INDIAN AUDIT AND ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT), HIMACHAL PRADESH, SHIMLA-171003

PRESS RELEASE

on

THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE PERIOD ENDED MARCH 2023- GOVERNMENT OF HIMACHAL PRADESH

(COMPOSITE AUDIT REPORT)

This Report of the Comptroller and Auditor General of India on Compliance Audit of the Departments of Finance, State Taxes & Excise and review of Financial Performance of State Public Sector Enterprises (SPSEs) for the period ended March 2023 - Government of Himachal Pradesh [Report No. 1 of 2026 (COMPOSITE AUDIT REPORT)] has been prepared in accordance with the provisions of Article 151 of the Constitution of India. The Report was forwarded to the Government of Himachal Pradesh on 24.03.2026. The Report has been laid on the table of the Himachal Pradesh Vidhan Sabha on 03.09.2026.

This Report covers matters arising out of the Compliance Audit of the Departments of Finance and State Taxes & Excise. The Report contains one Information Technology (IT) audit, one Performance Audit, one Subject Specific Compliance Audit and Financial Performance of State Public Sector Enterprises (SPSEs).

Key findings:

Departments of Finance

Information Technology Audit of E Procurement in Himachal Pradesh

The Information Technology Audit of the e-Procurement system in Himachal Pradesh was conducted to evaluate the effectiveness, transparency, and accountability of the digital tendering processes implemented across Government Departments. Initiated in 2011 as a pilot under the National e-Governance Plan (NeGP), the e-Procurement system aimed to streamline procurement through internet-based technologies and ensure fair competition. Although a State Government notification (June 2018) mandated all Departments and Government Bodies to use the e-Procurement portal for tenders above ₹ five lakh, the audit revealed critical gaps in implementation and system usage.

The audit covered the period from April 2018 to March 2023 and analysed the data in respect of 77,152 tenders across 83 procuring entities. Using a combination of data analytics, application control reviews, and scrutiny of manual and online records, the Audit identified significant deficiencies. Stratified random sampling was employed to select three districts, nine Departments, 51 units, and 783 tenders for detailed examination.

Incomplete implementation: Audit had highlighted the non-implementation of various modules of the e-Procurement system in Audit Report – Social, General and Economic Sectors (Non-

PSUs) for the year ended 31 March 2017. At that time, only one module – e-Tendering was functioning. However, even after seven years, the e-Procurement system was limited to partial implementation of three more modules (vendor management, e-Auction and e-Payment), while three modules, such as indent management, catalogue management, and contract management were not implemented (September 2024).

The absence of a formal Service Level Agreement (SLA) with National Informatics Centre (NIC) and irregular meetings of the Core Committee impeded monitoring and effective roll-out.

Sub-optimal utilisation: The system's full potential remains untapped, as 16 out of 100 procuring entities, such as Dr. Rajendra Prasad Government Medical College Tanda, Directorate of Youth Services and Sports, Himachal Pradesh Vidhan Sabha, Himachal Pradesh Institute of Public Administration, *etc.* did not use the e-Procurement portal since inception and 15 others published fewer than ten contracts as of March 2023. Further, several key entries were manually entered by department users rather than being automatically captured by the e-Procurement system, leading to inconsistencies between the system's data and the actual transactions.

Systemic deficiencies: The platform lacked critical functionalities required under the Himachal Pradesh Financial Rules (HPFR) and department-specific timelines, such as mapping of prescribed timelines for bids submission, enforcement of the minimum number of bids, and the capturing of rate contract details. This led to poor lifecycle tracking of tenders, procedural delays, and non-compliance with bid processing timelines. Data integrity and control issues: Inadequate input controls allowed erroneous entries, such as incomplete bidder details, decryption failures, and inconsistent tender stage updates, compromising audit trails and data reliability. Further, legal sanctity of Digital Signature Certificate (DSCs) and legitimacy of bids was not ensured due to improper mapping of the DSC with the user ID and name.

Lack of automated red flags: Crucially, the system did not incorporate real-time alerts for anomalies, procedural violations, or suspicious patterns. This allowed serious lapses to go undetected.

The objectives of training and support through the Project Management Unit were only partially met. The training was limited to the initial phase in December 2011, where 81 bidders and 220 department officials were trained. No records were available for training activities during 2018–2023.

Indicators of collusion and bid rigging: Audit analytics flagged potential indicators of anti-competitive practices, including:

- Multiple bids from identical or Departmental IP addresses within short intervals.
- Marginal bid variation suggesting rotational cartel behaviour.
- Award of tenders at inflated rates and to non-L1 bidders.
- Instances of tender splitting to avoid threshold-based scrutiny.

These red flags were neither detected nor acted upon by the system, underscoring the need for integrated fraud detection tools.

It is recommended that the Government may:

- Enhance the system to fully support compliance with HPFR and Department-specific procurement timelines, including auto-tracking and alerts for delays.
- Strengthen input controls to prevent incorrect or incomplete data entries and ensure data consistency and integrity across modules.
- Develop algorithms to flag potential collusion and suspicious bidding patterns such as use of identical IPs, bid timing overlaps, price collusion, repetitive award patterns, or unusual bidding behavior.

Department of State Taxes and Excise

Performance Audit On E-Way Bill System

The Himachal Pradesh State Taxes & Excise Department has 16 units in the State to examine the taxpayer's compliance, scrutiny process and subsequent preventive action taken on E-Way Bill (EWB) raised by the consignor/consignee/transporter. A sample of 127 EWBs of 52 taxpayers in nine units for assessing the effectiveness of EWB mechanism in protecting revenue interest of the Government and 200 cases for enforcement/preventive activities of the Department for the period from April 2018 to March 2022 were selected for audit.

During the Performance Audit of EWB System under GST for the State of Himachal Pradesh, Audit observed certain deficiencies in the EWB system.

It was observed that the EWB system could not distinguish between inter-state and intra-state movement of goods by composition taxpayers and permitted generation of EWBs in both cases. There were instances where EWBs were generated but taxpayers filed nil GSTR-1 for the respective return periods and did not discharge their tax liability. It was further noticed that EWBs were generated by non-filer taxpayers whose registrations were cancelled without settling the tax liability.

Audit observed that EWB portal permitted generation of multiple EWB on same invoice. In many cases, it was observed that although the taxpayer had filed GST returns regularly but there was short-payment or non-payment of tax liabilities, resulting in loss of ₹4.43 crore to the Government exchequer.

A test-check of 120 EWBs of 45 taxpayers indicated that nine taxpayers across four units had availed Input Tax Credit (ITC) of ₹335.26 crore against the inward supplies, whereas the ITC actually available to them as per GSTR-2A was only ₹314.92 crore. This resulted in excess availment of ITC amounting to ₹20.34 crore and consequent loss of revenue to the Government exchequer.

During the evaluation of the enforcement/ preventive activities viz., operational preparedness, effectiveness of anti-evasion measures and intra-department and inter-department coordination, it was observed that the Department had not established a dedicated formation for EWB verification which may have improved the efficiency of preventive functions.

It was further observed that the absence of patrol vehicles for EWB verification in the Department may have impacted operational efficiency and resulted in limited mobility and making on-site verifications challenging. In case of some units, the Department did not have specific targets for conducting verification of EWBs.

Preventive units were not using the analytical reports designed by NIC for planning the vehicle's interception. These Reports were not shared with the jurisdictional officers for using them in scrutiny of returns.

It is recommended that the Government may incorporate validation control in EWB system to:

- Alert the taxpayer as well as Departmental officer when a taxpayer under Composition Levy Scheme generates EWB for inter-state supply.
- Alert the taxpayer and Departmental officer on generation of multiple EWBs with same invoice/similar invoice.

Department of State Taxes and Excise

Subject Specific Compliance Audit on Department's Oversight on GST Payments and Returns Filing for the year 2018-19 to 2020-21

The Subject Specific Compliance Audit (SSCA) on Departmental Oversight on Goods and Service Tax (GST) Payments and Return Filing was undertaken, in the context of varying trends of return filing and continued data inconsistencies, with an objective of assessing the adequacy of the system in monitoring return filing and tax payments, extent of compliance and other Departmental oversight functions.

This SSCA was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for the period between April 2018 and March 2021. The SSCA entailed assessing the oversight functions of State jurisdictional formation at two levels – at the data level through global data queries and at the functional level with a deeper detailed audit of the Circles and of the GST returns. The audit sample selected 348 taxpayers for limited audit and 50 taxpayers for detailed audit of GST returns for the period 2018-21.

The Department issued Standard Operating Procedure (SOP) in May 2023 for scrutiny of returns. The Department was only pursuing GST returns related inconsistencies identified by Economic Intelligence Unit (EIU). A review of the 10 Circles for the period from April 2020 to March 2021 disclosed that documentation of essential oversight functions of Circles such as monitoring of return filing, taxpayer compliance was poor and not amenable to evaluation. As such, the functions of the Circles were neither fully digitised nor carried out in an organised manner.

Audit noticed significant delays and deficiencies in the recovery of dues assessed under GST. In 256 cases across ten Circles, demand orders in Form DRC-07 for recovery of ₹49.56 crore were issued during 2020-21. However, despite the lapse of more than three years, the required follow-up action for recovery was not effectively pursued by the department. This is evident from the fact that only a sum of ₹2.09 crore had been recovered in 75 cases.

Analysis of MIS data on taxpayers who accepted TDS credit but filed nil GSTR-3B returns, showed that during 2020-21, 323 taxpayers across 10 Circles accepted TDS of ₹2.43 crore through 569 returns, though they reported nil taxable turnover in GSTR-3B. This indicates a probable suppression of ₹121.33 crore of taxable turnover, involving an estimated GST liability of ₹21.84 crore (at 18 *per cent*).

The Department responded to 420 out of 627 deviations of high value data inconsistencies identified by Audit. Of these, 272 cases constituting 64.76 *per cent*, turned out to be compliance deficiencies with mismatches (including turnover) amounting to ₹590.86 crore. A relatively higher rate of deficiencies was noticed in short/non-payment of interest, Input Tax Credit (ITC) mismatch, excess Reverse Charge Mechanism (RCM) ITC availed and incorrect turnover declarations. Out of the 420 cases, the Department has recovered ₹3.72 crore in 16 cases and raised a demand of ₹69.57 crore in 50 cases. Additionally, notices amounting to ₹318.79 crore have been issued in 66 cases, and correspondence was ongoing with taxpayers in 140 cases involving ₹198.78 crore. The Department has not responded to 207 cases of deviations, which has an identified risk exposure of ₹569.67 crore.

Detailed audit of GST returns also suggested significant non-compliance. At the outset, essential records such as financial statements and invoices were not produced in 29 cases out of a sample of 50 taxpayers and in another 21 cases, partial records were produced, which constituted a significant scope limitation. Out of the 50 cases that were audited either fully or partially due to non/ partial production of records, Audit observed 19 compliance deficiencies with a revenue implication of ₹690.28 crore. The main causative factors were availing of ineligible and irregular ITC, exclusion of supplies for taxation and incorrect discharge of tax under RCM.

It is recommended that the Department may:

- Establish a monitoring mechanism for prompt follow up of notices issued for non-filing and late filing of GST returns and maintaining proper records for compliance.
- Monitor and enforce filing of Form ITC-03 by taxpayers by opting for the Composition Scheme. Circles must be sensitised to identify such cases and ensuring reversal of ITC within 180 days as mandated.

Financial Performance of State Public Sector Enterprises (SPSEs)

As on 31 March 2023, there were 30 SPSEs (two Statutory Corporations, 24 Government Companies (including three inactive Government Companies) and four Government Controlled Other Companies) in the State. The contribution of SPSEs to the GSDP of Himachal Pradesh shows a declining trend from 2020-21 to 2022-23 and reduced marginally from 5.47 *per cent* in 2021-22 to 5.45 *per cent* in 2022-23. Thirteen SPSEs reported profit as per their latest financial statements in 2022-23 against 10 SPSEs in 2021-22. The profit decreased from ₹21.47 crore in 2021-22 to ₹20.21 crore in 2022-23. The top three SPSEs which contributed maximum profit included Himachal Pradesh State Industrial Development Corporation Limited, Himachal Pradesh General Industries Corporation Limited and Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited. Out of 13 SPSEs which earned profit during 2022-23, only one SPSE (Himachal Pradesh General Industries Corporation Limited) declared dividend of ₹ 0.36 crore. Four SPSEs were not required to declare dividend and eight SPSEs which earned aggregate profit of ₹14.88 crore had not declared/paid dividend.

The losses incurred by the SPSEs increased to ₹604.94 crore in 2022-23 (eight SPSEs) as per their latest finalised accounts from ₹498.55 crore in 2021-22 (12 SPSEs) due to loss-incurring power sector SPSEs (Himachal Pradesh Power Corporation Limited, Himachal Pradesh Power Transmission Corporation Limited and Himachal Pradesh State Electricity Board Limited) and Himachal Road Transport Corporation. As of 31 March 2023, 14 SPSEs had accumulated losses amounting to ₹4,985.18 crore. Of these, the net worth of nine SPSEs had been fully eroded, resulting in negative net worth.

As of 30 September 2023, accounts for the year 2022-23 were due from 27 Government Companies. However, none of the Government Companies submitted their accounts for the year 2022-23 for audit by CAG by 30 September 2023. Seventy-three accounts of 27 Government Companies were in arrears. As on 30 September 2023, two accounts of two Statutory Corporations were pending.

The certified accounts of the selected SPSEs along with the report of the Statutory Auditors are reviewed by C&AG by carrying out a supplementary audit. As a result of the Supplementary Audit conducted in 19 SPSEs during October 2022 and 30 September 2023, a number of quantitative as well as qualitative changes were made by the SPSEs in their financial statements which led to an improvement in the quality of their financial statements. The net financial impact as a result of the Supplementary Audit was to the tune of ₹150.76 crore on the profitability and ₹294.74 crore on the assets/liabilities.

Out of 30 SPSEs, 12 SPSEs are registered as public. Of these, eight SPSEs were required to appoint Independent Directors. Only three SPSEs appointed required number of Independent Directors, while the remaining five did not appoint Independent Directors. Only three SPSEs (out of 25) had conducted the required minimum number of Board of Director's meetings during 2020-23. Out of 24 SPSEs which were required to conduct Annual General Meeting (AGM), three SPSEs did not conduct any AGM during 2020-23. Out of 12 Public SPSEs, seven SPSEs were required to constitute an Audit Committee, however, only three SPSEs constituted Audit Committee. Of these three SPSEs, the criteria of two-third Independent Directors in the Audit Committee was not met by Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh State Electricity Board Limited.

Out of 12 Public SPSEs, seven SPSEs were required to constitute a Nomination and Remuneration Committee as per the criteria specified in Act/Rules. However, only one SPSE (Himachal Pradesh State Electricity Board Limited) constituted this committee. Out of the 25 SPSEs, only four SPSEs established a whistle blower mechanism as required by the Companies Act, 2013.

All the five SPSEs, which were required to constitute Corporate Social Responsibility (CSR) committee, had constituted CSR Committees and framed CSR policies. However, Himachal Pradesh Power Corporation Limited did not specify the monitoring mechanism in its CSR policy. All the three SPSEs (other than power sector) had not disclosed their CSR Policy, CSR Committee composition and approved CSR projects on their official website, as required by the Companies Act, 2013. Further, these State PSEs did not prepare any annual CSR plan and budget for CSR activities.