

CHAPTER-I
GENERAL

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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 2015-16, 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** below.

Table-1.1: Trend of revenue receipts

| (₹in crore) | | | | | | |
|-------------|--|------------------|------------------|------------------|------------------|-----------------------|
| Sr. No. | Particular | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
| 1. | Revenue raised by the State Government | | | | | |
| | Tax revenue | 4,107.92 | 4,626.17 | 5,120.91 | 5,940.16 | 6,695.81 |
| | Non-tax revenue | 1,915.20 | 1,376.88 | 1,784.53 | 2,081.45 | 1,837.15 |
| | Total | 6,023.12 | 6,003.05 | 6,905.44 | 8,021.61 | 8,532.96 |
| 2. | Receipts from the Government of India | | | | | |
| | Share of net proceeds of divisible Union taxes and duties | 1,998.37 | 2,282.02 | 2,491.53 | 2,644.17 | 3,611.17 ¹ |
| | Grants-in-Aids | 6,521.37 | 7,313.07 | 6,314.11 | 7,177.67 | 11,296.35 |
| | Total | 8,519.74 | 9,595.09 | 8,805.64 | 9,821.84 | 14,907.52 |
| 3. | Total revenue receipts of the State Government (1 and 2) | 14,542.86 | 15,598.14 | 15,711.08 | 17,843.45 | 23,440.48 |
| 4. | Percentage of 1 to 3 | 41 | 38 | 44 | 45 | 36 |

During the year 2015-16, the revenue raised by the State Government (₹8,532.96 crore) was 36 *per cent* of the total revenue receipts. The balance 64 *per cent* of the receipts during 2015-16 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 2011-12 to 2015-16 are given in **Table-1.2**.

¹ For details, please see Statement No. 14-'Detailed statement of revenue and capital receipt by minor Heads' in the Finance Accounts of the Government of Himachal Pradesh for the year 2015-16. 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, 0044-Service tax and 0045-Other Taxes and Duties on Commodities and Services 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 | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | | Percentage of increase (+) or decrease (-) in 2015-16 | |
| | | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual | Actual over BE | Actual over actual of 2014-15 |
| | | | | | | | | | | | | | |
| 1. | Taxes on sales and trade | 2,444.27 | 2,476.78 | 3,161.57 | 2,728.22 | 3,232.90 | 3,141.10 | 3195.62 | 3660.57 | 3,937.01 | 3,992.99 | 1 | 9 |
| 2. | State excise | 709.74 | 707.36 | 800.14 | 809.87 | 949.46 | 951.96 | 940.74 | 1,044.14 | 1,137.73 | 1,131.22 | (-)0.57 | 8 |
| 3. | Motor vehicles tax | 173.08 | 176.03 | 215.39 | 196.13 | 246.88 | 207.81 | 214.14 | 220.10 | 227.15 | 317.05 | 149 | 44 |
| 4. | Stamp Duty | 142.76 | 155.09 | 159.05 | 172.61 | 201.22 | 187.50 | 209.11 | 190.58 | 215.40 | 205.52 | (-)05 | 08 |
| 5. | Taxes and duties on electricity | 190.00 | 185.47 | 217.03 | 262.63 | 248.77 | 191.36 | 262.01 | 332.82 | 308.45 | 551.06 | 79 | 66 |
| 6. | Land revenue | 1.90 | 17.86 | 4.01 | 23.60 | 4.00 | 9.98 | 15.12 | 16.88 | 15.66 | 7.43 | (-)53 | (-) 56 |
| 7. | Others | 378.08 | 389.33 | 500.23 | 433.11 | 489.76 | 431.20 | 386.56 | 475.07 | 499.39 | 490.54 ² | (-)02 | 3 |
| | Total | 4,039.83 | 4,107.92 | 5,057.42 | 4,626.17 | 5,372.99 | 5,120.91 | 5,223.30 | 5,940.16 | 6,340.79 | 6,695.81 | 6 | 13 |

Source: Finance accounts

The tax revenue raised by the State Government during the last five years shows an increasing trend and it increased from ₹4,107.92 crore in 2011-12 to ₹6,695.81 crore in 2015-16. The respective Departments reported the following reasons for variation:

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

State Excise: The increase was attributable to rise in the rates of license fee and excise duty per proof liter on country and Indian made foreign liquor and increase in annual license fee/renewal fee of all fixed fee licensees besides increase in the assessed fee on supply to bar-license holders, clubs and Armed Forces and increase in excise duties of different kind of liquors.

Motor Vehicles Taxes: The increase was due to payment of pending arrear of Special Road Tax from Himachal Road Transport Corporation, registration of more vehicles and more receipts from the vehicles coming from other States.

Taxes and duties on electricity: The increase was due to deposit of arrears of electricity duty of previous years during 2015-16 by the Himachal Pradesh State Electricity Board Ltd (HPSEBL)

The details of the non-tax revenue raised during the period 2011-12 to 2015-16 are indicated in **Table-1.3**.

² Figures under Major Receipts Heads-0042-Taxes on Goods and Passengers: ₹115.28 crore and 0045-Other Taxes and Duties on Commodities and Services: ₹375.26 crore

Table-1.3: Details of Non-tax revenue raised

| (₹ in crore) | | | | | | | | | | | | | |
|--------------|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---|--------------------|
| Sr. No. | Head of revenue | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | | Percentage of increase (+) or decrease (-) in 2015-16 | |
| | | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual | Actual over BE | Actual over actual |
| 1. | Power | 1,400.00 | 1,145.70 | 1,243.00 | 637.15 | 1,470.25 | 696.29 | 605.00 | 1,121.51 | 650.00 | 923.68 | 42 | (-) 18 |
| 2. | Interest receipts | 48.41 | 115.09 | 125.56 | 69.90 | 176.44 | 118.61 | 69.96 | 100.93 | 70.93 | 93.84 | 32 | (-) 7 |
| 3 | Non ferrous, mining and metallurgical Industries | 110.50 | 120.12 | 137.94 | 147.90 | 151.10 | 114.08 | 140.00 | 161.52 | 140.00 | 155.08 | 11 | (-) 4 |
| 4. | Forestry and wild life | 84.78 | 106.54 | 75.31 | 63.90 | 86.45 | 357.83 | 73.16 | 115.78 | 73.16 | 34.47 | (-) 53 | (-) 70 |
| 5. | Public works | 30.14 | 41.63 | 38.89 | 39.72 | 42.59 | 34.75 | 43.44 | 34.13 | 45.97 | 43.00 | (-) 6 | 26 |
| 6. | Other administrative services | 17.92 | 26.23 | 33.39 | 45.71 | 35.09 | 25.95 | 35.79 | 35.57 | 36.74 | 32.81 | (-) 11 | (-) 8 |
| 7. | Police | 18.42 | 15.39 | 21.03 | 20.63 | 29.57 | 34.65 | 38.16 | 39.83 | 47.78 | 48.53 | 2 | 22 |
| 8. | Medical and public health | 6.90 | 8.66 | 7.13 | 11.21 | 8.59 | 5.04 | 11.86 | 3.35 | 8.67 | 5.72 | (-) 34 | 71 |
| 9. | Co-operation | 3.23 | 2.30 | 3.46 | 3.24 | 4.48 | 15.30 | 3.66 | 8.67 | 2.90 | 14.77 | 409 | 70 |
| 10. | Miscellaneous general services | 0.82 | 40.01 | 1.87 | 8.94 | 1.99 | 5.65 | 2.12 | 3.41 | 2.18 | 19.37 | 788 | 468 |
| 11. | Major and medium irrigation | 0.46 | 0.36 | 0.81 | 0.33 | 0.81 | 0.37 | 0.81 | 0.17 | 0.89 | 0.21 | (-) 76 | 24 |
| 12. | Other Non-tax receipts | 272.92 | 293.17 | 314.21 | 328.25 | 385.18 | 376.01 | 364.83 | 456.58 | 427.96 | 465.00 | 9 | 2 |
| Total | | 1,994.50 | 1,915.20 | 2,002.60 | 1,376.88 | 2,392.64 | 1,784.53 | 1,388.79 | 2,081.45 | 1,507.18 | 1,837.15 | 22 | (-) 12 |

Source: Finance accounts

The non-tax revenue raised by the State Government during 2015-16 was (-) 12 per cent less as compared to the previous year. It decreased from ₹1,915.20 crore in 2011-12 to ₹1,837.15 crore in 2015-16. The respective Departments reported the following reasons for variation:

³ Figures under Other Non-Tax Receipts Head-0050-Dividends and Profits: ₹111.94 crore, 0051-Public Service Commission: ₹7.03 crore, 0056-Jail: ₹0.27 crore, 0057-Supplies and Disposals: ₹0.04 crore, 0058-Stationery and Printing: ₹8.32 crore, 0071-Contributions and Recoveries towards Pension and other: ₹5.71 crore, 0202-Education, Sports, Art and Culture: ₹206.37 crore, 0211-Family Welfare: ₹0.02 crore, 0215-Water Supply and Sanitation: ₹41.80 crore, 0216-Housing: ₹3.57 crore, 0217-Urban Development: ₹6.80 crore, 0220-Information and Publicity: ₹1.25 crore, 0230-Labour and Employment: ₹7.32 crore, 0235-Social Security and Welfare: ₹6.40 crore, 0250-Other Social Services: ₹0.09 crore, 0401-Crop Husbandry: ₹14.21 crore, 0403-Animal Husbandry: ₹0.94 crore, 0405-Fisheries: ₹3.98 crore, 0407-Plantation: ₹0.00 crore, 0408-Food Storage and Warehousing: ₹0.53 crore, 0435-Other Agricultural Programmes: ₹1.12 crore, 0506-Land Reforms: ₹0.27 crore, 0515-Other Rural Development Programmes: ₹3.78 crore, 0575-Other Social Areas Programmes: ₹0.33 crore, 0702-Minor Irrigation: ₹0.94 crore, 0851-Village and Small Industries: ₹11.03 crore, 0852-Industries: ₹4.65 crore, 1054-Roads and Bridges: ₹10.57 crore, 1055-Road Transport: ₹0.38 crore, 1425-Other Scientific Research: ₹0.00 crore, 1452-Tourism: ₹0.90 crore, 1456-Civil Supplies: ₹0.07 crore and 1475-Other General Economic Services: ₹5.04 crore

Forestry and Wild Life: The decrease was due to less receipt from the Himachal Pradesh State Forest Development Corporation Ltd. and other consumers/institutions on account of sale of timber and other forest produces besides decrease in sale of timber to other Department/Organisations and less receipts from other miscellaneous sources.

Police: The increase was due to payment of arrears by the Bhakra Beas Management Board (BBMB), Railways and other authorities for supply of Police guards and more receipts on account of payment of pending recoveries besides receipts of license fee under Arms Act and permits issued for plying vehicles on restricted roads in Shimla district by districts authorities.

Medical and Public Health: The increase was due to increase in revenue receipts by Director Health Services and deposit of revenue receipts by Director Health Safety Regulation since December 2015 and increased Receipts from manufacture of medicines.

Co-operation: The increase was due to amendments in Rules of determination of auditing fee and reimbursement of grants from the National Co-operative Development Corporation, New Delhi, for the execution of three Integrated Co-operative Development Projects and for operating the marketing activities of Himachal Pradesh State Co-operative Commerce and Consumers Association in the State.

The other Departments did not intimate the reasons for variation of receipts with that of previous year (November 2016).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2016 on some principal Heads of revenue amounted to ₹3,421.16 crore of which ₹226.55 crore was outstanding for more than five years as detailed in the **Table-1.4** below.

Table-1.4: Arrears of revenue

| (₹ in crore) | | | | |
|--------------|--|--|--|---|
| Sr. No. | Head of revenue | Total Amount outstanding as on 31 March 2016 | Amount outstanding for more than 5 years as on 31 March 2016 | Replies of the Departments |
| 1. | Taxes on Sales, Trade etc. | 2,687.78 | 173.78 | Arrears were accumulated from the year 1968-69. Demands for ₹2,345.76 crore had been certified as arrears of land revenue, ₹6.72 crore proposed to be written off, remaining ₹18.86 crore were recoverable from the Government Departments/undertakings, recoveries amounting to ₹38.63 crore were stayed by the High Court/ other judicial authorities and ₹277.81 crore recoverable from the dealers. |
| 2. | Water supply, Sanitation and Minor Irrigation | 254.79 | 0.0 | From the total arrears, ₹246.36 crore for supply of water, pertaining to Municipal Corporation/Committees and Notified Area Committees, ₹6.49 crore and ₹0.43 crore to Non-Government Bodies and Government Departments respectively, ₹0.05 crore to housing and ₹1.46 crore to Minor Irrigation. |
| 3. | Taxes and duties on electricity | 355.75 | 0.0 | Outstanding electricity duties from HPSEBL. |
| 4. | Other Taxes and Duties on Commodities and Services | 49.64 | 8.97 | Arrears were accumulated from the year 1989-90. Demands for ₹29.86 crore had been certified for recovery as arrears of land revenue, ₹0.89 crore proposed for write off, ₹6.93 crore stayed by the High Court/ others judicial |

| | | | | |
|--------------|--|-----------------|---------------|---|
| | | | | authorities and ₹11.96 crore recoverable from different hoteliers. |
| 5. | State Excise | 46.78 | 32.16 | Arrears were accumulated from the year 1972-73. Demands for ₹18.26 crore had been certified for recovery as arrears of land revenue, ₹3.96 crore were stayed by the High Court/other judicial authorities, ₹0.45 crore were proposed to be written off and ₹24.11 crore was recoverable from the bidders/licensees. |
| 6. | Taxes on Goods and Passengers | 17.81 | 9.02 | Demands for ₹8.56 crore had been certified for recovery as arrears of land revenue, ₹3.11 crore were proposed to be written off, remaining arrear of ₹1.36 crore recoverable from Government/Departments/undertakings and ₹4.78 crore recoverable from the owners of different vehicles. |
| 7. | Village and Small Industries | 7.27 | 1.73 | Arrears were accumulated from the year 1989-90. Arrears pertain to premium of plots (Industrial areas) etc. |
| 8. | Non-ferrous, Mining and Metallurgical Industries | 0.86 | 0.58 | Arrears were accumulated from the year 1970-71. Arrears pertain to mining offices and DDO (Headquarter) Geological Wing Directorate of industries on account of recovery of royalty/drilling charges etc. |
| 9. | Industries | 0.23 | 0.12 | Arrears were accumulated from the year 1980-81. Arrears pertain to rent sheds (Industrial Estate), rent of Government accommodation/Receipt of sale of Mulberry plants etc. |
| 10. | Public Works | 0.25 | 0.19 | Arrears were accumulated from the years 1963-64. |
| Total | | 3,421.16 | 226.55 | |

Source: Departmental figures

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 Excise Department in respect of sales tax, motor spirit tax, luxury tax and tax on works contracts is brought out in **Table-1.5** below.

Table-1.5: Arrears in assessments

| Head of revenue | Opening balance | New cases due for assessment during 2015-16 | Total assessments due | Cases disposed of during 2015-16 | Balance at the end of the year | Percentage of disposal (col. 5 to 4) |
|--------------------------|-----------------|---|-----------------------|----------------------------------|--------------------------------|--------------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Taxes on sales and trade | 1,50,998 | 48,021 | 1,99,019 | 51,207 | 1,47,812 | 26 |
| Luxury tax | 3,482 | 2,017 | 5,499 | 2,086 | 3,413 | 38 |
| Tax on works contracts | 2,047 | 370 | 2,417 | 267 | 2,150 | 11 |
| Motor spirit tax | 33 | 18 | 51 | 24 | 27 | 47 |

Source: Departmental figures

The disposal of assessment cases was very low and ranged between 11 and 47 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

| Sr. No. | Head of revenue | Cases pending as on 31 March 2015 | Cases detected during 2015-16 | 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 2016 |
|--------------|--|-----------------------------------|-------------------------------|---------------|--|---------------------|--|
| | | | | | Number of cases | Amount (₹ in crore) | |
| 1. | Taxes on Sales and Trade | 84 | 9,188 | 9,272 | 9,189 | 28.81 | 83 |
| 2. | State Excise | 43 | 3,889 | 3,932 | 3,899 | 2.71 | 33 |
| 3. | Passengers and Goods tax | 0 | 10,384 | 10,384 | 10,368 | 4.67 | 16 |
| 4. | Other Taxes and Duties on Commodities and Services | 22 | 5,426 | 5,448 | 5,439 | 2.32 | 9 |
| Total | | 149 | 28,887 | 29,036 | 28,895 | 38.51 | 141 |

Source: Departmental figures

Out of total 29,036, the Department had completed the assessment in 28,895 cases and raised an additional demand of ₹38.51 crore.

1.5 Refund cases

The refund cases pending at the beginning of the year 2015-16, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2015-16 is given in **Table-1.7** below.

Table 1.7: Details of 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 | 66 | 25.29 | 10 | 0.16 |
| 2. | Claims received during the year | 181 | 35.48 | 62 | 2.29 |
| 3. | Refund made during the year | 198 | 41.12 | 54 | 2.12 |
| 4. | Balance outstanding at the end of year | 49 | 19.65 | 18 | 0.33 |

Source: Departmental figures

1.6 Response of the Government/Department towards audit

The Principal Accountant General (Audit), Himachal Pradesh (PAG), conducts periodical inspection of 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/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.

Out of IRs issued up to December 2015, 2,549 IRs remained outstanding at the end of June 2016 as depicted in **Table-1.8** below along with the corresponding figures for the preceding two years.

Table-1.8: Details of pending Inspection Reports

| | June 2014 | June 2015 | June 2016 |
|--|-----------|-----------|-----------|
| Number of IRs pending for settlement | 2,952 | 2,509 | 2,549 |
| Number of outstanding audit observations | 8,009 | 7,150 | 7,512 |
| Amount of revenue involved (₹ in crore) | 1,322.75 | 1,099.13 | 1,512.30 |

The Department wise details of the IRs and audit observations outstanding as on 30 June 2016 and the amounts involved are in **Table-1.9** below.

Table-1.9: Department-wise details of pending Inspection Reports

| Sl. No. | Name of the Department | Nature of receipts | Number of outstanding IRs | Number of outstanding audit observations | Money value involved (₹ in crore) |
|--------------|------------------------|--|---------------------------|--|-----------------------------------|
| 1. | Excise | Taxes on Sales, Trade etc. | 123 | 991 | 329.30 |
| | | Passenger & Goods Tax (PGT) | 178 | 334 | 261.45 |
| | | Other Taxes & Duties on commodities and services (OTD) | 105 | 129 | 7.30 |
| | | Entertainment & luxury tax etc. | 48 | 84 | 0.89 |
| | | State Excise Duty | 50 | 188 | 55.43 |
| 2. | Revenue | Land Revenue | 236 | 475 | 197.97 |
| 3. | Transport | Taxes on motor vehicles | 673 | 2,613 | 296.84 |
| 4. | Stamp and Registration | Stamp and Registration Fees | 592 | 1,229 | 60.58 |
| 5. | Forest and environment | Forest Receipts | 544 | 1,469 | 302.54 |
| Total | | | 2,549 | 7,512 | 1,512.30 |

During 2015-16, audit did not receive even the first reply in respect of 106 IRs out of 217 IRs from the Heads of the Offices within the stipulated time of four weeks. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Heads of Offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs. Lack of executive action on audit observations weakens accountability and raises the risk of avoidable loss of revenue. The continuous increase in the number of pending audit paragraphs merits the attention of the Government to ensure effective mechanism to regularly monitor and review the compliance and settlement of 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 audit committee meetings held during the year 2015-16 and the paragraphs settled are in **Table-1.10**.

Table-1.10: Details of Departmental Audit Committee meetings

| Sr. No. | Department | Number of meetings held | Number of paragraphs settled | Amount (₹ in crore) |
|--------------|-------------------------|-------------------------|------------------------------|---------------------|
| 1. | Revenue Department | 1 | 36 | 0.53 |
| 2. | State Excise Department | 1 | 189 | 0.90 |
| 3. | Transport Department | 1 | 27 | 1.27 |
| 4. | Forest Department | 1 | 50 | 7.62 |
| Total | | 4 | 302 | 10.32 |

Four Audit Committee Meetings in respect of Revenue, State Excise, Transport and Forest Departments held during 2015-16 resulted in settlement of 302 outstanding paragraphs involving ₹10.32 crore. It is recommended that Government should ensure holding of meetings of the Audit Committee at regular intervals in all the Departments.

1.6.3 Response of the Departments to the draft audit paragraphs

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 the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Twenty seven draft paragraphs were sent to the Principal Secretaries/Secretaries of the respective Departments between April and August 2016. The Principal Secretaries/Secretaries of the Departments had not furnished replies to twenty six draft paragraphs and the same have been included in this Report without the response of the Government. However, the replies of the Department, wherever received, have been appropriately incorporated in the Report.

1.6.4 Follow up on the Audit Reports-summarised position

The Public Accounts Committee notified in December 2002 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 action taken notes thereon should be submitted by the Government within three months of tabling the Report for consideration of the Committee. However, action taken notes on audit paragraphs of the Reports were delayed. A total of 132 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 2011, 2012, 2013 and 2014 on the Revenue Sector were placed before the State Legislature Assembly between 6 April 2012 and 10 April 2015. Action taken notes from the concerned Departments on these paragraphs were received late with average delay of 13, seven, 11 and seven months of each of these Audit Reports, respectively. Action taken notes in respect of three paragraphs from Revenue Department had not been received (November 2016) for the Audit Report for the year ended 31 March 2014.

The PAC discussed 73 selected paragraphs pertaining to the Audit Reports for the years from 2006-07 to 2012-13. However, recommendations on discussed paragraphs in respect of Departments mentioned in **Table-1.11** below.

Table-1.11: Details of paragraphs discussed in the PAC

| Year | Name of the Departments | Recommendations awaited |
|----------------------------|-------------------------------------|--------------------------------|
| 2006-07 | Revenue, Transport and Co-operation | 15 |
| 2007-08 | Excise and Taxation and Transport | 29 |
| 2008-09 | Excise and Taxation | 16 |
| 2009-10 | Excise and Taxation | 06 |
| 2011-12 and 2012-13 | Forest | 07 |
| Total | | 73 |

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

To analyze 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 (Transport Department under major receipt Head of 0041-Motor Vehicle Tax) is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the Transport Department in respect of Taxes on Motor Vehicle under Major Receipt Head '0041-Motor Vehicle Tax' and cases noticed in the course of local audit during the last 10 years upto 2015-16 and also the cases included in the Audit Reports for the years 2006-07 to 2014-15.

1.7.1 Position of 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 2016 are tabulated in **Table-1.12** below.

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 |
| 2006-07 | 532 | 1,568 | 26.51 | 55 | 269 | 5.97 | 31 | 194 | 3.26 | 556 | 1,643 | 29.22 |
| 2007-08 | 556 | 1,643 | 29.22 | 54 | 326 | 9.45 | 22 | 163 | 10.24 | 588 | 1,806 | 28.43 |
| 2008-09 | 588 | 1,806 | 28.43 | 52 | 299 | 4.52 | 21 | 195 | 4.42 | 619 | 1,910 | 28.53 |
| 2009-10 | 619 | 1,910 | 28.53 | 62 | 203 | 66.51 | 54 | 140 | 54.47 | 627 | 1,973 | 40.57 |
| 2010-11 | 627 | 1,973 | 40.57 | 55 | 214 | 30.97 | 15 | 101 | 23.55 | 667 | 2,086 | 47.99 |
| 2011-12 | 667 | 2,086 | 47.99 | 53 | 252 | 23.32 | 29 | 131 | 8.06 | 691 | 2,207 | 63.25 |
| 2012-13 | 691 | 2,207 | 63.25 | 39 | 206 | 32.88 | 51 | 164 | 26.52 | 679 | 2,249 | 69.61 |
| 2013-14 | 679 | 2,249 | 69.61 | 39 | 208 | 123.06 | 74 | 180 | 10.68 | 644 | 2,277 | 181.99 |
| 2014-15 | 644 | 2,277 | 181.99 | 36 | 176 | 57.65 | 50 | 62 | 1.11 | 630 | 2,391 | 238.53 |
| 2015-16 | 630 | 2,391 | 238.53 | 44 | 227 | 59.81 | 01 | 05 | 1.50 | 673 | 2,613 | 296.84 |

Against 532 outstanding IRs with 1,568 paragraphs as on start of 2006-07, the number of outstanding IRs rose to 673 with 2,613 paragraphs at the end of 2015-16. This is indicative of the fact that adequate steps were not taken by the Department resulting in accumulation of 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** below.

Table-1.13: Recovery of accepted cases

| (₹ in crore) | | | | | | |
|----------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------------|----------------------------------|---|
| 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 | Cumulative position of recovery of accepted cases as of 31 March 2016 |
| 2005-06 | 06 | 21.20 | 05 | 9.55 | 0.01 | 1.11 |
| 2006-07 | 05 | 2.89 | 05 | 2.89 | 0 | 0.13 |
| 2007-08 | 07 | 4.79 | 07 | 4.77 | 0.02 | 0.61 |
| 2008-09 | 08 | 5.67 | 06 | 4.93 | 0.40 | 2.83 |
| 2009-10 | 04 | 60.13 | 03 | 35.99 | 3.42 | 30.62 |
| 2010-11 | 07 | 19.85 | 05 | 18.09 | 0.22 | 15.94 |
| 2011-12 | 05 | 16.15 | 05 | 16.15 | 0.26 | 13.69 |
| 2012-13 | 04 | 16.73 | 04 | 16.70 | 0.12 | 14.51 |
| 2013-14 | 03 | 10.75 | 03 | 3.77 | 0.55 | 0.94 |
| 2014-15 | 07 | 40.81 | 05 | 20.14 | 2.30 | 3.70 |
| Total | 56 | 198.97 | 48 | 132.98 | 7.30 | 84.08 |

The progress of recovery even in accepted cases was very slow throughout during the last 10 years.

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

Draft performance audits conducted by the PAG/AG are forwarded to the concerned Department/Government 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. Two performance audits on the Transport Department under Receipt Head-'0041- Motor Vehicles Tax' conducted and featured in the Audit Reports for the years 2009-10 and 2010-11 as per details given in the **Table-1.14**.

Table-1.14: Action taken on the recommendations accepted by the Department/Government

| Sr. No. | Year of Audit Report | Title of the performance audit | Number of recommendations made in PA | Remarks |
|---------|----------------------|---|--------------------------------------|--|
| 1. | 2009-10 | Levy and Collection of Motor Vehicles Tax | Seven recommendations | All recommendations were accepted and admitted by the Department and stated that the efforts were being made for its implementation. |
| 2. | 2010-11 | Computerization in the Transport Department | Four 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 Acts and Rules as well as Departmental instructions issued from time to time.

During the year 2015-16, out of 31 units planned for audit, internal audit cell audited 13 units (42 per cent) as detailed in **Table-1.15** below.

Table-1.15: Internal Audit

| Name of the Department | Total auditable unit | No. of units planned for audit | No. of units audited | Shortfall |
|------------------------|---|--------------------------------|----------------------|-----------|
| Excise and Taxation | 13 | 13 | 06 | 07 |
| Transport | 01-STA 56-RLAs 10-RTOs 03-RTO (flying squad) | 18 | 07 | 11 |
| Total | 83 | 31 | 13 | 18 |

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. An annual audit plan is prepared on the basis of risk analysis which *inter alia* include issues in government revenue and tax administration derived from the budget speech, the white paper on State finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee and statistical analysis of revenue earnings during the past five years, factors of the tax administration and audit coverage.

During the year 2015-16, there were 420 auditable units of which 217 units⁴ planned and audited.

Besides, the compliance audit mentioned above, two thematic audits on 'Grant of Government Land on Lease and realisation of lease money' and 'Recovery of Passenger and Goods Tax in Excise and Taxation Department' was also conducted to examine the efficacy of the Departments concerned in realisation of revenue receipts.

1.10 Results of audit

Position of local audit conducted during the year

Test check of the records of 217 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods & Passengers and Forest Receipts conducted during the year 2015-16 revealed under-assessment/short levy/loss of revenue aggregating ₹585.95 crore in 1,206 cases. During the year, the Departments concerned accepted under-assessment and other deficiencies of ₹182.20 crore in 664 cases out of which an amount of ₹23.06 crore was realised in 533 cases of which ₹15.15 crore in 471 cases relate to findings of previous years and ₹7.91 crore in 62 cases for the findings of year 2015-16.

1.11 Coverage of this Report

This Report contains 27 draft paragraphs with revenue implication of ₹279.28 crore. The Departments/Government have accepted 21 audit observations involving ₹106.43 crore of which ₹8.58 crore had been recovered in 18 cases.

⁴ These units included 25 units of Luxury tax, Entertainment tax and Multi Purpose Barriers.

