

Chapter-I

General

CHAPTER-1

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 2019-20, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-Aid received from the Government of India during the year and the corresponding figures for the preceding four years are depicted in **Table 1.1**.

Table 1.1: Trend of revenue receipts

(₹ in crore)						
Sr. No.	Particular	2015-16	2016-17	2017-18	2018-19	2019-20 ¹
1.	Revenue raised by the State Government					
	Tax revenue	6,695.81	7,039.05	7,107.67	7575.61	7,626.78 ²
	Non-tax revenue	1,837.15	1,717.24	2,363.85	2,830.04	2,501.50
	Total	8,532.96	8,756.29	9,471.52	10,405.65	10,128.28
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	3,611.17	4,343.70	4,801.31	5,426.97	4,677.56 ³
	Grants-in-Aid	11,296.35	13,164.35	13,094.23	15,117.66	15,939.52 ⁴
	Total	14,907.52	17,508.05	17,895.54	20,544.63	20,617.08
3.	Total revenue receipts of the State Government (1 and 2)	23,440.48	26,264.34	27,367.06	30,950.28	30,745.36
4.	Percentage of 1 out of 3	36	33	35	34	33

Source: Finance Accounts

During the year 2019-20, the revenue raised by the State Government (₹ 10,128.28 crore) was 33 per cent of the total revenue receipts. The balance 67 per cent of the receipts was from the Government of India as share of net proceeds of divisible union taxes and Grants-in-Aid. The percentage of revenue receipts of the State Government from its own resources to total revenue receipts declined from 36 to 33 per cent during 2015-2020. The overall trends of revenue receipts from 2015-16 to 2019-20 is depicted in **Chart 1.1**.

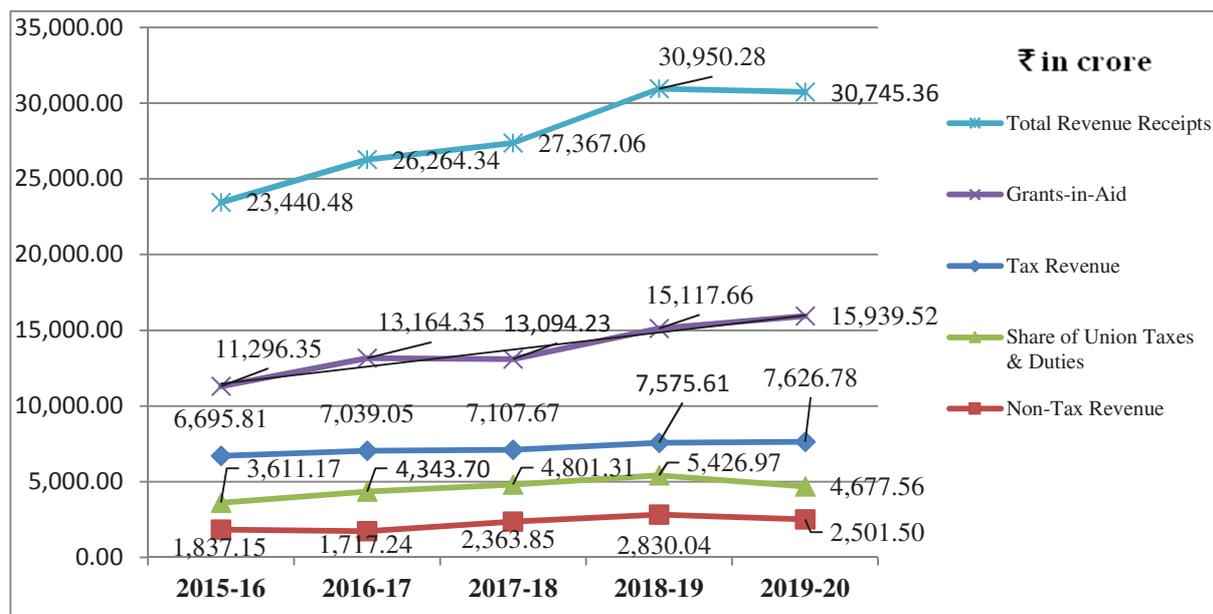
¹ Finance Accounts of the State Government.

² This includes amount of ₹ 3,550.34 crore received under Major Receipt Head '0006-State Goods and Services Tax'.

³ The details are as shown in Appendix 1.1.

⁴ This includes amount of ₹ 1,877.33 crore received from Government of India as compensation of loss due to implementation of Goods and Services Tax. Total compensation receivable was ₹ 2619.10 crore.

Chart 1.1



Source: Finance Accounts

Tax Revenue

1.1.2 The details of the tax revenue raised during the period 2015-16 to 2019-20 are depicted in Table 1.2.

Table 1.2: Details of Tax Revenue Receipts

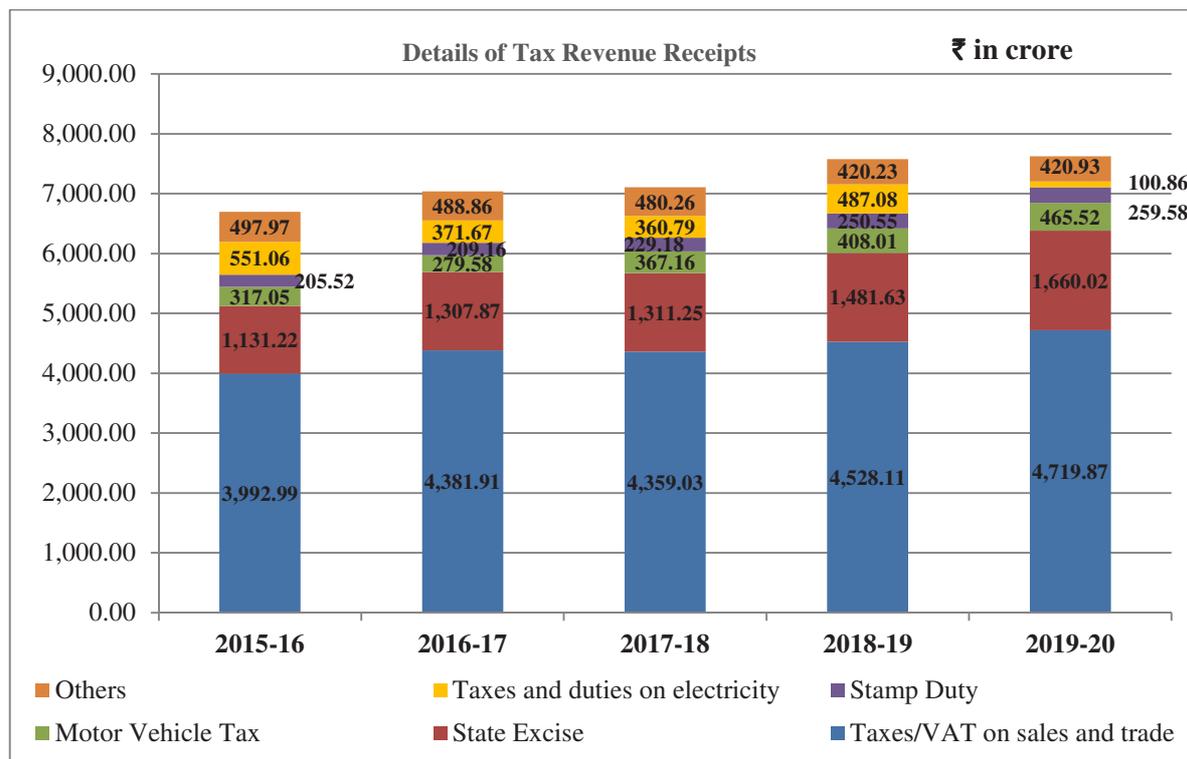
Sr. No.	Major Head of revenue receipts	Tax Revenue Receipts (percentage to total tax revenue receipts)					Percentage of increase (+) or decrease (-) in 2019-20 over actual of 2018-19
		2015-16	2016-17	2017-18	2018-19	2019-20	
1.	VAT on sales and trade	3,992.99 (59.63)	4,381.91 (62.25)	2525.87 (35.53)	1,185.43 (15.64)	1,169.53 (15.33)	(-)
	State Goods and Service Tax			1,833.16 (25.79)	3,342.68 (44.12)	3,550.34 (46.55)	6
2.	State Excise	1,131.22 (16.89)	1,307.87 (18.58)	1,311.25 (18.45)	1,481.63 (19.55)	1,660.02 (21.77)	12
3.	Motor vehicles tax	317.05 (4.74)	279.58 (3.97)	367.16 (5.17)	408.01 (5.39)	465.52 (6.10)	14
4.	Stamp Duty	205.52 (3.07)	209.16 (2.97)	229.18 (3.22)	250.55 (3.31)	259.58 (3.40)	4
5.	Taxes and Duties on electricity	551.06 (8.23)	371.67 (5.28)	360.79 (5.08)	487.08 (6.43)	100.86 (1.32)	(-)
6.	Others	497.97 (7.44)	488.86 (6.94)	480.26 (6.76)	420.23 (5.55)	420.93 ⁵ (5.52)	0
	Total	6,695.81	7,039.05	7,107.67	7,575.61	7,626.78	0.68
	<i>per cent increase over previous year</i>	12.72	5.13	0.97	6.58	0.68	
	<i>Average annual receipt and average growth rate for five years.</i>						7,208.98/ 5.22

Source: Finance Accounts

⁵ Other Receipts-Land Revenue: ₹ 4.79 crore, Taxes on Goods and Passengers: ₹ 104.03 crore and Other Taxes and Duties on Commodities and Services: ₹ 312.10 crore (excluding share of net proceeds of divisible Union taxes and duties)

The year-wise trend of various tax revenues is depicted in **Chart 1.2**.

Chart 1.2



Source: Finance Accounts

The tax revenue increased by ₹ 930.97 crore (13.90 per cent) during the years 2015-16 to 2019-20 with an average rate of growth of 5.22 per cent. The rate of growth for 2019-20 was mere 0.68 per cent mainly due to decline in annual growth rate of Taxes and Duties on electricity which declined by (-) 79.29 per cent during 2019-20 as compared to a rise of 35 per cent during 2018-19. This decline in Taxes and duties on electricity was due to non-payment of electricity duty by Himachal Pradesh State Electricity Board Limited (HPSEBL). The respective Departments reported the following reasons for variations during the year:

- **SGST:** The increase is mainly due to receipt of penalty and interest under GST, and increase in tax collection due to better enforcement of rules and regulations.
- **State Excise:** The increase is mainly due to better monitoring of Licence Fee and Excise Duty, and better enforcement of Excise Policy 2019-20.
- **Motor Vehicle Tax:** The increase in collection is due to rise in sale of vehicles by 3,041 vehicles in 2019-20 as compared to 2018-19.
- **Taxes and duties on electricity:** The decrease in receipt is due to non-payment of electricity duty by Himachal Pradesh State Electricity Board Limited (HPSEBL) owing to poor financial condition of HPSEBL⁶.

⁶ As state government had not paid the roll back subsidy to HPSEBL, HPSEBL was unable to pay electricity duty during 2019 - 20 and later adjusted the amount of ₹ 218.85 crore in the year 2020 - 21 with the roll back subsidy to be paid by State Government.

Non-Tax Revenue

1.1.3 Details of the non-tax revenue raised during the period 2015-16 to 2019-20 are depicted in Table 1.3.

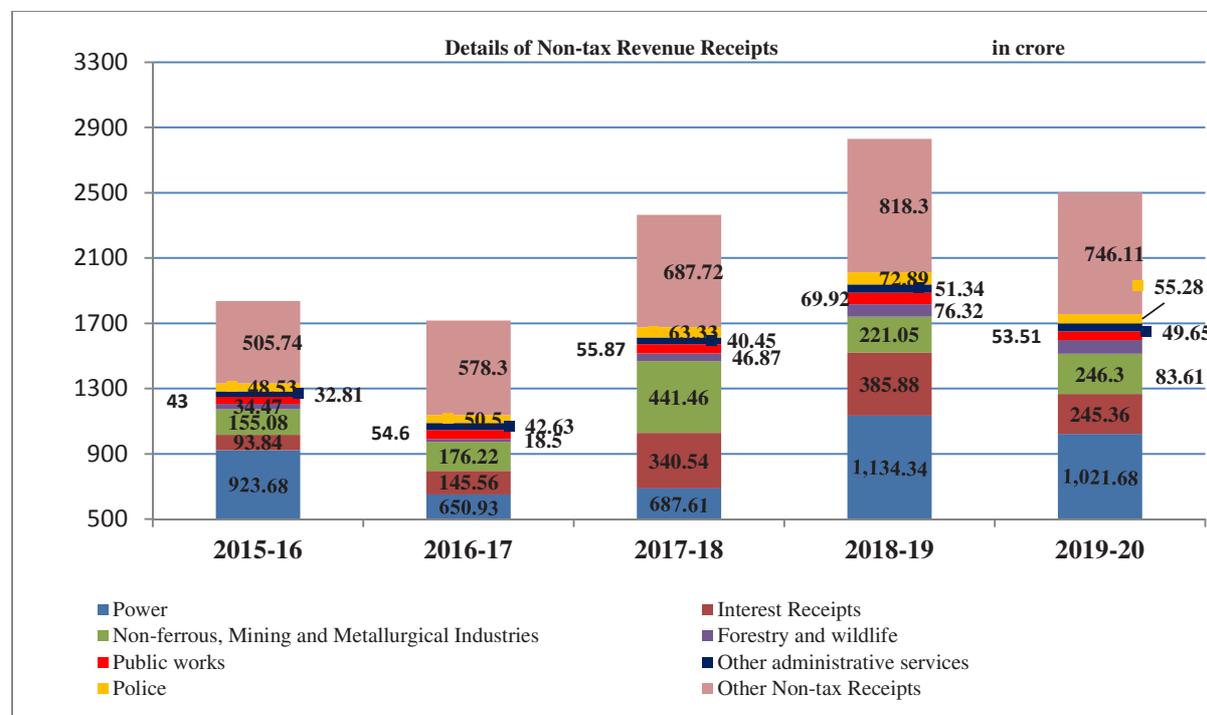
Table 1.3: Non-Tax Revenue raised

Sr. No.	Major Head of revenue receipts	Non-tax Revenue Receipts (percentage to total Non-tax Revenue Receipts)					Percentage of increase (+) or decrease (-) in 2019-20 over actual of 2018-19
		2015-16	2016-17	2017-18	2018-19	2019-20	
1.	Power	923.68 (50.28)	650.93 (37.91)	687.61 (29.09)	1,134.34 (40.08)	1,021.68 (40.84)	(-)9.93
2.	Interest receipts	93.84 (5.11)	145.56 (8.48)	340.54 (14.41)	385.88 (13.64)	245.36 (9.81)	(-)36.42
3.	Non-ferrous, Mining and Metallurgical Industries	155.08 (8.44)	176.22 (10.26)	441.46 (18.68)	221.05 (7.81)	246.30 (9.85)	11.42
4.	Forestry and Wildlife	34.47 (1.88)	18.50 (1.08)	46.87 (1.98)	76.32 (2.70)	83.61 (3.34)	9.55
5.	Public works	43.00 (2.34)	54.60 (3.18)	55.87 (2.36)	69.92 (2.47)	53.51 (2.14)	(-)23.47
6.	Other administrative services	32.81 (1.79)	42.63 (2.48)	40.45 (1.71)	51.34 (1.81)	49.65 (1.98)	(-)3.29
7.	Police	48.53 (2.64)	50.50 (2.94)	63.33 (2.68)	72.89 (2.58)	55.28 (2.21)	(-)24.16
8.	Other Non-tax revenue ⁷	505.74 (27.53)	578.30 (33.68)	687.72 (29.09)	818.30 (28.91)	746.11 (29.83)	(-)8.82
Total		1,837.15	1,717.24	2,363.85	2,830.04	2,501.50	(-)11.61

Source: Finance accounts

The year-wise trend of non-tax revenue during 2015-16 to 2019-20 is depicted in Chart 1.3.

Chart 1.3



Source: Finance Accounts

⁷ The details of Other Non-tax revenue are in Appendix 1.2.

The overall non-tax revenue receipts decreased from ₹ 2,830.04 crore in 2018-19 to ₹ 2,501.50 crore in 2019-20 (11.61 per cent). Power (40.84 per cent), Non-ferrous, Mining and Metallurgical Industries (9.85 per cent) and Interest receipts (9.81 per cent) are the main contributors to non-tax revenue and contribute 60.50 per cent to total non-tax revenue.

The respective Departments reported the following reasons for variations during the year.

- **Forest and Wildlife:** The increase is due to more purchasing of timber/wood by State Forest Corporation & others, realisation of more royalty/money from forest produce, sanction fee and receipt of more money from seized timber/wood.
- **Police:** The decrease was due to less recoveries from Bhakra Beas Management Board for guards, Railway police and other Departments.
- **Public works:** The decrease was due to less collection under Sub-head 800 "Miscellaneous receipts" in 2019-20 as compared to 2018-19. The receipt under the sub-head was decreased from ₹ 30.52 crore in 2018-19 to ₹ 15.49 crore during 2019-20. The reasons for decrease under Misc. Receipts were not provided by the Department.
- **Cooperation:** The decrease from ₹ 24.65 crore in 2018-19 to ₹ 6.84 crore in 2019-20 was due to receipt of less grant from National Cooperative Development Cooperation, New Delhi for implementation of Integrated Cooperative Development projects in the state in 2019-20 as compared to 2018-19.
- **Education, Sports, Art and Culture:** Increase in receipts is mainly due to receipts of reimbursement of expenses from State Project Director, SSA scheme, recovery of overpayment and Miscellaneous receipt. However, the details of overpayment and miscellaneous receipts was not provided by the Department.
- **Medical & Public Health:** The increase is due to receipt from sale of scrap stock and fee from licence and medical examination.

The other Departments did not intimate reasons for variations of actual receipts from the previous year (April 2021).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2020 realizable under some Major Receipt Heads amounted to ₹ 4,843 crore, of which ₹ 2,726.67 crore was outstanding for more than five years as depicted in **Table 1.4**.

Table 1.4: Arrears of revenue

₹ in crore				
Sr. No.	Major Head of revenue receipts	Amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020	Replies of the Departments
1.	Taxes/VAT on Sales and Trade	3,790.19	2,351.48	An arrear amounting to ₹ 274 crore has been recovered during 2019-20 and most of the cases have been declared arrears of land revenue. Due to introduction of
2.	State Excise	268.03	39.76	

3.	Other Taxes and Duties on Commodities and Services	83.90	47.01	GST, focus was on GST implementation. In addition, traders and tax petitioners waited for incentive schemes leading to low percentage of disposals. Some cases are also pending for adjudication in various courts. The arrears of ₹ 215.46 crore and ₹ 203.25 crore was outstanding for more than five years in DCSTE Sirmour and Baddi, respectively. However, no specific reasons was provided by the units.
4.	Taxes on Goods and Passengers	7.51	6.45	
5.	Water supply, Sanitation, Housing and Minor Irrigation	324.82	235.25	₹ 306.31 crore is outstanding from the Municipal Corporations and Municipal Committees. Notices have been issued to the consumers by the Department. Due to shortage of Field Staff, the outstanding amount had not been recovered.
6.	Taxes and duties on electricity	218.85	0	HPSEBL has adjusted the amount of ₹ 218.85 crore in the year 2020-21 with the roll back subsidy to be paid by State Government.
7.	Forestry and Wildlife	123.07	41.21	The amount involved is recoverable from HPSFDC Ltd., Government Departments and Contractors. Out of ₹ 41.21 crore, ₹ 38.22 crore is recoverable from HPSFDC Limited and is being deposited in a phased manner. Amount recoverable from other departments and contractors refers to very old cases and, in some cases, very petty amount is involved for recovery. Some of the cases for recovery from contractors are pending in various courts and some has been sent to GoHP for writing off.
8.	Police	14.69	2.29	Arrears of ₹ 10.80 crore pending from Battalions of Junga, Bangarh, Sakoh, Pandoh and Beri. Efforts are being made for recovery.
9.	Village and Small Industries	0.05	0.02	Arrears accumulated from the year 1980-81. Arrears pertain to rent of sheds (Industrial Estate), rent of Government accommodation/receipt of sale of Mulberry plants etc.
10.	Printing and Stationery	6.42	0.77	Arrears of ₹ 3.71 crore from the SSA, Lal pani, ₹ 2.71 crore from other Industries/Departments/Corporations were recoverable and efforts are being made for recovery.
11.	Non-ferrous, Mining and Metallurgical Industries	0.88	0.68	Arrears accumulated from the year 1983-84. Arrears pertain to Geological Wing and DDO (Headquarters) Geological Wing, Directorate of industries on account of recovery of royalty/drilling charges etc.
12.	Public Works	0.28	0.15	Efforts are being made to liquidate the outstanding amount.
13.	Industries	5.08	1.60	Arrears accumulated from the year 1989-90. Arrears pertained to outstanding premium of plots (Industrial areas) etc.
Total		4,843	2,726.67	

Source: Departmental figures

1.3 Arrears in assessments

From various departments of tax receipt e.g. Revenue, Transport and Excise and Taxation, only Excise and Taxation Department has provision of filing of returns and their subsequent assessments by authorities, hence an analysis of arrears of assessments under various heads of Excise and Taxation Department was carried out. 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 finalization at the end of the year as furnished by the Excise Department in respect of Sales Tax, Motor Spirit Tax, Luxury Tax and Tax on Works Contracts are depicted in **Table 1.5**.

Table 1.5: Arrears in assessments

Major Head of revenue receipts	Opening balance	New cases due for assessment during 2019-20	Total assessments due	Cases disposed of during 2019-20	Balance at the end of the year	Percentage of disposal (col. 5 by 4)
1	2	3	4	5	6	7 = (5/4)
Taxes/VAT on Sales and Trade	1,71,389	12,902	1,84,291	35,829	1,48,462	19
CST	1,52,169	6,147	1,58,316	36,856	1,21,460	23
Luxury Tax	3,812	553	4,365	1,419	2,946	33
Tax on Works Contracts	1,135	0	1,135	163	972	14
Motor Spirit Tax	30	71	101	34	67	34
Total	3,28,535	19,673	3,48,208	74,301	2,73,907	21

Source: Departmental figures

The low percentage of disposal (14 per cent in the case of Tax on Works Contracts and 19 per cent in VAT) was a matter of serious concern as state was deprived of potential revenue due to huge pendency of cases and it was affecting the efficiency of GST assessments due to engagement of manpower in VAT assessments. The percentage of disposal decreased from 25 per cent in 2018-19 to 21 per cent in 2019-20 which shows poor efficiency of the Department in disposing legacy cases of pre-GST era.

1.3.1 Pending appeal cases

Audit scrutiny revealed that 538 cases are pending at Departmental level. Out of these, 366 cases related to the year prior to 1996-97. The high number of pending appeal cases showed that no strenuous efforts have been made by the Appellate Authority for early disposal of the aforesaid cases.

Thus, the State Government was deprived of revenue due to huge pendency of cases. Had the Department taken timely initiative, revenue could have been realized in time.

1.3.2 Pendency of arrear under cases detected by Economic Intelligence Unit (EIU)

As per information supplied by the Department, 298 cases were detected by EIU during the year 2019-20. Out of these, only 22 cases were finalised and created and recovered an additional demand of ₹ 64.37 crore, leading to pendency of remaining 276 cases (93 per cent). The laxity in finalisation of cases detected by EIU is reflected in the poor rate of finalisation of cases (7 per cent) as stated above.

Despite a lapse of four years since introduction of GST, 1,48,462 cases of VAT and 1,21,460 cases of CST are pending for assessments which may take another five years to clear the pending assessments at the current rate (20-25 per cent) of disposal of cases. The Department may take necessary steps to clear the arrears under VAT assessment at faster pace as new regime of GST assessments has been introduced.

1.4 Evasion of tax

The details of cases of evasion of tax detected by Excise & Taxation Department, cases finalized and demands for additional tax raised by the Department are depicted in **Table 1.6**.

Table 1.6: Evasion of Tax

Sr. No.	Major Head of revenue receipts	Opening balance as on 1 April 2019	Cases detected during 2019-20	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 2020
					Number of cases	Amount (₹ in crore)	
1.	Taxes/VAT on Sales and Trade	65	731	796	731	3.25	65
2.	State Excise	72	838	910	848	2.46	62
3.	Passengers and Goods Tax	36	16,571	16,607	16,586	7.23	21
4.	Other Taxes and Duties on Commodities and Services	7	1,268	1,275	1,239	5.57	36
Total		180	19,408	19,588	19,404	18.51	184

Source: Departmental figures

In Excise and Taxation Department, the total number of cases pending for finalization had increased from 180 at the beginning of financial year to 184 at the end of the financial year 2019-20. The details of evasion of tax under the head “Land Revenue” was not provided by the Revenue Department.

1.5 Refund cases

The details of refund cases pending at the beginning of the year 2019-20, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2019-20, are depicted in Table 1.7.

Table 1.7: Pendency of refund cases

Sr. No.	Particulars	Sales Tax/VAT		State Excise	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1.	Claims outstanding at the beginning of the year	48	11.51	23	1.08
2.	Claims received during the year	197	59.69	54	3.42
3.	Refunds made during the year	195	48.27	71	4.31
4.	Balance outstanding at the end of year	50	22.93	6	0.20

Source: Departmental figures

The number of cases outstanding at the end of the financial year 2019-20 had increased for Sales Tax/VAT and decreased for State Excise as compared to cases outstanding at the beginning of the financial year.

1.6 Response of Government/Departments towards Audit

The Principal Accountant General (Audit), Himachal Pradesh (PAG), conducts periodic 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 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 are required to comply with the observations contained in the IRs 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. 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 Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks.

The issue of non-receipt of replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report. 7,240 audit observations involving ₹ 1,652.13 crore relating to 2,174 Inspection Reports issued up to March 2020, remained outstanding at the end of June 2020 as shown in **Table 1.8** along with the corresponding figures for the preceding two years.

Table 1.8: Details of pending Inspection Reports

	June 2018	June 2019	June 2020 ⁸
Number of IRs pending for settlement	2,660	2,742	2,174
Number of outstanding audit observations	7,924	8,439	7,240
Amount of revenue involved (₹ in crore)	1,958.98	2,209.43	1,652.13

Source: Inspection Reports

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2020 and the amounts involved are mentioned in **Table 1.9**.

Table 1.9: Department-wise details of pending Inspection Reports

Sr. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Excise and Taxation	Taxes/VAT on Sales and Trade	183	1236	567.08
		State Excise	88	396	592.73
		Passengers & Goods Tax	193	464	72.28
		Other Taxes & Duties on Commodities and Services	94	125	0.01
		Entertainment and Luxury tax etc.	83	178	14.00
2.	Revenue	Land Revenue	43	95	0.83
		Stamp and Registration Fees	737	1,829	65.19
3.	Transport	Taxes on Motor Vehicles	753	2,917	340.01
Total			2,174	7,240	1,652.13

Source: Inspection Reports

Audit did not receive even the first reply⁹ from the respective Heads of Offices after the stipulated time of four weeks in respect of 140 IRs out of 204 IRs issued during the year 2019-20.

The purpose of audit is to check whether prescribed rules, laws and procedures are being adhered to, and to highlight cases of non-compliance, systemic weaknesses, and failures. The large number of pending IRs and audit observations pending settlement indicate inadequate response to audit observations. The lack of action on these audit observations weakens accountability and raises the risk of loss of revenue. Increasing pendency of audit paragraphs merits urgent attention of the Government for addressing the issues consistently raised by Audit.

⁸ It does not include figures related to the Forest Department

⁹ The officer in charge of an auditable entity is supposed to send the reply to an audit note or inspection report within four weeks of its receipt.

1.6.1 Departmental audit committee meetings

The Government had set up audit committees under the Chairmanship of the Secretary of the concerned Department to monitor and expedite the settlement of audit observations included in the IRs. The details of audit committee meetings held during the year 2019-20 and the observations settled are depicted in **Table 1.10**.

Table 1.10: Details of Departmental Audit Committee meetings

Sr. No.	Department	Number of meetings held	Number of observations outstanding	Number of observations settled	Amount (₹in crore)
1.	Excise & Taxation	1	2,352	174	1.28
2.	Revenue	1	1,589	51	0.12
3.	Transport	1	2,598	20	0.02
	Total	3	6,539	245	1.42

Source: Revenue and Economic (Non-PSU) Sectors, Shimla

In 2019-20, out of 6,539 outstanding audit observations as on April 2019, 245 observations (3.75 per cent) involving an amount of ₹ 1.42 crore were settled in three Audit Committee meetings held for above mentioned Departments.

The Government should ensure holding meetings of the Audit Committee at regular intervals for all the Departments.

1.6.2 Response of Departments to draft audit paragraphs

Twenty-seven paragraphs were sent to the Principal Secretaries/Secretaries of the respective Departments between February 2021 and May 2021 of which, 18 paragraphs have featured in this Report.

1.6.3 Follow-up on the Audit Reports-summarised position

The Public Accounts Committee notified (December 2002) that after the presentation of the Audit Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and action taken notes thereon should be submitted by the Government within three months of the tabling the Report, for the consideration of the Committee. However, despite these provisions, the action taken notes on audit paragraphs of the Reports were inordinately delayed. A total of 112 paragraphs (including Performance Audits) included in the Audit Reports on Revenue Sector of the Comptroller and Auditor General of India of the Government of Himachal Pradesh for the years ended 31 March 2014, 2015, 2016, 2017 and 2018 were placed before the State Legislative Assembly between 10 April 2015 and 14 December 2019. Action taken notes on these paragraphs were, however, received very late from the Departments as depicted in **Table 1.11**.

Table 1.11: Delay in Receipt of ATNs

Sr. No.	Report of CAG on Revenue Sector for the Year ended	Date of laying of Audit Report in legislature	ATNs received during the period	Delay in Receipt of ATN
1.	2014	10 April 2015	2015 to 2018	1 to 37 Months
2.	2015	07 April 2016	2016 to 2018	2 to 24 Months
3.	2016	31 March 2017	2017 to 2018	5 to 15 Months
4.	2017	05 April 2018	2018 to 2019	0 to 14 Months
5.	2018	14 December 2019	2020 to 2021	6 to 13 Months
6.	2019	13 August 2021	Yet to be received	

The PAC had discussed 30 paragraphs pertaining to the Audit Reports (2008-09 to 2016-17) on Revenue Sector during the year 2019-20.

1.7 Action taken by the Departments on issues raised by Audit: Detailed status for VAT under Major Receipt Head '0040'

The action taken on the Paragraphs and Performance Audits included in the Audit Reports of the last 10 years for the Excise Department under *Major Receipt Head '0040-Taxes/VAT on Sales, trade etc.'* was evaluated and is detailed in the succeeding paragraphs 1.7.1 to 1.7.3.

1.7.1 Inspection Reports

The summarized position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2020, relating to VAT is depicted in *Appendix 1.3*.

Against 144 IRs with 718 paragraphs outstanding as on start of 2010-11, the number of outstanding IRs increased to 149 with 947 paragraphs at the end of 2019-20. The corresponding money value pointed out in IRs increased from ₹ 57.17 crore to ₹ 616.15 crore.

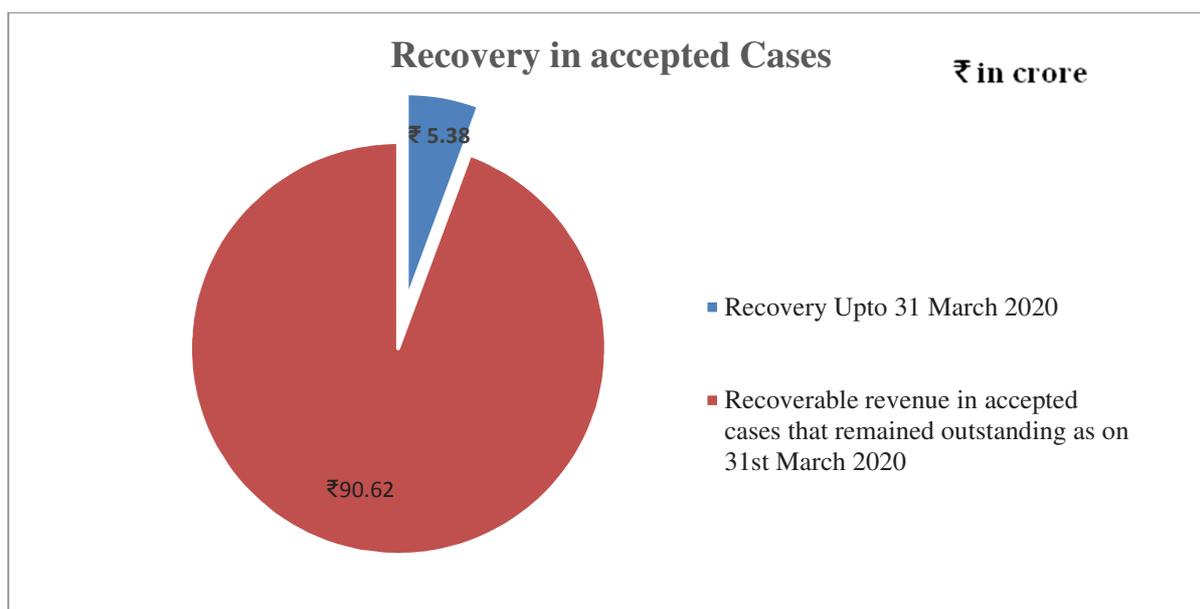
1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Excise and Taxation Department and the amount recovered is depicted in *Appendix 1.4*.

The progress of recovery even in accepted cases was low as only ₹ 5.38 crore were recovered upto 31 March 2020 against the total recoverable revenue of ₹ 96 crore in accepted paragraphs.

The recovery of accepted cases and the amount recovered by the Excise Department is depicted in **Chart 1.4**.

Chart 1.4



Source: PAC, Revenue Sector, Shimla

1.7.3 Action taken on audit recommendations accepted by the Department/ Government

The draft report of Performance Audit conducted by the PAG is forwarded to the concerned Department/Government with a request to furnish their replies. The Performance Audit Report is also discussed in exit conference and the Department/Government's views are included while finalising the Performance audit for the Audit Report.

Audit recommendations were included in Performance Audit on **VAT under Major Receipt Head '0040'** which featured in the Audit Report for the year 2014-15, as depicted in **Table 1.12**.

Table 1.12: Action taken on the recommendations

Sr. No.	Year of Audit Report	Title of the Performance audit	Number of recommendations made in PA	Remarks
1	2014-15	System of assessment under VAT	Five	Department has accepted three recommendations out of five

Audit's recommendation regarding implementation of HSN codes have been complied with through implementation of GST. In reference with Audit recommendation regarding non-registration of dealers and timely issuance of notices, the Department had issued instructions to field offices for inspection and monitoring.

1.8 Internal Audit

Internal Audit Cells (IAC) in the Departments under the charge of the Assistant Controller (F&A), were required to conduct test check of the 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 Acts and Rules as well as Departmental instructions issued from time to time.

Name of the Department	Total auditable units	No. of units planned for audit	No. of units audited	Shortfall
Excise and Taxation	13	6	2	4
Revenue	173	25	-	25
Transport				

Source: Departmental figures

The Excise and Taxation Department and Revenue Department attributed the shortfall in internal audit to shortage of staff. Information regarding internal audit was not provided by the Transport Department.

1.9 Audit planning

There are a total of 506 auditable units in the State of Himachal Pradesh, of which 204 units¹⁰ were planned and audited during 2019-20. The units were selected on the basis of risk analysis.

¹⁰ These units comprise subordinate offices of three departments - Excise, Transport and Revenue Department, Shimla

1.10 Results of audit

Audit of 204 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, and Goods and Passengers Tax were conducted during the year 2019-20 through test check of records. The total revenue loss on account of the deficiencies highlighted by Audit through IRs during 2019-20 amounted to ₹ 541.95 crore¹¹ in 1,159 cases.

During the year 2019-20, the Departments concerned accepted audit observations of ₹ 55.70 crore in 311 cases, of which ₹ 0.03 crore in 11 cases was recovered. The Departments concerned also accepted and recovered an amount of ₹ 3.39 crore in 276 cases¹² pertaining to audit findings of previous years.

1.11 Coverage of this Report

This Report contains 18 paragraphs having a total revenue implication of ₹ 168.27 crore. The Departments/Government accepted audit observations involving ₹ 133.59 crore, of which ₹ 34.48 crore was recovered in 14 paragraphs.

¹¹ Taxes/VAT on sales and Trade: amount: ₹ 127.77 crore: cases: 296; State Excise: amount: ₹ 313.97 crore: cases:119; Stamp Duty: amount: ₹ 59.19 crore: cases: 487; Taxes on vehicles, Passenger and Goods: amount: ₹ 41.02 crore cases:257

¹² Stamp Duty and Registration fee ₹ 68.58 lakh, cases 106; MVT ₹ 91.01 lakh, cases 07; SED ₹ 82.32 lakh, case 07; VAT ₹ 96.64 lakh, cases 156

