods and passengers	48.55	13.82	Action to recover the amount of Rs. 48.55 crore was not intimated by the department.
	• Tax on entry of goods into local areas (Local Area Development Tax)	157.37	11.75	Recovery of Rs. 70.67 crore were stayed by the High Court, judicial and departmental authorities and Rs. 5.94 crore was held up due to rectification, review and appeal. Recovery of Rs. 4 lakh was held up due to dealers becoming insolvent. Recovery of Rs. 1.43 crore was outstanding due to cases pending with the liquidator/BIFR. Recovery of Rs. 52 lakh was being made in instalments. Balance amount of Rs. 78.77 crore was at different stages of action.
5.	Police	17.12	2.96	Demands of Rs. 6.87 crore (out of Rs. 7.38 crore) were likely to be written off and balance amount of Rs. 51 lakh was recoverable from the Indian Oil Corporation. Recovery of Rs. 5.81 crore was outstanding from nine ¹⁰ States. Remaining amount of Rs. 3.93 crore was recoverable from Civil Aviation, Bachod (Rs. 54 lakh), Bhiwani (Rs. 78 lakh), Hisar (Rs. 57 lakh), Karnal (Rs. 80 lakh), Pinjore (Rs. 95 lakh), Thermal Plant, Faridabad (Rs. 29 lakh).

⁹ Figures for the month of March 2008 are tentative.

¹⁰ Bihar (Rs. 2.23 crore), Chandigarh (Rs. 4 lakh), Gujarat (Rs. 3 lakh), Kerala (Rs. 18 lakh), Punjab (Rs. 7 lakh), Rajasthan (Rs. 2 lakh), Tamil Nadu (Rs. 6 lakh), Uttar Pradesh (Rs. 2.07 crore) and West Bengal (Rs. 1.11 crore).

(ST) and taxes on goods and passengers (PGT) are mentioned below:

Sr. No.	Year	Head of revenue receipts	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of col. 7 to col. 6
1	2	3	4	5	6	7	8	9
1.	2003-04	ST	2,33,865	1,64,386	3,98,251	1,92,321	2,05,930	48
		PGT	1,102	667	1,769	457	1,312	26
2.	2004-05	ST	2,05,930	1,59,740	3,65,670	1,42,901	2,22,769	39
		PGT	1,312	704	2,016	536	1,480	27
3.	2005-06	ST	2,22,769	1,63,789	3,86,558	1,86,761	1,99,797	48
		PGT	1,480	618	2,098	433	1,665	21
4.	2006-07	ST	1,99,797	1,76,682	3,76,479	1,59,608	2,16,871	42
		PGT	1,665	672	2,337	1,915	422	82
5.	2007-08	ST	2,16,871	1,81,128	3,97,999	1,75,124	2,22,875	44
		PGT	422	1,400	1,822	723	1,099	40

The above table shows that pending cases in respect of ST at the beginning of 2003-04 were 2,33,865 which decreased to 2,22,875 at the end of 2007-08 i.e. five *per cent* while the percentage of cases finalised decreased from 48 *per cent* in 2003-04 to 44 *per cent* in 2007-08. Fifty six *per cent* of total cases (3,97,999) were pending assessment (2,22,875 cases) as on 31 March 2008. Pending cases in respect of PGT decreased from 1,102 at the beginning of 2003-04 to 1,099 at the end of 2007-08. The percentage of cases finalised increased from 26 *per cent* in 2003-04 to 40 *per cent* in 2007-08. Sixty *per cent* of total cases (1,822) were pending assessment (1,099 cases) as on 31 March 2008.

1.8 Performance of assessments

No norms have been fixed for Deputy Excise and Taxation Commissioners for disposal of assessment cases. After the introduction of Haryana Value Added Tax Act, 2003, Assistant Excise and Taxation Officers have not been assigned the duty to frame assessment and there are no norms fixed for Excise and Taxation Officers to frame or dispose off assessment of sales tax cases.

However, an assessing authority is required to dispose off all the cases under Deemed Assessment Scheme within one year of the date prescribed for furnishing of last return for the year and all scrutiny cases within a period of three years from the close of the year to which the assessments relate.

1.9 Evasion of tax

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demand for additional tax raised during

2007-08 are mentioned below:

(Rupees in crore)

Sr. No.	Heads of revenue	Cases pending as on 31 March 2007	Cases detected during the year 2007-08	Total (3+4)	Number of cases in which assessments/ investigations completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2008
					Number of cases	Amount of demand	
1.	Taxes on sales, trade etc.	67	1,578	1,645	1,586	1.24	59
2.	State excise	177	1,927	2,104	1,955	1.95	149
3.	Taxes on goods and passengers	2,593	4,937	7,530	6,908	4.66	622

1.10 Write off and waiver of revenue

During the year 2007-08, demands for Rs. 17.23 crore in 265 cases and Rs. 36.64 lakh in 28 cases were written off as reported by the Excise and Taxation Department. The details are mentioned below:

(Rupees in lakh)

Sr. No.	Reasons	Sales tax		State excise	
		Number of cases	Amount	Number of cases	Amount
1.	Whereabouts of defaulters not known	118	865.11	14	16.74
2.	Defaulters no longer alive	19	129.97	8	9.67
3.	Defaulters not having any property	88	442.26	6	10.23
4.	Defaulters adjudged insolvent	4	6.50	Nil	Nil
5.	Other reasons	36	279.06	Nil	Nil
Total		265	1,722.90	28	36.64

1.11 Refunds

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

Taxation, Power and Public Works departments are mentioned below:

(Rupees in lakh)

Sr. No.	Particulars	Sales tax		State excise		Taxes and duties on electricity		Public Works Department	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	415	5,634.47	6	13.04	Nil	Nil	Nil	Nil
2.	Claims received during the year	2,452	8,724.84	428	521.50	3	0.84	1	0.40
3.	Refunds made during the year	2,566	11,175.37	387	514.20	3	0.84	1	0.40
4.	Claims outstanding at the end of the year	301	3,183.94	47	20.34	Nil	Nil	Nil	Nil

Refund of Rs. 116.91 crore had been made to 2,957 claimants during the year 2007-08 by the departments.

1.12 Results of audit

Test check of the records of sales tax, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax and non-tax receipts during the year 2007-08 revealed under assessment/short levy/loss of revenue amounting to Rs. 527.31 crore in 2,05,891 cases. During the year, the departments accepted under assessment of Rs. 207.78 crore in 7,433 cases pointed out in 2007-08 and earlier years and recovered Rs. 75.06 crore in 618 cases. No replies have been received in respect of the remaining cases.

This report contains 31 paragraphs including three reviews relating to non/short levy of taxes, duties, interest and penalty etc. involving Rs. 122.75 crore. The department/Government accepted audit observations involving Rs. 29.65 crore of which Rs. 1.27 crore had been recovered upto June 2008.

1.13 Failure of the senior officials to enforce accountability and protect interest of the Government

The Accountant General (Audit) Haryana arranges to conduct periodical inspection of the various offices of the Government departments to test check the transactions of tax and non-tax revenue receipts and verify the maintenance of important accounting and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities detected during 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 offices/ Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report compliance through initial reply to the Accountant General within six weeks

from the dates of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

Inspection reports issued upto December 2007 disclosed that 6,329 audit observations involving money value of Rs. 6,451.39 crore relating to 3,642 IRs remained outstanding at the end of June 2008. Of these, 473 IRs containing 1,021 paragraphs involving money value of Rs. 87.44 crore had not been settled for more than 10 years by the various departments.

The large pendency of IRs is indicative of failure on the part of the heads of offices and heads of departments to initiate action to rectify the defects, omissions and irregularities pointed out by the Accountant General in the IRs.

To ensure that action to recover the revenue due does not become time barred, it is recommended that the Government may take suitable steps to ensure that:

- an effective procedure exists for prompt and appropriate response to the audit observations;
- action is taken against officials/officers failing to take effective steps to get the audit observations settled at the earliest after getting Government revenue recovered or other action as per law; and
- action is taken to recover loss/outstanding demands in a time bound manner.

1.14 Departmental audit committee meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, departmental audit committees were constituted by the Government in September 1985. These committees are chaired by the Administrative Secretary of the department concerned and attended among others by the officers concerned of the State Government and of the office of the Accountant General (Audit) Haryana.

The meetings are required to be held quarterly for reviewing and monitoring the progress of settlement of audit observations. During the year 2007-08, only 108 drawing and disbursing officers (DDOs) of eight departments out of 712 DDOs from 23 departments dealing with various major heads of tax and non-tax revenue convened meetings of the audit committee. Thus, most of the Government departments did not take any initiative for expeditious settlement of the outstanding audit observations through this meeting. The Government should ensure periodical meetings of the committees for effective progress.

1.15 Response of the departments to draft audit paragraphs

The Finance Department had issued directions to all the departments on 5 January 1982 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs are forwarded by the Accountant General to the Secretaries of the departments concerned through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the

departments is invariably indicated at the end of each paragraph included in the Audit Report.

Thirty two draft paragraphs (clubbed in 28 paragraphs) and three reviews included in the Report of the Comptroller and Auditor General of India for the year ended March 2008 were forwarded to the Secretaries of the departments concerned during January to July 2008 through demi-official letters. However, reply was received only in two cases.

1.16 Follow up on Audit Reports - summarised position

According to the instructions issued by the Finance Department in October 1995 and reiterated in July 2001, the administrative departments were to initiate suo moto positive and concrete action on all paragraphs and reviews featuring in the Report of the Comptroller and Auditor General of India (Revenue Receipts) regardless of whether the cases were taken up for examination by the Public Accounts Committee (PAC) or not. They were also to furnish detailed notes, duly vetted by Audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the Legislature.

The position of paragraphs which have appeared in the Audit Reports and those pending discussion as on 30 June 2008 is mentioned in Annexure I. 126 paragraphs pertaining to the period 2002-03 to 2006-07 were pending for discussion by the PAC. The Administrative Departments had failed to submit action taken notes (ATNs) in respect of 53 (out of 126) paragraphs within three months from the date of presentation¹¹ of the Audit Reports to the Legislature.

Further the response of the Administrative Departments towards the recommendations of the PAC was not encouraging as 515 recommendations pertaining to the period 1977-78 to 2001-02 were still pending for want of final action by the concerned departments (Annexure II).

1.17 Compliance with the earlier Audit Reports

During the years between 2002-03 and 2006-07, the department/Government accepted audit observations involving revenue of Rs. 1,040.48 crore out of which an amount of Rs. 31.39 crore was recovered till 31 March 2008 as mentioned below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2002-03	340.66	253.63	12.95
2003-04	315.26	95.19	4.33
2004-05	367.24	362.94	1.91

¹¹ 2002-03: February 2004; 2003-04: March 2005; 2004-05: December 2005; 2005-06: March 2007, and 2006-07: March 2008.

Year of Audit Report	Total money value	Accepted money value	Recovery made
2005-06	200.60	98.17	6.11
2006-07	407.54	230.55	6.09
Total	1,631.30	1,040.48	31.39

The recovery in respect of the accepted cases was very low (three *per cent* of the accepted money value). The Government may advise the concerned departments to take necessary steps for speedy recovery.