

OVERVIEW

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This Report is in two parts. Part-A covers audit findings of Revenue Sector and Part-B covers audit findings of Public Sector Undertakings.

Part 'A' Revenue Sector

This Part contains audit findings of Revenue Sector comprising 23 paragraphs relating to non/short levy of VAT/CST, State Excise, Stamp duty and Registration Fee, Passenger and Goods tax and Forest Receipt, with revenue implication of ₹ 173.63 crore. Some of the major findings are mentioned below:

General

The total revenue receipt of the State Government for the year 2018-19 was ₹ 30,950.28 crore as compared to ₹ 27,367.06 crore during the previous year. Of this, 34 *per cent* was raised by the State through tax revenue (₹ 7,575.61 crore) and non-tax revenue (₹ 2,830.04 crore) while 66 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 5,426.97 crore) and Grants-in-Aid (₹ 15,117.66 crore).

(Paragraph 1.1.1)

During the year 2018-19, test check of the records of 166 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Passengers and Goods Tax and Forest Receipts highlighted under-assessment/short levy/loss of revenue, short levy of excise duty and stamp duty and registration fee, short recovery of token tax, special tax and royalty etc., aggregating ₹ 297.10 crore in 1,168 cases. The Departments concerned accepted audit observations of ₹ 18.59 crore in 860 cases, of which ₹ 3.92 crore in 188 cases related to audit findings of previous years. The Department recovered ₹ 2.72 crore in 195 cases, of which ₹ 2.69 crore in 188 cases related to audit findings of previous years.

(Paragraph 1.9)

Taxes/VAT on Sales and Trade

Failure of the Assessing Authorities to correctly classify the nature of manufactured goods, led to illegitimate allowance of concessional rate of tax, which resulted in under assessment of tax of ₹ 2.42 crore. Interest of ₹ 1.67 crore was also leviable.

(Paragraph 2.3)

The Assessing Authorities allowed concessional rate of tax in 19 cases without any Form-I or with ineligible Form-I, resulting in short levy of tax of ₹3.87 crore. Besides, interest of ₹4.03 crore was required to be levied.

(Paragraph 2.4)

The Assessing Authorities had accepted defective/invalid forms and concessional rate of tax was allowed on inter-state sale, which resulted in short levy of tax of ₹1.43 crore. In addition, interest of ₹1.79 crore was required to be levied.

(Paragraph 2.5)

State Excise

The Assessing Authorities did not take any action either to seal the vends or cancel/suspend the permit, for re-selling the license to recover the short deposited license fee of ₹ 82.32 crore from 23 licensees.

(Paragraph 2.12)

The Assessing Authorities had not reviewed the status of lifting of Minimum Guaranteed Quota quarterly, resulting in non-levy of additional fee of ₹ 20.28 crore for short lifting of 62,87,807 proof litres of liquor by licensees of 1,130 vends. Besides, penalty of ₹ 2.48 crore was required to be levied for short lifting of quota.

(Paragraph 2.13)

Interest amounting to ₹ 3.75 crore on delayed payment of license fee/bottling fee was not demanded by the Department from the licensees of 134 vends, resulting in non-levy of interest to that extent.

(Paragraph 2.16)

Stamp Duty

In 713 sale deed cases, the Sub Registrars did not take into account the consideration amount or market value of the properties with reference to the revised rates, did not verify the circle rates of land and did not cross-check the affidavits with reference to distance of land from road before registration of deeds. In 96 lease deed cases, the Sub-Registrars did not consider the market value of the properties and uniform procedure was not adopted. Consequently, there was a loss of revenue of ₹ 10.53 crore to the State. Further, the software application system 'HIMRIS' used for registration was not robust, as it had many flaws with regard to capturing, validation and security of data. The software was also not interconnected with other digitized land revenue applications. The HIMRIS was running on standalone systems in each Sub Registrar without any central server.

(Paragraph 2.17)

The incorrect determination of market value of property by the Department led to short realization of lease rent, stamp duty and registration fee to the extent of ₹ 1.53 crore.

(Paragraph 2.18)

Taxes on Vehicles, Passengers and Goods

Token tax of ₹ 7.72 crore in respect of 21,107 vehicles for the years 2015-18 was neither demanded by the Department nor was it paid by the commercial vehicle owners.

(Paragraph 2.19)

Due to lack of co-ordination between the RLAs/RTOs and AETCs, the owners of the commercial vehicles did not register their vehicles with the concerned Excise and Taxation offices, which resulted in non-realisation of Passenger and Goods tax amounting to ₹ 2.38 crore.

(Paragraph 2.20)

The passenger and goods tax amounting to ₹ 1.97 crore for the period 2016-17 to 2017-18 was neither paid by the owners of 2,472 commercial vehicles nor was it demanded by the Department.

(Paragraph 2.21)

Forest Receipts

Forest Receipt of ₹ 31.70 crore was not realised due to:

- Not claiming royalty on exploitation of timber and tapping of resin blazes and reduction in rates of royalty,
- Failure to collect interest on belated payment of royalty,
- Non maintenance of permanent and reliable inventory of Chil trees,
- Lack of monitoring exploitation and non-levy of extension fees.

(Paragraph 2.23)

Part 'B' **Public Sector Undertakings**

This Section contains 10 paragraphs with a total financial implication of ₹ 437.17 crore. Some of the significant findings are highlighted below:

1. State Public Sector Undertakings (PSUs)

3.1 Power Sector Companies

The State of Himachal Pradesh had 27 PSUs as on 31 March 2019. This included two Statutory Corporations, and 25 Government Companies (including three inactive ones). The working PSUs registered a turnover of ₹ 9,181.99 crore as per their latest finalised accounts. This turnover was equal to 5.97 *per cent* of the State Gross Domestic Product (GDP) at current prices for the year 2018-19.

As on 31 March 2019, the total investment in the 27 PSUs was ₹ 20,338.66 crore, out of which the State Government had contributed ₹ 15,287.60 crore.

(Paragraphs 3.1.1 and 3.1.6)

2. Performance of Public Sector Undertakings (PSUs)

Power Sector PSUs

Four PSUs submitted four accounts for previous years (two accounts for 2016-17 and two accounts for 2017-18) during October 2018 to September 2019. As per the latest finalised accounts, net worth of one PSU was completely eroded. During 2018-19, none of the PSUs earned profit.

(Paragraphs 4.7, 4.13 and 4.14)

Other than Power Sector Companies

Out of 20 working State PSUs, 13 PSUs had finalised 14 annual accounts including one annual account for 2018-19 during October 2018 to September 2019. As per latest finalised accounts, net worth eroded completely in eight PSUs. Out of seven profit making PSUs, only three PSUs declared/paid dividend of ₹ 2.25 crore.

(Paragraphs 5.8.1, 5.17 and 5.18)

3. Power Sector

Chapter 4 discusses Compliance audit observations having a total financial implication of ₹ 421.69 crore and highlights performance of State Government Companies in the power sector. Important findings are as follows:

Himachal Pradesh State Electricity Board Limited

As on 31 March 2019, Himachal Pradesh State Electricity Board Limited (Company) had 22 Hydro Electric Projects (HEPs) with total installed capacity of 487.45 MW. Power Generation from these projects during 2016-19 was 5,599.49 MUs. Working of seven HEPs which included three mega, two small and two mini hydel projects, was scrutinized in audit for the period 2016-19. These projects constitute 69 *per cent* of total installed capacity and generate between 65 to 73 *per cent* of the total electricity produced by all the HEPs. Audit observed the following:

(Paragraph 4.26)

- Avoidable lapses in operation and maintenance by the Company resulted in generation loss of 715.64 MUs equivalent to ₹ 393.97 crores, even after spending ₹ 265.94 crore on O and M ;

(Paragraph 4.26.4)

- The Plant Availability Factor in four projects, remained low (between 10 and 62 *per cent*), while the Plant Load Factor (PLF) was below the 60 *per cent* benchmark fixed by the Central Electricity Authority;

(Paragraph 4.26.5)

- Frequent breakdowns and low generation (Rongtong and Rukti projects) deprived the beneficiaries of the border areas of quality and uninterrupted power. In the Giri HEP, lack of silt removal, significantly reduced the storage capacity of the reservoir and adversely affected its generation capacity.

(Paragraphs 4.26.6 (iii) and 4.26.7(i))

Himachal Pradesh State Electricity Board Limited did not levy charges of ₹ 3.80 crore for unauthorised use of power.

(Paragraph 4.27)

Due to non-adherence to provisions of the supply code, the Himachal Pradesh State Electricity Board Limited lost its right to initiate action for levy of fixed charges, resulting in a revenue loss of ₹ 3.76 crore.

(Paragraph 4.28)

The Himachal Pradesh State Electricity Board Limited did not apply the tariff orders issued in April 2013 and August 2014 by Himachal Pradesh Electricity Regulatory Commission, leading to short recovery of ₹ 1.78 crore.

(Paragraph 4.29)

4. Other than Power Sector

Chapter 5 discusses Compliance audit observations having a total financial implication of ₹ 15.48 crore and highlight deficiencies in the management of State Government Companies in other than power sector, which had significant financial implications. Important findings are as follows:

Himachal Pradesh Beverages Limited

Absence of mechanism for daily / monthly reconciliation of amounts deposited by the licensees and lifting of stock against these, led to sale of liquor (₹ 5.96 crore) on credit basis and lifting of liquor (₹ 3.79 crore) by using fake / tampered Unique Transaction References (UTRs) without depositing payment with the Himachal Pradesh Beverages Limited, resulting in non-recovery of ₹ 9.69 crore.

(Paragraph 5.31)

Himachal Pradesh State Forest Development Corporation Limited

The Himachal Pradesh State Forest Development Corporation Limited made employer's contribution to Employees Provident Fund at a rate exceeding the prescribed rate of contribution, resulting in excess contribution of ₹ 2.87 crore.

(Paragraph 5.32)

Himachal Road Transport Corporation

Failure of the management in monitoring the actual discount being provided by oil companies, resulted in excess expenditure of ₹ 1.39 crore.

(Paragraph 5.36)

