

***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 2014-15, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-Aids 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	2010-11	2011-12	2012-13	2013-14	2014-15
1.	<b>Revenue raised by the State Government</b>					
	<b>Tax revenue</b>	3,642.38	4,107.92	4,626.17	5,120.91	5,940.16
	<b>Non-tax revenue</b>	1,695.31	1,915.20	1,376.88	1,784.53	2,081.45
	<b>Total</b>	<b>5,337.69</b>	<b>6,023.12</b>	<b>6,003.05</b>	<b>6,905.44</b>	<b>8,021.61</b>
2.	<b>Receipts from the Government of India</b>					
	<b>Share of net proceeds of divisible Union taxes and duties</b>	1,715.35	1,998.37	2,282.02	2,491.53	2,644.17 <sup>1</sup>
	<b>Grants-in-Aids</b>	5,657.57	6,521.37	7,313.07	6,314.11	7,177.67
	<b>Total</b>	<b>7,372.92</b>	<b>8,519.74</b>	<b>9,595.09</b>	<b>8,805.64</b>	<b>9,821.84</b>
3.	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>12,710.61</b>	<b>14,542.86</b>	<b>15,598.14</b>	<b>15,711.08</b>	<b>17,843.45</b>
4.	<b>Percentage of 1 to 3</b>	<b>42</b>	<b>41</b>	<b>38</b>	<b>44</b>	<b>45</b>

The above table indicates that during the year 2014-15, the revenue raised by the State Government (₹8,021.61 crore) was 45 *per cent* of the total revenue receipts. The balance 55 *per cent* of the receipts during 2014-15 was from the Government of India, as share of net proceeds of divisible union taxes and Grants-in-aid.

**1.1.2** The details of the tax revenue raised during the period 2010-11 to 2014-15 are given in **Table 1.2**:

<sup>1</sup> 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 2014-15. Figures under the Major Receipts Head 0020-Corporation tax, 0021-Taxes on income other than Corporation tax, 0028-Other Taxes on Income and Expenditure, 0032-Taxes on wealth, 0037-Customs, 0038-Union excise duties and 0044-Service tax under sub head 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**

₹ in crore													
Sr. No.	Head of revenue	2010-11		2011-12		2012-13		2013-14		2014-15		Percentage of increase (+) or decrease (-) in 2014-15	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual over BE	Actual over 2013-14
1.	Taxes on sales, trade etc.	1,741.18	2,101.10	2,444.27	2,476.78	3,161.57	2,728.22	3,232.90	3,141.10	3,195.62	3,660.57	15	17
2.	State excise	549.46	561.53	709.74	707.36	800.14	809.87	949.46	951.96	940.74	1,044.14	11	10
3.	Motor vehicles tax	134.64	163.02	173.08	176.03	215.39	196.13	246.88	207.81	214.14	220.10	03	06
4.	Stamp duty	115.78	132.69	142.76	155.09	159.05	172.61	201.22	187.50	209.11	190.58	(-) 09	02
5.	Taxes and duties on electricity	114.26	301.59	190.00	185.47	217.03	262.63	248.77	191.36	262.01	332.82	27	74
6.	Land revenue	2.02	4.78	1.90	17.86	4.01	23.60	4.00	9.98	15.12	16.88	39	69
7.	Others	298.19	377.67	378.08	389.33	500.23	433.11	489.76	431.20	386.56	475.07	23	10
	<b>Total</b>	<b>2,955.53</b>	<b>3,642.38</b>	<b>4,039.83</b>	<b>4,107.92</b>	<b>5,057.42</b>	<b>4,626.17</b>	<b>5,372.99</b>	<b>5,120.91</b>	<b>5,223.3</b>	<b>5,940.16</b>	<b>14</b>	<b>16</b>

Source: Finance accounts of respective years

It may be seen from the above table that the tax revenue raised by the State Government during the last five years shows an increasing trend and it increased to ₹5,940.16 crore in 2014-15 from ₹2,955.53 crore in 2010-11.

The respective Departments reported the following reasons for variation:

**Taxes on sales, trade etc.:** The increase was due to better tax administration, increase of tax rates on petrol and diesel. Besides, increase in price index of goods and rates of entry tax on all industrial inputs.

**State Excise:** The increase was due to rise in the rates of license fee and excise duty per proof liter on country and Indian made foreign liquor. Besides, increase in the annual minimum guaranteed quota and fixed fee on supply to Bar-license holders, clubs and Armed forces.

**Motor Vehicles Taxes:** The increase was due to registration of more vehicles, effective enforcement, issuance of more licences and more receipt under new National Permit Scheme.

**Taxes and duties on electricity:** The increase was due to deposit of full amount of electricity duty alongwith arrears of previous years by the HPSEBL.

1.1.3 The details of the non-tax revenue raised during the period 2010-11 to 2014-15 are indicated in **Table 1.3:**

**Table 1.3**  
**Details of Non-tax revenue raised**

₹ in crore													
Sr. No.	Head of revenue	2010-11		2011-12		2012-13		2013-14		2014-15		Percentage of increase (+) or decrease (-) in 2014-15	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual over BE	Actual over 2013-14
1.	Power	1,250.00	1,093.21	1,400.00	1,145.70	1,243.00	637.15	1,470.25	696.29	605.00	1,121.51	85	61
2.	Interest receipts	45.12	69.95	48.41	115.09	125.56	69.90	176.44	118.61	69.96	100.93	44	(-) 15
3.	Non ferrous, mining and metallurgical industries	85.00	113.84	110.50	120.12	137.94	147.90	151.10	114.08	140.00	161.52	15	42
4.	Forestry and wild life	71.77	65.44	84.78	106.54	75.31	63.90	86.45	357.83	73.16	115.78	58	(-) 68
5.	Public works	23.40	34.66	30.14	41.63	38.89	39.72	42.59	34.75	43.44	34.13	(-) 21	(-) 02
6.	Other administrative services	17.26	31.00	17.92	26.23	33.39	45.71	35.09	25.95	35.79	35.57	(-) 0.61	37
7.	Police	17.08	19.10	18.42	15.39	21.03	20.63	29.57	34.65	38.16	39.83	4	15
8.	Medical and public health	8.57	8.40	6.90	8.66	7.13	11.21	8.59	5.04	11.86	3.35	(-) 72	(-) 34
9.	Co-operation	4.31	9.59	3.23	2.30	3.46	3.24	4.48	15.30	3.66	8.67	137	(-) 43
10.	Miscellaneous general services	0.84	2.06	0.82	40.01	1.87	8.94	1.99	5.65	2.12	3.41	61	(-) 40
11.	Major and medium irrigation	0.42	6.84	0.46	0.36	0.81	0.33	0.81	0.37	0.81	0.17	(-) 79	(-) 54
12.	Other Non-tax receipts	254.39	241.22	272.92	293.17	314.21	328.25	385.18	376.01	364.83	456.58	25	21
<b>Total</b>		<b>1,778.16</b>	<b>1,695.31</b>	<b>1,994.50</b>	<b>1,915.20</b>	<b>2,002.60</b>	<b>1,376.88</b>	<b>2,392.64</b>	<b>1,784.53</b>	<b>1,388.79</b>	<b>2,081.45</b>	<b>50</b>	<b>17</b>

*Source: Finance accounts of respective years*

It may be seen from the above table that the non-tax revenue raised by the State Government during 2014-15 was 17 per cent more as compared to the previous year, which showed rising trend and it increased to ₹2,081.45 crore in 2014-15 from ₹1,695.31 crore in 2010-11.

The respective Departments reported the following reasons for variation:

**Power:** The increase was due to deposit of arrears of free electricity of previous years by the HPSEBL, besides, lesser supply of free power to HPSEBL hence, more sales to other States.

**Non-ferrous, mining and metallurgical industries:** The increase was due to more receipt of mineral concession fees, royalties from the hydal projects for use of minerals and from the contractors of HPPWD and IPH departments, besides miscellaneous receipts.

**Forestry and Wild Life:** The decrease was due to no receipts from the sale of trees under the ad-hoc CAMPA fund from the Government of India as it was done during the previous year.

**Public works:** The decrease was due to less receipt from the sale of tender forms, empty bags of cement and miscellaneous receipts. Besides, decrease in departmental expenditure as the receipt of departmental charges for construction of residential and non-residential buildings under deposit works could not be deposited in revenue head of account.

**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 license fee under Arms Act and road permits issued for restricted roads in Shimla district by districts authorities.

**Medical and public health:** The decrease was due to deposit of fees and penalty through Director Health security and regulatory institution of the department.

The other Departments despite being requested (July 2015) did not intimate the reasons for variation of receipts with that of previous year (December 2015).

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 on some principal heads of revenue amounted to ₹3,604.08 crore of which ₹141.22 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 2015	Amount outstanding for more than 5 years as on 31 March 2015	Replies of Departments
1.	Taxes on Sales, Trade etc.	2,585.14	95.32	Arrears are accumulated from the year 1968-69. Demands for ₹2,263.51 crore had been referred as arrears of land revenue, ₹6.58 crore proposed to be written off, remaining ₹18.58 crore were recoverable from the Government departments/undertakings, recoveries amounting to ₹38.03 crore were stayed by the High Court/ other judicial authorities and ₹258.44 crore recoverable from the dealers.
2.	Water supply, Sanitation and Minor Irrigation	235.26	0.0	From the total arrears, ₹227.18 crore for supply of water pertaining to municipal corporation/committees and notified area committees, ₹6.14 crore and ₹0.47 crore to non-government bodies and government departments respectively, ₹0.05 crore to housing and ₹1.42 crore to minor irrigation.
3.	Taxes and duties on electricity	601.85	0.0	The arrears realised but not deposited by the HPSEBL.
4.	Forestry and Wild Life	66.27	19.97	Arrears are accumulated from the year 1979 of DFO Chamba. Most of the cases pertaining to contractors had been referred to the Collectors concerned for recovery under arrear of land revenue and the remaining were under trial in the Court. Efforts to recover the balance amount from the HPSFDC Ltd. and other Government Departments respectively were being made.
5.	Other Taxes and Duties on Commodities and Services	45.89	10.49	Arrears are accumulated from the year 1989-90. Demands for ₹28.45 crore had been referred for recovery as arrears of land revenue, ₹39,100 proposed for write off, ₹5.88 crore stayed by the High Court/ others judicial authorities and ₹11.55 crore recoverable from different hoteliers.
6.	Police	23.12	1.85	Arrears are related to Jai Prakash Associates, Director Mission, NRHM and BBMB.

7.	State Excise	30.96	5.68	Arrears are accumulated from the year 1972-73. Demands for ₹12.15 crore had been referred for recovery as arrears of land revenue, ₹2.67 crore were stayed by the High Court/other judicial authorities, ₹0.20 crore were proposed to be written off and ₹15.94 crore was recoverable from the bidders/licensees.
8.	Taxes on Goods and Passengers	8.25	5.76	Demands for ₹3.50 crore had been referred for recovery as arrears of land revenue, ₹6.55 lakh were proposed to be written off, remaining arrear of ₹1.09 crore recoverable from Government/Departments/undertakings and ₹3.60 crore recoverable from the owners of different vehicles.
9.	Village and Small Industries	6.17	1.35	Arrears pertain to premium of plots (Industrial areas) etc.
10.	Non-ferrous, Mining and Metallurgical Industries	0.72	0.48	Arrears pertain to mining offices and DDO (Headquarter) Geological Wing Directorate of industries on account of recovery of royalty/ drilling charges etc.
11.	Industries	0.23	0.12	Arrears pertain to rent sheds (Industrial Estate), rent of government accommodation/Receipt of sale of Mulberry plants etc.
12.	Public Works	0.22	0.20	Arrears accumulated from the years 1963-64. Instruction had been issued to field offices to make all efforts to recover the amount and to get the amount written off where irrecoverable.
<b>Total</b>		<b>3,604.08</b>	<b>141.22</b>	

Source: Figures supplied by the departments concerned.

It may be seen from above that arrears of ₹536.38 crore were pending with the departmental authorities and the cases referred for write off (₹6.85 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 2014-15	Total assessments due	Cases disposed of during 2013-14	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.	1,39,735	44,533	1,84,268	33,270	1,50,998	18
Luxury tax	3,216	1,864	5,080	1,598	3,482	31
Tax on works contracts	1,965	563	2,528	481	2,047	19
Motor spirit tax	13	24	37	4	33	11

Source: Figures supplied by the department concerned.

Above table shows that the disposal of assessment cases especially in Motor spirit tax, taxes on sales, trade etc. and tax on works contracts was very slow and remained between 11 and 19 per cent.

## 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

							₹ in crore
Sr. No.	Head of revenue	Cases pending as on 31 March 2014	Cases detected during 2014-15	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2015
					Number of cases	Amount	
1.	Taxes on Sales, Trade etc.	108	16,069	16,177	16,093	48.35	84
2.	State Excise	52	275	327	284	0.49	43
3.	Passengers and Goods tax	127	10,843	10,970	10,970	4.56	0
4.	Other Taxes and Duties on Commodities and Services	0	1,246	1,246	1,224	2.83	22
<b>Total</b>		<b>287</b>	<b>28,433</b>	<b>28,720</b>	<b>28,571</b>	<b>56.23</b>	<b>149</b>

Source: Figures supplied by the departments 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 2014-15, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2014-15 is given in **Table 1.7**:

**Table 1.7**  
Details of pendency of refund cases

						₹ in crore
Sr. No.	Particulars	Sales tax/VAT		State Excise		
		No. of cases	Amount	No. of cases	Amount	
1.	Claims outstanding at the beginning of the year	57	17.53	6	0.12	
2.	Claims received during the year	112	31.06	10	0.08	
3.	Refund made during the year	103	23.30	6	0.04	
4.	Balance outstanding at the end of year	66	25.29	10	0.16	

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 2014 disclosed that 7,150 paragraphs involving ₹1,099.13 crore relating to 2,509 IRs remained outstanding at the end of June 2015 alongwith the corresponding figures for the preceding two years as mentioned in **Table 1.8**:

**Table 1.8**  
Details of pending Inspection Reports

	June 2013	June 2014	June 2015
Number of IRs pending for settlement	2,880	2,952	2,509
Number of outstanding audit observations	7,678	8,009	7,150
Amount of revenue involved (₹ in crore)	1,119.44	1,322.75	1,099.13

The Department wise details of the IRs and audit observations outstanding as on 30 June 2015 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.	121	894	242.74
		Passenger & Goods Tax (PGT)	182	307	207.21
		Other Taxes & Duties on commodities and services (OTD)	113	148	8.08
		Entertainment & luxury tax etc.	50	92	0.92
2.	Excise	State Excise	56	185	47.27
3.	Revenue	Land Revenue	237	413	0.86
4.	Transport	Taxes on motor vehicles	630	2391	238.53
5.	Stamp and Registration	Stamp and registration fees	569	1161	60.04
6.	Forest and environment	Forest Receipts	551	1,559	293.48
<b>Total</b>			<b>2,509</b>	<b>7,150</b>	<b>1,099.13</b>

Audit did not receive even the first replies from the heads of offices within the stipulated time of four weeks in respect of 82 IRs issued during 2014-15. 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 2014-15 and the paragraphs settled are mentioned in **Table 1.10**:

**Table 1.10**  
Details of Departmental audit committee meetings

				₹ in lakh
Sr. No.	Department	Number of meetings held	Number of paras settled	Amount
1.	Revenue Department	1	93	30.52
2.	State Excise Department	1	60	163.97
3.	Transport Department	1	89	40.20
4.	Forest Department	1	173	2,144.82
<b>Total</b>		<b>4</b>	<b>415</b>	<b>2,379.51</b>

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

### 1.6.3 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 requested 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 five draft paragraphs and one Performance audit were sent to the Principal Secretaries/Secretaries of the respective Departments by name between April and August 2015. The Principal Secretaries/Secretaries of the Departments did not send replies to 11 draft paragraphs despite issue of reminders (August 2015) 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.

### 1.6.4 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. 139 paragraphs (including performance audits) included in the Reports of the Comptroller and Auditor General of India of the Government of Himachal Pradesh for the years ended 31 March 2010, 2011, 2012 and 2013 on the Revenue Sector were placed before the State Legislature Assembly between 8 April 2011 and 21 February 2014. Action taken explanatory notes from the concerned Departments on these paragraphs were

received late with average delay of 14, 13, nine and 12 months of each of these Audit Reports, respectively. Action taken explanatory notes in respect of seven paragraphs from two departments (PWD and Revenue) had not been received for the Audit Report for the year ended 31 March 2011 and 2013 so far (December 2015).

The PAC discussed 20 selected paragraphs pertaining to the Audit Reports for the years from 2008-09 to 2012-13. Action taken explanatory notes, however, had not been received in respect of 20 recommendations of the PAC from the Forest Department as mention in the **Table 1.11**:

Table 1.11

Year	Name of the Departments	Recommendations
2008-09	Forest	11
2009-10		06
2010-11		03
<b>Total</b>		<b>20</b>

## 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 under major receipt head of Sale Tax/VAT) 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 Sale Tax/VAT Tax under Major Receipt Head '0040-Taxes/VAT on Sales, trade etc.' and cases noticed in the course of local audit during the last 10 years upto 2014-15 and also the cases included in the Audit Reports for the years 2004-05 to 2013-14.

### 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 2015 are tabulated in below **Table 1.12**:

Table 1.12  
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
2005-06	130	539	42.17	10	172	46.99	05	85	50.71	135	621	38.45
2006-07	135	621	38.45	10	212	46.23	16	221	41.60	129	612	43.08
2007-08	129	612	43.08	06	194	6.80	02	141	6.64	133	665	43.24
2008-09	133	665	43.24	09	239	82.45	--	214	69.28	142	690	56.41
2009-10	142	690	56.41	08	167	36.36	06	139	35.60	144	718	57.17
2010-11	144	718	57.17	12	252	55.72	16	273	41.83	140	697	71.06
2011-12	140	697	71.06	10	202	87.34	30	177	27.82	120	722	130.58

*Audit Report for the year ended 31 March 2015 on Revenue Sector*

2012-13	120	722	130.58	11	241	22.26	14	140	9.51	117	823	143.33
2013-14	117	823	143.33	12	215	109.71	07	267	48.42	122	771	204.66
2014-15	122	771	204.62	09	259	54.50	08	76	2.46	123	954	256.66

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 130 outstanding IRs with 539 paragraphs as on start of 2005-06, the number of outstanding IRs declined to 123 in 2014-15 from 130 in 2005-06 but the number of paragraphs increased from 539 in 2005-06 to 954 at the end of 2014-15.

This is indicative of the fact that adequate steps were not taken by the Department resulting in piling up of the outstanding 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 1.13**:

**Table 1.13**

₹ in lakh						
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 2014-15	Cumulative position of recovery of accepted cases as of 31 March 2015
2004-05	02	3,647.00	2	360.91	--	7.00
2005-06	04	278.00	2	154.61	--	152.00
2006-07	07	278.00	5	69.64	--	30.00
2007-08	14	6,824.00	5	159.18	--	40.00
2008-09	10	3,152.00	2	54.16	--	10.00
2009-10	08	3,406.00	7	96.39	25.00	33.00
2010-11	09	6,900.00	8	67.95	52.00	55.00
2011-12	09	1,731.00	8	920.19	04.00	39.00
2012-13	10	3,383.00	4	375.13	14.00	26.00
2013-14	12	2,028.00	3	453.00	66.00	66.00
<b>Total</b>	<b>85</b>	<b>31,627.00</b>	<b>46</b>	<b>2,711.16</b>	<b>161.00</b>	<b>458.00</b>

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

Four performance audits on the *Excise and Taxation Department* under Receipt Head- '0040- Taxes/VAT on sales, trade etc.' conducted and featured in the Audit Reports for the years 2004-05, 2008-09, 2010-11 and 2013-14 as per details given in the **Table 1.14** below:

Table 1.14

Sr. No.	Year of Audit Report	Title of the performance audit	Number of recommendations made in PA	Remarks
1.	2004-05	Assessment and Collection of Sales Tax	Three recommendations	All recommendations were accepted and admitted by the department and stated that the efforts were being made for its implementation.
2.	2008-09	Transition from Sales Tax to Value Added Tax	Five recommendations	
3.	2010-11	Utilisation of declaration form in Inter State Trade	Six recommendations	
4.	2013-14	Arrear under Sales Tax/ VAT	Three recommendations	

### 1.8 Internal Audit

The departments have 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 2014-15 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	08	04	04
Transport	01-STA 56-RLAs 10-RTOs 03-RTO (flying squad)	15	05	10
<b>Total</b>	<b>83</b>	<b>23</b>	<b>09</b>	<b>14</b>

It is evident from the above that out of total auditable units of 83, IAW had selected only 23 units for audit during the year 2014-15 of which only nine 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 2014-15, there were 411 auditable units, of which 179 units<sup>2</sup> planned and audited.

Besides, the compliance audit mentioned above, one performance audit on **'System of Assessment under VAT'**, was also conducted 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 179 units of Sales tax/Value Added Tax, State Excise, Motor Vehicles, Goods & Passengers and Forest Receipts etc. conducted during the year 2014-15 showed under-assessment/short levy/loss of revenue etc. aggregating ₹405.45 crore in 691 cases. During the course of the year, the Department concerned accepted underassessment and other deficiencies of ₹291.79 crore in 789 cases, which were pointed out in earlier years out of which an amount of ₹18.85 crore was realised in 632 cases of which ₹13.30 crore in 536 cases pertain to previous years and ₹5.55 crore in 96 cases for the year 2014-15.

### **1.11 Coverage of this Report**

This Report contains 30 draft paragraphs, follow up audit on *'Levy and Collection of Motor Vehicle Tax'* and one Performance audit on **'System of assessment under VAT'**, involving financial effect of ₹157.38 crore.

The Departments/Government have accepted 23 audit observations involving ₹26.42 crore of which ₹7.13 crore had been recovered in 19 cases. The replies in the remaining cases have not been received (December 2015). These are discussed in succeeding Chapters II to VI.

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<sup>2</sup> These units included 39 units of Luxury tax, Entertainment tax and MP Barriers.