

## EXECUTIVE SUMMARY

### Chapter-I: General

#### Increase in tax collection during 2011-12

The revenue raised by the State Government during 2011-12 was ₹ 6,023.12 crore comprising tax revenue of ₹ 4,107.92 crore and non-tax revenue of ₹ 1,915.20 crore, registering an increase of 13 *per cent* over the revenue receipt of 2010-11. The State Government also received ₹ 1,998.37 crore as State's share of divisible Union taxes and ₹ 6,521.37 crore as Grants-in-aid from the Government of India. The total receipts of the Government for the year 2011-12 was ₹ 14,542.86 crore. During the year, the revenue raised by the State Government was 41 *per cent* of the total receipts whereas 59 *per cent* of the receipts was from the Government of India.

#### Lack of Internal Audit System

The internal audit wing had not been established to ensure compliance with the laws, rules and departmental instructions by way of scheduled audit plan, conduct of audit and follow up. In Forest Department, the auditors were entrusted with the duties of maintenance of service records of IFS, HPFS and gazetted officers.

#### Low recovery by the Department in respect of audit observations

Out of the revenue implication of ₹ 1,931.70 crore featured in the Audit Reports from 2006-07 to 2010-11, the Departments/ Government had accepted audit observations involving ₹ 1,046.64 crore but an amount of ₹ 75.21 crore could be recovered till March 2012 which was only 7.19 *per cent* of the accepted amount.

#### Results of audit conducted in 2011-12

The records of 238 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers, Forest Receipts and other Departmental offices were test checked wherein under assessment/ short levy/ loss of revenue etc. aggregating ₹ 1,569.41 crore in 1,021 cases had been pointed out. The Department concerned had accepted under assessments and other deficiencies in 465 cases involving ₹ 91.36 crore but could collect only ₹ 2.39 crore in 142 cases.

#### Significant audit observations

This Report contains 35 paragraphs relating to short/non-levy of tax, duty and interest penalty etc. and two performance audits titled 'Stamp duty and Registration fee including IT aspect' and 'Management of Forest Receipts' involving financial effect of ₹ 722.39 crore. The Departments/ Government have accepted audit observations involving ₹ 175.62 crore out of which ₹ 1.06 crore had been recovered.

It is a matter of concern that similar omissions were pointed out by audit in the Audit Reports for the past several years but the Departments had not taken corrective action. Audit is also concerned that though these omissions were apparent from the records which were made available to us, the departments failed to detect them.

**(a) Chapter-II: Taxes/VAT on Sales, Trade etc.**

The Assessing Authorities (AAs) while finalising the assessments did not observe the provisions of the Acts and Rules made there under in some cases which resulted in non/short levy/non-realisation of tax/interest aggregating ₹ 17.31 crore.

Audit noticed that AAs had accepted invalid/defective 'C' and 'F' Forms and allowed exemption/ concessional rate of tax. They did not take cognizance either of gross turnover determined on lesser side by the assesses or assessed on the lower side as compared to the certified receipts. AAs had allowed excess input tax credit on the entire local purchases instead of allowing it on proportionate basis on the turnover of purchases actually sold. Cases of irregular allowance of concessional rate of tax by AAs on the interstate purchase of diesel against 'C' Form which was not shown as resold or used in the manufacturing of goods for sale had also been pointed out.

**(b) Chapter-III: State Excise**

In this chapter, cases contributing to loss of revenue of ₹ 21.93 lakh due to low yield of spirit from molasses in a distillery and non-claiming of license fee/ interest on belated payments of license fee had been commented upon.

**(c) Chapter-IV: Stamp Duty**

The Registrars/ Sub-Registrars did not observe some of the provisions of the Acts and the rules framed there under as applicable in Himachal Pradesh for levy and collection of the tax which resulted in non/short levy of stamp duty and registration fee of ₹ 132.81 crore

The performance audit of 'Stamp duty and Registration fee including Information Technology Aspect' presents some illustrative cases of non-realization of stamp duty and registration fee, inadequate departmental inspection of field offices and follow up paved way for embezzlement, irregular mutation of equitable mortgages and exchanged properties, incorrect preparation/ determination of market value of property by the *patwaris* and registration of documents on lower rates, transfer of Government land without recovery of lease money, partial utilisation of 'HIMRIS' software and other deficiencies in software etc.

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**(d) Chapter-V: Taxes on Vehicles, Goods and Passengers**

Some of the provisions of the Acts/Rules were not observed by the Transport and the Excise and Taxation Departments and non-recovery of Special Road Tax and penalty from private stage carriages, non-levy and collection of entry tax, non-registration of goods and passenger vehicles and realization of tax thereon resulted in loss of revenue of ₹ 22.08 crore.

**(e) Chapter-VI: Forest Receipts**

Scrutiny of the records of the Forest Department revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of royalty/penalty/interest etc. of ₹ 344.16 crore.

As regards performance audit of 'Management of Forest Receipts' audit observed laxity on the part of the department in conducting regular inspections of forests by the field functionaries which led to illegal construction of roads, objecting the payment of royalty made by the Corporation on reduced royalty rates applicable for expensive, remote and special hill tracts without any identification of the forests falling under these categories by the Government. Loss of revenue also attributed to non-revision of the royalty rates for 2008-09 on weighted average sale rate as per prescribed procedure and short/ non-handing of resin blazes for tapping. Non-exploitation of salvage lots by the Corporation, being the sole agency for the purpose and inaction on the part of the department to dispose off seized timber have also been commented. Besides, departmental charges and cost of trees were deposited in Compensatory Afforestation Fund Management and Planning Authority account instead of depositing it in the revenue head of the Department resulting in understatement of revenue.

**(f) Chapter-VII: Other Tax and Non-Tax Receipts**

It was noticed in Multi Purpose Projects and Power Department that energy bills were raised at incorrect rates and surcharge had not been claimed from HPSEBL on delayed payments. The Power department had not objected to the payment for reduced quantity of energy by HPSEBL and non-deposit of accrued interest and electricity duty. The execution of supplementary agreement deed resulted in undue benefit to Power Trading Corporation Ltd. In the audit of Industries Department, cases relating to evasion of royalty on stone blast and short/non-recovery of royalty/ surface/dead rent/ interest were pointed out. These cases involved revenue loss aggregating to ₹ 205.81 crore.

**Recommendations**

The Government should take suitable steps to put in place:

- a mechanism for ensuring prompt recovery of the amounts in the accepted cases;

- a mechanism for regular inspections of the offices of Registrars and Sub-Registrars by the departmental officers to ensure levy of correct stamp duty and registration fee;
- a centralized lot-wise data of the number of timber and resin lots handed over to the Corporation for exploitation and status of payment;
- a mechanism to check offensive activities in forest land and make penalty provisions to curb such activities without prior approval of the Ministry of Environment and Forest for non-forestry purposes and
- a system for determining the total receipts of *power share* of Government from the power producers in the State and also maintain a complete record of sale of electricity through Power Trading Corporation Ltd. to correctly assess the dues and collection thereof.