

CHAPTER-I
GENERAL

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 2013-14, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-Aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table 1.1**:

Table 1.1
Trend of revenue receipts

| ₹ in crore | | | | | | |
|------------|---|------------------|------------------|------------------|------------------|-----------------------|
| Sr. No. | Particulars | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| 1. | Revenue raised by the State Government | | | | | |
| | • Tax revenue | 2,574.52 | 3,642.38 | 4,107.92 | 4,626.17 | 5,120.91 |
| | • Non-tax revenue | 1,783.66 | 1,695.31 | 1,915.20 | 1,376.88 | 1,784.53 |
| | Total | 4,358.18 | 5,337.69 | 6,023.12 | 6,003.05 | 6,905.44 |
| 2. | Receipts from the Government of India | | | | | |
| | • Share of net proceeds of divisible Union taxes and duties | 861.63 | 1,715.35 | 1,998.37 | 2,282.02 | 2,491.53 ¹ |
| | • Grants-in-Aid | 5,126.55 | 5,657.57 | 6,521.37 | 7,313.07 | 6,314.11 |
| | Total | 5,988.18 | 7,372.92 | 8,519.74 | 9,595.09 | 8,805.64 |
| 3. | Total revenue receipts of the State Government (1 and 2) | 10,346.36 | 12,710.61 | 14,542.86 | 15,598.14 | 15,711.08 |
| 4. | Percentage of 1 to 3 | 42 | 42 | 41 | 38 | 44 |

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹6,905.44 crore) was 44 *per cent* of the total revenue receipts. The balance 56 *per cent* of the receipts during 2013-14 was from the Government of India.

1.1.2 The details of the tax revenue raised during the period 2009-10 to 2013-14 are given in **Table 1.2**:

¹ For details, please see Statement No. 11-'Detailed statement of revenue and capital receipt by minor heads' in the Finance Accounts of the Government of Himachal Pradesh for the year 2013-14. Figures under the Major Receipts 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 State booked 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.

Table 1.2
Details of Tax Revenue raised

| Sr. No. | Head of revenue | ₹ in crore | | | | | | | | | | Percentage of increase (+) or decrease (-) in 2013-14 | |
|---------|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---|---------------------|
| | | 2009-10 | | 2010-11 | | 2011-12 | | 2012-13 | | 2013-14 | | Actual over BE | Actual over 2012-13 |
| | | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual | | |
| 1. | Taxes on sales, trade etc. | 1,604.17 | 1,487.40 | 1,741.18 | 2,101.10 | 2,444.27 | 2,476.78 | 3,161.57 | 2,728.22 | 3,232.90 | 3,141.10 | (-) 3 | 15 |
| 2. | State excise | 480.07 | 500.26 | 549.46 | 561.53 | 709.74 | 707.36 | 800.14 | 809.87 | 949.46 | 951.96 | 0.26 | 18 |
| 3. | Motor Vehicles Tax | 156.98 | 133.97 | 134.64 | 163.02 | 173.08 | 176.03 | 215.39 | 196.13 | 246.88 | 207.81 | (-)16 | 6 |
| 4. | Stamp duty | 109.73 | 113.39 | 115.78 | 132.69 | 142.76 | 155.09 | 159.05 | 172.61 | 201.22 | 187.50 | (-) 7 | 9 |
| 5. | Taxes and duties on electricity | 103.86 | 39.08 | 114.26 | 301.59 | 190.00 | 185.47 | 217.03 | 262.63 | 248.77 | 191.36 | (-) 23 | (-) 27 |
| 6. | Land revenue | 1.94 | 14.54 | 2.02 | 4.78 | 1.90 | 17.86 | 4.01 | 23.60 | 4.00 | 9.98 | 149 | (-) 58 |
| 7. | Others | 242.97 | 285.88 | 298.19 | 377.67 | 378.08 | 389.33 | 500.23 | 433.11 | 489.76 | 431.20 | (-) 12 | (-) 0.4 |
| | Total | 2,699.72 | 2,574.52 | 2,955.53 | 3,642.38 | 4,039.83 | 4,107.92 | 5,057.42 | 4,626.17 | 5,372.99 | 5,120.91 | (-) 5 | 11 |

The respective Departments reported the following reasons for variation:

Stamp Duty: The increase was due to collection of receipts of registration fee on account of registration of more documents during the year.

Taxes and duties on electricity: The decrease was due to non-deposit of full amount of electricity duty alongwith arrears of previous years by the HPSEB.

Land Revenue: The increase in actual over budget estimates of 2013-14 was due to receipts of registration fees for registration of more documents. The reasons for decrease in actual of 2013-14 over previous year were not furnished.

The other Departments despite being requested (August 2014) did not furnish the reasons for variations in receipts from that of the previous year (December 2014).

1.1.3 The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table 1.3:**

Table 1.3
Details of Non-tax revenue raised

| ₹ in crore | | | | | | | | | | | | | |
|--------------|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---|---------------------|
| Sr. No. | Head of revenue | 2009-10 | | 2010-11 | | 2011-12 | | 2012-13 | | 2013-14 | | Percentage of increase (+) or decrease (-) in 2013-14 | |
| | | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual | Actual over BE | Actual over 2012-13 |
| 1. | Power | 1,105.00 | 1,214.80 | 1,250.00 | 1,093.21 | 1,400.00 | 1,145.70 | 1,243.00 | 637.15 | 1,470.25 | 696.29 | (-) 53 | 9 |
| 2. | Interest receipts | 105.27 | 76.93 | 45.12 | 69.95 | 48.41 | 115.09 | 125.56 | 69.90 | 176.14 | 118.61 | (-) 33 | 70 |
| 3. | Non ferrous, mining and metallurgical industries | 71.33 | 85.09 | 85.00 | 113.84 | 110.50 | 120.12 | 137.94 | 147.90 | 151.10 | 111.08 | (-) 26 | (-) 25 |
| 4. | Forestry and wild life | 67.16 | 72.11 | 71.77 | 65.44 | 84.78 | 106.54 | 75.31 | 63.90 | 86.45 | 357.83 | 314 | 460 |
| 5. | Public works | 21.22 | 30.81 | 23.40 | 34.66 | 30.14 | 41.63 | 38.89 | 39.72 | 42.59 | 34.75 | (-) 18 | (-) 13 |
| 6. | Other administrative services | 20.15 | 17.28 | 17.26 | 31.00 | 17.92 | 26.23 | 33.39 | 45.71 | 35.09 | 25.95 | (-) 26 | (-) 43 |
| 7. | Police | 14.05 | 11.57 | 17.08 | 19.10 | 18.42 | 15.39 | 21.03 | 20.63 | 29.57 | 34.65 | 17 | 68 |
| 8. | Medical and public health | 8.00 | 5.81 | 8.57 | 8.40 | 6.90 | 8.66 | 7.13 | 11.21 | 8.59 | 5.04 | (-) 41 | (-) 55 |
| 9. | Co-operation | 4.28 | 3.35 | 4.31 | 9.59 | 3.23 | 2.30 | 3.46 | 3.24 | 4.48 | 15.30 | 242 | 372 |
| 10. | Miscellaneous general services | 41.24 | 1.05 | 0.84 | 2.06 | 0.82 | 40.01 | 1.87 | 8.94 | 1.99 | 5.65 | 184 | (-) 37 |
| 11. | Major and medium irrigation | 0.32 | 0.14 | 0.42 | 6.84 | 0.46 | 0.36 | 0.81 | 0.33 | 0.81 | 0.37 | (-) 54 | 12 |
| 12. | Other Non-tax receipts | 156.57 | 264.72 | 254.39 | 241.22 | 272.92 | 293.17 | 314.21 | 328.25 | 385.58 | 379.01 | (-) 17 | 15 |
| Total | | 1,614.59 | 1,783.66 | 1,778.16 | 1,695.31 | 1,994.50 | 1,915.20 | 2,002.60 | 1,376.88 | 2,392.64 | 1,784.53 | (-) 25 | 30 |

Source: Finance accounts of respective years

The respective Departments reported the following reasons for variation:

Forestry and Wild Life: The increase was due to more receipts from the sale of timber and other forest produce to the consumers and other departments/ organisations, besides reimbursement of CAMPA fund from the Government of India.

Public works: The decrease was due to less receipt from the sale of tender forms, empty bags of cement and contractor's registration fee. Besides, less receipt of Departmental charges for construction of residential and non-residential buildings under deposit works.

Further audit test checked security/ deposits registers of five B&R divisions² between February 2014 and March 2014 and found that an amount of ₹94.51 lakh³ for 922 items deducted from the contractors bills on account of deposits during 2002-03 to 2009-10, was not credited to the Government account as required. Thus, ₹94.51 lakh remained out of the revenue account, which also resulted in understatement of revenue to that extent.

On this being pointed out between February 2014 and March 2014, the Executive Engineer, B&R division, Mandi while confirming the facts, intimated

² Bangana, Jogindernagar, Kangra, Mandi and Una

³ 2008-09: 594 items: ₹71.59 lakh and 2009-10: 328 items: ₹22.92 lakh

(September 2014) that out of ₹66.58 lakh an amount of ₹11.61 lakh for 109 items had been adjusted. The remaining B&R divisions stated that as and when the contractors bills were finalised, necessary action would be taken to credit the lapsed deposit in revenue account.

Irrigation and Public Health Department: Audit test checked security/deposits registers of three Irrigation and Public Health divisions (Barsar, Hamirpur and Indora) between February 2014 and March 2014 and found that an amount of ₹106.91 lakh (2008-09: 1,360 items: ₹68.62 lakh and 2009-10: 480 items: ₹38.29 lakh) for 1,840 items deducted from the contractors bills on account of deposits during 2001-02 to 2009-10, was not credited to the Government account as required. Thus, ₹106.91 lakh remained out of the revenue account, which also resulted in understatement of revenue to that extent.

After this was pointed out, the concerned Executive Engineers of the divisions while confirming the facts stated that as and when the contractors bills were finalised, necessary action would be taken to credit the lapsed deposit in revenue account. The replies were not acceptable because there is no such provision in the rules *ibid*.

Police: The increase was due to payment of arrear by Bhakra Beas Management Board (BBMB), Railway and other authorities for supply of police guards. Besides, receipts of permit fee on account of passes issued under Instrumental Act for restricted road in Shimla district by districts authorities.

Medical and public health: The decrease was due to less receipt of recovery of overpayment, income from sale proceeds from dead stock.

The Co-operation and other Departments despite being requested (August 2014) did not intimate the reasons for variation in receipts from that of the previous year and budget estimates (December 2014).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 on some principal heads of revenue amounted to ₹644.03 crore of which ₹113.23 crore was outstanding for more than five years, as detailed in the **Table-1.4:**

Table 1.4
Arrears of revenue

| ₹ in crore | | | | |
|--------------|--|--|--|--|
| Sr. No. | Head of revenue | Total Amount outstanding as on 31 March 2014 | Amount outstanding for more than 5 years as on 31 March 2014 | Replies of Departments |
| 1. | Taxes on Sales, Trade etc. | 314.22 | 80.90 | Arrears are accumulated from the year 1968-69. Demands for ₹76.53 crore had been certified as arrears of land revenue, ₹7.78 crore proposed to be written off, remaining ₹1.86 crore were recoverable from the Government departments/ undertakings, recoveries amounting to ₹26.48 crore were stayed by the High Court/ other judicial authorities and ₹201.57 crore recoverable from the dealers. |
| 2. | Water supply, Sanitation and Minor Irrigation | 198.79 | NA | Out of total arrears of ₹198.79 crore for supply of water, ₹191.53 crore pertained to municipal corporation/ committees and notified area committees, ₹5.36 crore and ₹0.68 crore to non-government bodies and government departments respectively, ₹1.17 crore to housing and ₹0.05 crore to minor irrigation. |
| 3. | Forestry and Wild Life | 60.89 | NA | Most of the cases pertaining to contractors (₹3.33 crore) had been referred to the Collectors concerned for recovery under arrear of land revenue and the remaining were under trial in the Court of law. Efforts to recover the balance amount of ₹57.28 crore and ₹0.28 crore from the HPSFDC Ltd. and other Government Departments respectively were being made. |
| 4. | Other Taxes and Duties on Commodities and Services | 22.05 | 13.24 | Arrears were accumulated from the year 1989-90. Demands for ₹4.59 crore had been certified for recovery as arrears of land revenue, ₹38,350 proposed for write off, ₹0.14 crore stayed by the High Court/ others judicial authorities and ₹17.32 crore recoverable from different hoteliers. |
| 5. | Police | 17.10 | 5.65 | Arrears are accumulated from the year 1990-91 and onward. Out of total outstanding amount ₹0.30 crore related to Jai Prakash Associates, ₹0.15 crore related to Airport Authority, Bhuntar, ₹0.10 crore related to CCI Rajban and Yamuna Hydel Project, ₹0.54 crore related to Jay Pee Cement Plant Ltd., ₹7.44 crore related to BBMB and remaining amount ₹8.57 crore related to Others department/ institutions. |
| 6. | State Excise | 15.53 | 5.79 | Arrears were accumulated from the year 1972-73. Demands for ₹5.54 crore had been certified for recovery as arrears of land revenue, ₹0.12 crore were stayed by the High Court/ other judicial authorities, ₹0.03 crore were proposed to be written off and ₹9.84 crore was recoverable from the bidders / licensees. |
| 7. | Taxes on Goods and Passengers | 8.58 | 5.78 | Demands for ₹2.88 crore had been certified for recovery as arrears of land revenue, ₹6.55 lakh were proposed to be written off, remaining arrear of ₹81,824/ recoverable from Government/ Departments/ undertakings, ₹7.79 lakh were stayed by the High Court/ others judicial authorities and ₹5.55 crore recoverable from the owners of different vehicles. |
| 8. | Village and Small Industries | 5.64 | 1.05 | Arrears pertain to premium of plots (Industrial areas) etc. |
| 9. | Non-ferrous, Mining and Metallurgical Industries | 0.76 | 0.49 | Arrears pertain to mining offices and DDO (Headquarter) Geological Wing Directorate of industries on account of recovery of royalty/ drilling charges etc. |
| 10. | Industries | 0.24 | 0.11 | Arrears pertain to rent sheds (Industrial Estate), rent of government accommodation/ Receipt of sale of Mulberry plants etc. |
| 11. | Public Works | 0.23 | 0.22 | Arrears accumulated from the years 1963-64 and onwards. Instruction had been issued to field offices to make all efforts to recover the amount and to get the amount written off where irrecoverable. |
| Total | | 644.03 | 113.23 | |

Source: Figures supplied by the department concerned.

It may be seen from above that arrears of ₹314.90 crore were pending with the departmental authorities and the cases referred for write off (₹7.87 crore) were also not being pursued with quarters concerned.

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for 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 below in **Table 1.5**:

Table 1.5
Arrears in assessments

| Head of revenue | Opening balance | New cases due for assessment during 2013-14 | Total assessments due | Cases disposed of during 2012-13 | Balance at the end of the year | Percentage of disposal (col. 5 to 4) |
|----------------------------|-----------------|---|-----------------------|----------------------------------|--------------------------------|--------------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Taxes on sales, trade etc. | 1,32,428 | 61,841 | 1,94,269 | 54,534 | 1,39,735 | 28 |
| Luxury tax | 2872 | 1,899 | 4,771 | 1,555 | 3,216 | 33 |
| Tax on works contracts | 1913 | 1,723 | 3,636 | 1,671 | 1,965 | 46 |
| Motor spirit tax | 0 | 27 | 27 | 14 | 13 | 52 |

Source: Figures supplied by the department concerned.

Above table shows that the disposal of assessment cases specially in taxes on sales, trade etc. and luxury tax was very slow which was 28 and 33 *per cent* respectively.

1.4 Evasion of tax detected by the department

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 in **Table 1.6**:

Table 1.6
Evasion of Tax

| Sr. No. | Head of revenue | Cases pending as on 31 March 2013 | Cases detected during 2013-14 | Total | Number of cases in which assessment / investigation completed and additional demand with penalty etc. raised | | Number of cases pending for finalization as on 31 March 2014 |
|--------------|--|-----------------------------------|-------------------------------|---------------|--|------------------|--|
| | | | | | Number of cases | Amount of demand | |
| | | | | | ₹ in crore | | |
| 1. | State Excise | 45 | 4,242 | 4,287 | 4,235 | 1.92 | 52 |
| 2. | Taxes on Sales, Trade etc. | 102 | 14,268 | 14,370 | 14,262 | 36.47 | 108 |
| 3. | Passengers and Goods tax | 186 | 5,135 | 5,321 | 5,194 | 1.64 | 127 |
| 4. | Other Taxes and Duties on Commodities and Services | 6 | 2,031 | 2,037 | 2,037 | 2.99 | 0 |
| Total | | 339 | 25,676 | 26,015 | 25,728 | 43.02 | 287 |

Source: Figures supplied by the department concerned.

It would be seen from the above that the number of cases pending at the end of the year has slightly reduced than number of cases pending at the start of the year.

1.5 Refund cases

The refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2013-14 as reported by the Department is given in **Table 1.7**:

Table 1.7
Details of pendency of refund cases

| Sr. No. | Particulars | ₹ in crore | | | |
|---------|---|-----------------|--------|--------------|--------|
| | | Sales tax / VAT | | State Excise | |
| | | No. of cases | Amount | No. of cases | Amount |
| 1. | Claims outstanding at the beginning of the year | 64 | 28.69 | 6 | 0.13 |
| 2. | Claims received during the year | 36 | 10.59 | 52 | 0.81 |
| 3. | Refund made during the year | 43 | 21.75 | 52 | 0.83 |
| 4. | Balance outstanding at the end of year | 57 | 17.53 | 6 | 0.11 |

Source: Figures supplied by the department concerned.

1.6 Response of the Government / departments towards audit

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 within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the Heads of the Department and the Government.

Inspection reports issued up to December 2013 disclosed that 9,050 paragraphs involving ₹1,904.43 crore relating to 3,411 IRs remained outstanding at the end of June 2014 alongwith the corresponding figures for the preceding two years as mentioned in **Table 1.8**:

Table 1.8
Details of pending Inspection Reports

| | June 2012 | June 2013 | June 2014 |
|---|-----------|-----------|-----------|
| Number of IRs pending for settlement | 3,716 | 3,269 | 3,411 |
| Number of outstanding audit observations | 9,763 | 8,526 | 9,050 |
| Amount of revenue involved (₹ in crore) | 995.12 | 1,476.50 | 1,904.43 |

The Department wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in the **Table 1.9**:

Table 1.9

| | | | | | ₹ in crore |
|--------------|------------------------|--|---------------------------|--|----------------------|
| Sl. No. | Name of the Department | Nature of receipts | Number of outstanding IRs | Number of outstanding audit observations | Money value involved |
| 1. | Finance | Taxes on Sales, Trade etc. | 123 | 954 | 256.66 |
| | | Passenger & Goods Tax (PGT) | 211 | 390 | 218.05 |
| | | Other Taxes & Duties on commodities and services (OTD) | 286 | 359 | 14.94 |
| | | Entertainment & luxury tax etc. | 113 | 227 | 1.04 |
| 2. | Excise | State Excise | 64 | 207 | 29.28 |
| 3. | Revenue | Land Revenue | 237 | 413 | 0.86 |
| 4. | Transport | Taxes on motor vehicles | 718 | 2,542 | 199.67 |
| 5. | Stamp and Registration | Stamp and registration fees | 612 | 1,179 | 52.39 |
| 6. | Mines and Geology | Non-ferrous mining and metallurgical industries | 52 | 151 | 10.41 |
| 7. | Forest and environment | Forest Receipts | 588 | 1,738 | 549.86 |
| 8. | Water resources (IPH) | Water charges | 120 | 340 | 394.20 |
| 9. | Public Works (B&R) | Deposit Works | 171 | 350 | 120.12 |
| 10. | Crop husbandry | Horticulture and Agriculture | 82 | 135 | 3.50 |
| 11. | Co-operation | Audit fees and other receipts | 34 | 65 | 53.45 |
| Total | | | 3,411 | 9,050 | 1,904.43 |

Audit did not receive even the first replies from the heads of offices within the stipulated time of four weeks, in respect of 164 IRs issued during 2013-14. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of field offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

The Government may consider having an effective system for prompt and appropriate response to audit observations.

1.6.2 Departmental audit committee meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of the paragraphs included in the IRs. The details of the audit committee meetings held during the year 2013-14 and the paragraphs settled are mentioned in **Table 1.10**:

Table 1.10
Details of Departmental audit committee meetings

| | | | | ₹ in crore |
|--------------|-------------------------|-------------------------|-------------------------|-------------|
| Sr. No. | Head of revenue | Number of meetings held | Number of paras settled | Amount |
| 1. | Revenue Department | 02 | 93 | 0.31 |
| 2. | State Excise Department | 01 | 86 | 0.61 |
| 3. | Transport Department | 01 | 33 | 0.28 |
| Total | | 04 | 212 | 1.20 |

The progress of settlement of paragraphs pertaining to the Transport Department was negligible as compared to the huge pendency of the IRs and paragraphs despite holding Departmental audit committee meetings.

1.6.3 Non-production of records to audit for scrutiny

The programme of local audit of Tax Revenue/ Non-tax Revenue offices is drawn up sufficiently in advance and intimations are issued usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

The Excise and Taxation Department during the year 2013-14, did not make available 36 assessment files, returns, refunds registers and other relevant records involving tax effect of ₹10.31 crore to audit as detailed in **Table 1.11**:

Table 1.11

| Name of office | Name of the circle | Records | Period |
|--------------------------|--------------------|--|--|
| AETC, BBN-Baddi | Circle-I | Seven files containing arrear of ₹5.13 crore | April 2010 to March 2012 |
| | Circle-II | Monthly arrear statements | April 2008 to March 2009 |
| AETC Una | -- | 25 files involving arrear of ₹5.18 crore. These ALR cases were not shown as arrear. Monthly arrear statements | April 2008 to March 2013 |
| DETC (FS) SZ Parwanoo | -- | Demand and collection (Disposal) register | April 2011 to March 2013 |
| DETC (FS) NZ Palampur | -- | PGT-21 Books bearing Sr. No. 0258851-0258900 and 0719701 -750 | Issued in the month of October 2009 and March 2010 |

1.6.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Audit 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 six 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 four draft paragraphs and one Performance audit were sent to the Principal Secretaries/ Secretaries of the respective Departments by name between April and September 2014. The Principal Secretaries/ Secretaries of the Departments did not send replies to five draft paragraphs despite issue of reminders (September 2014) and the same have been included in this Report without the response of the Government. However, the replies of the department have been received and incorporated suitably.

1.6.5 Follow up on the 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 consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were

being delayed inordinately. 148 paragraphs (including performance audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Himachal Pradesh for the years ended 31 March 2009, 2010, 2011 and 2012 were placed before the State Legislature Assembly between 13 April 2010 and 9 April 2013. Action taken explanatory notes from the concerned Departments on these paragraphs were received late with average delay of 10, 14, 13 and nine months of each of these Audit Reports, respectively. Action taken explanatory notes in respect of 10 paragraphs from two departments (Forest and MPP & Power) had not been received for the Audit Report year ended 31 March 2012 so far (December 2014).

The PAC discussed 32 selected paragraphs pertaining to the Audit Reports for the years from 2008-09 to 2010-11. Action taken explanatory notes, however, had not been received in respect of 32 recommendations of the PAC from the Departments concerned as mention in the **Table 1.12**:

Table 1.12

| Year | Name of the Departments | | | | Total |
|--------------|--------------------------------|------------|-----|-----|--------------|
| 2007-08 | IPH | Industries | -- | -- | 2 |
| 2008-09 | Forest | Transport | IPH | PWD | 20 |
| 2009-10 | Forest | -- | -- | -- | 4 |
| 2010-11 | Forest | -- | -- | -- | 6 |
| Total | | | | | 32 |

1.7 Analysis of the mechanism for dealing with the issues raised by Audit

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 performance audits included in the Audit Reports of the last 10 years for one Department (Excise Department in respect of Passenger and Goods Tax) is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the Excise Department in respect of Passenger and Goods Tax under Major Receipt Head "0042- Passenger and Goods Tax" and cases noticed in the course of local audit during the last ten years upto 2013-14 and also the cases included in the Audit Reports for the years 2003-04 to 2012-13.

1.7.1 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 2014 are tabulated in below **Table 1.13**:

Table 1.13
Position of Inspection Reports

| Year | ₹ in crore | | | | | | | | | | | |
|---------|-----------------|-------------|-------------|--------------------------|-------------|-------------|---------------------------|-------------|-------------|---------------------------------|-------------|-------------|
| | Opening Balance | | | Addition during the year | | | Clearance during the year | | | 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 |
| 2004-05 | 208 | 419 | 12.96 | 8 | 34 | 0.91 | 6 | 17 | 1.92 | 210 | 436 | 11.94 |
| 2005-06 | 210 | 436 | 11.94 | 10 | 42 | 0.31 | 12 | 21 | 0.51 | 208 | 457 | 11.74 |
| 2006-07 | 208 | 457 | 11.74 | 12 | 61 | 17.17 | 51 | 207 | 6.06 | 169 | 311 | 22.85 |
| 2007-08 | 169 | 311 | 22.85 | 8 | 34 | 0.61 | 5 | 12 | 0.72 | 172 | 333 | 22.74 |
| 2008-09 | 172 | 333 | 22.74 | 12 | 46 | 1.53 | 2 | 14 | 14.66 | 182 | 365 | 9.61 |
| 2009-10 | 182 | 365 | 9.61 | 12 | 54 | 0.83 | 4 | 8 | 0.92 | 222 | 562 | 9.52 |
| 2010-11 | 222 | 562 | 9.52 | 10 | 24 | 1.46 | 25 | 73 | 3.31 | 207 | 513 | 7.67 |
| 2011-12 | 207 | 513 | 7.67 | 9 | 23 | 2.18 | 8 | 46 | 2.39 | 208 | 490 | 7.46 |
| 2012-13 | 208 | 490 | 7.46 | 9 | 68 | 225.82 | 10 | 34 | 18.99 | 207 | 524 | 214.29 |
| 2013-14 | 207 | 524 | 214.29 | 7 | 60 | 5.80 | 0 | 1 | 0 | 214 | 583 | 220.09 |

The Government arranges ad-hoc Committee meetings between the Department and PAG's office to settle the old paragraphs. As would be evident from the above table, against 208 outstanding IRs with 419 paragraphs as on start of 2004-05, the number of outstanding IRs rose to 214 with 583 paragraphs at the end of 2013-14.

This is indicative of the fact that adequate steps were not taken by the Department resulting in piling up of the outstanding IRs and paragraphs.

1.7.2 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 in **Table 1.14**:

| Year of Audit Report | Number of paragraphs included | Money value of the paragraphs | Number of paragraphs accepted | Money value of accepted paragraphs | Amount recovered during the year 2013-14 | ₹ in lakh |
|----------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------------|--|---|
| | | | | | | Cumulative position of recovery of accepted cases as of 31 March 2014 |
| 2003-04 | 2 | 27.40 | 2 | 14.94 | -- | 5.60 |
| 2004-05 | 1 | 27.32 | 1 | 22.36 | -- | 8.48 |
| 2005-06 | 1 | 28.89 | 1 | 24.36 | -- | 14.38 |
| 2006-07 | 2 | 91.16 | 2 | 80.31 | -- | 52.19 |
| 2007-08 | 2 | 85.83 | 2 | 75.39 | -- | 31.72 |
| 2008-09 | 2 | 94.95 | 2 | 90.04 | 25.02 | 26.07 |
| 2009-10 | 2 | 151.92 | 2 | 133.63 | 8.00 | 36.56 |
| 2010-11 | 2 | 103.53 | 2 | 90.11 | 5.90 | 37.06 |
| 2011-12 | 2 | 108.48 | 2 | 94.88 | 8.98 | 36.17 |
| 2012-13 | 1 | 22,582.00 ² | 1 | 996.00 | 132.31 | 132.31 |
| Total | 17 | 23,301.48 | 17 | 1622.02 | 180.21 | 380.54 |

It is evident from the above table that the progress of recovery even in accepted cases was very slow throughout during the last ten years. The recovery of accepted cases was to be pursued as arrear recoverable from the concerned

² This amount pertain to performance audit on 'Levy and Collection of Passenger and Goods Tax'

parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/ Government. Further, the arrear cases including accepted audit observations were not available with the office of the Commissioner, Excise and Taxation Department. In the absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

1.7.3 Action taken on the recommendations accepted by the Departments/ Government

The draft performance reviews conducted by the PAG/ AG are forwarded to the concerned Department/ Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the Department/ Government's views are included while finalizing the reviews for the Audit Reports.

One performance audit titled "Levy and Collection of Passenger and Goods Tax" on the *Excise and Taxation Department* under Receipt Head-'0042-Passenger and Goods Tax' conducted and featured in the Audit Report for the year 2012-13. The audit had made five recommendations which were accepted and admitted by the department and stated that the efforts were being made for their implementation.

1.8 Internal Audit

The department has an Internal Audit Cell (IAC) under the charge of the Assistant Controller (F&A). This cell was to conduct test check of cases of assessment as per the approved action plan and in accordance with the criteria decided by the Steering Committee to ensure adherence to the provisions of the Act and Rules as well as Departmental instructions issued from time to time.

The position of number of units planned for audit, units audited and number of unit could not audited during the year 2013-14 in Transport and Excise and Taxation Departments is given in the **Table 1.15** below:

Table 1.15

| Name of the Department | Total auditable unit | No. of units planned for audit | No. of units audited | Shortfall |
|-------------------------------|-----------------------------|---------------------------------------|-----------------------------|------------------|
| Excise and Taxation | 13 | 13 | 01 | 12 |
| Transport Department | 70 | 15 | 10 | 05 |

It is evident from the above that out of total auditable units of 83, IAW had selected only 28 units for audit during the year 2013-14 and out of that only 11 units (39 per cent) were audited.

The reasons for shortfall were attributed due to shortage of staff.

1.9 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 revenue 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 five years etc.

During the year 2013-14, there were 393 auditable units, of which 185 units planned and audited.

Besides, the compliance audit mentioned above, one performance audit on '*Arrears under Sales Tax/ VAT*' was also done to examine the efficacy of the tax administration of these receipts.

1.10 Results of audit

Position of local audit conducted during the year

Test check of the records of 185 units of Sales tax/ Value Added Tax, State Excise, Motor Vehicles, Goods & Passengers, Forest Receipts and Mines and Geology offices conducted during the year 2013-14 showed under assessment/ short levy/ loss of revenue etc. aggregating ₹212.21 crore in 754 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹27.98 crore involved in 620 cases which were pointed out in audit during 2013-14. The Departments collected ₹9.32 crore in 447 cases during 2013-14, pertaining to the audit findings of previous years.

1.11 Coverage of this Report

This Report contains 27 paragraphs and one Performance audit on '*Arrears under Sales Tax/ VAT*', involving financial effect of ₹72.17 crore.

The Departments/ Government have accepted 23 audit observations involving ₹11.75 crore out of which ₹3.50 crore had been recovered in 16 cases. The replies in the remaining cases have not been received (December 2014). These are discussed in succeeding Chapters II to VI.