

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 2016-17, 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 below.

Table-1.1 Trend of revenue receipts

₹ in crore						
Sr. No.	Particular	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Revenue raised by the State Government					
	Tax revenue	4,626.17	5,120.91	5,940.16	6,695.81	7,039.05
	Non-tax revenue	1,376.88	1,784.53	2,081.45	1,837.15	1,717.24
	Total	6,003.05	6,905.44	8,021.61	8,532.96	8,756.29
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	2,282.02	2,491.53	2,644.17	3,611.17	4,343.70 ¹
	Grants-in-Aid	7,313.07	6,314.11	7,177.67	11,296.35	13,164.35
	Total	9,595.09	8,805.64	9,821.84	14,907.52	17,508.05
3.	Total revenue receipts of the State Government (1 and 2)	15,598.14	15,711.08	17,843.45	23,440.48	26,264.34
4.	Percentage of 1 to 3	38	44	45	36	33

It is observed that during the year 2016-17, the revenue raised by the State Government (₹8,756.29 crore) was 33 per cent of the total revenue receipts. The balance 67 per cent of the receipts during 2016-17 was from the Government of India as share of net proceeds of divisible union taxes and Grants-in-Aid. There was an increase in Revenue receipts over previous year by ₹2,823.86 crore.

1.1.2 The details of the tax revenue raised *vis-a-vis* budget estimates during the period 2012-13 to 2016-17 are depicted below.

¹ For details, see Statement No. 14 'Detailed statement of revenue and capital receipt by minor Heads' in Finance Accounts of the Government of Himachal Pradesh for the year 2016-17 under the Major Receipts Head 0020-Corporation tax, 0021-Taxes on income other than Corporation tax, 0032-Taxes on wealth, 0037-Customs, 0038-Union excise duties, 0044-Service tax and 0045-Other Taxes and Duties on Commodities. Receipts under sub Head 901-Share of net proceeds assigned to State booked under A-tax revenue have been excluded from 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	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) in 2016-17 over actual of 2015-16
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1.	Taxes on sales and trade	3,161.57	2,728.22	3,232.90	3,141.10	3,195.62	3,660.57	3,937.01	3,992.99	4,715.67	4,381.91	10
2.	State excise	800.14	809.87	949.46	951.96	940.74	1,044.14	1,137.73	1,131.22	1,274.26	1,307.87	16
3.	Motor vehicles tax	215.39	196.13	246.88	207.81	214.14	220.10	227.15	317.05	305.73	279.58	(-) 12
4.	Stamp Duty	159.05	172.61	201.22	187.50	209.11	190.58	215.40	205.52	247.77	209.16	2
5.	Taxes and duties on electricity	217.03	262.63	248.77	191.36	262.01	332.82	308.45	551.06	339.30	371.67	(-) 33
6.	Land revenue	4.01	23.60	4.00	9.98	15.12	16.88	15.66	7.43	18.01	7.64	3
7.	Others	500.23	433.11	489.76	431.20	386.56	475.07	499.39	490.54	568.64	481.22 ²	(-) 2
	Total	5,057.42	4,626.17	5,372.99	5,120.91	5,223.3	5,940.16	6,340.79	6,695.81	7,469.38	7,039.05	5

Source: Finance accounts

It is observed that there is increase in tax revenue of State from ₹4,626.17 crore in 2012-13 to ₹7,039.05 crore in 2016-17. Taxes on Sale & Trade (62 per cent) and State Excise (19 per cent) were main contributor to State taxes. There is a fall in Land revenue from ₹23.60 crore to ₹7.64 crore in last five years. The respective Departments reported the following reasons for variation during the year:

Taxes on sales and trade: The increase was due to better tax administration, recovery of old arrears and enhancement in tax rate of entry tax on electronic energy meters. Besides, there was levy of entry tax on e-commerce since February 2017.

State Excise: The increase was due to 10 per cent increase in annual license fee/ renewal fee and all fixed fees and resumption of auctioning of vends wherein competitive bidders quoted higher prices as compared to base price.

The details of the non-tax revenue raised during the period 2012-13 to 2016-17 are depicted below.

² Figures under Major Receipts Heads 0042-Taxes on Goods and Passengers: ₹121.37 crore and 0045-Other Taxes and Duties on Commodities and Services: ₹359.85 crore

Table-1.3 Details of Non-tax revenue raised

₹ in crore												
Sr. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) in 2016-17 over actual of 2015-16
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
		1.	Power	1,243.00	637.15	1,470.25	696.29	605.00	1,121.51	650.00	923.68	
2.	Interest receipts	125.56	69.90	176.44	118.61	69.96	100.93	70.93	93.84	78.25	145.56	55
3.	Non-ferrous, mining and metallurgical Industries	137.94	147.90	151.10	114.08	140.00	161.52	140.00	155.08	168.00	176.22	14
4.	Forestry and wild life	75.31	63.90	86.45	357.83	73.16	115.78	73.16	34.47	87.79	18.50	(-) 46
5.	Public works	38.89	39.72	42.59	34.75	43.44	34.13	45.97	43.00	50.57	54.60	27
6.	Other administrative services	33.39	45.71	35.09	25.95	35.79	35.57	36.74	32.81	40.41	42.63	30
7.	Police	21.03	20.63	29.57	34.65	38.16	39.83	47.78	48.53	56.47	50.50	4
8.	Medical and public health	7.13	11.21	8.59	5.04	11.86	3.35	8.67	5.72	9.54	10.71	87
9.	Co-operation	3.46	3.24	4.48	15.30	3.66	8.67	2.90	14.77	2.90	12.51	(-) 15
10.	Miscellaneous general services	1.87	8.94	1.99	5.65	2.12	3.41	2.18	19.37	2.40	2.35	(-) 88
11.	Major and medium irrigation	0.81	0.33	0.81	0.37	0.81	0.17	0.89	0.21	0.98	0.39	86
12.	Other Non-tax receipts	314.21	328.25	385.18	376.01	364.83	456.58	427.96	465.67	470.80	552.34 ³	19
Total		2,002.60	1,376.88	2,392.64	1,784.53	1,388.79	2,081.45	1,507.18	1,837.15	1,668.11	1,717.24	(-) 7

Source: Finance accounts

It is observed that non-tax revenue has fallen from ₹1,837.15 crore in 2015-16 to ₹1,717.24 crore in 2016-17. The respective Departments reported the following reasons for variation during the year:

Power: During the year 2014-15, revenue increased due to deposit of arrears of free electricity in earlier years, lesser supply of free power and more sales of electricity to other States while decrease in revenue was due to declining sale price of power from ₹2.95 in 2015-16 to ₹2.66 per unit in 2016-17.

Non-ferrous, mining and metallurgical Industries: The increase was due to enhancement of royalty rates of major and minor minerals and more extraction of minerals due to excess consumption/utilization. Besides, different lessees had started mining activities after getting environmental clearance.

Police: The increase was due to payment of fines and pending recoveries and receipts of licence fee of vehicle permits issued for plying on restricted roads.

Medical and Public Health: The increase was due to deposit of revenue receipts in the Government account by Director Health Safety Regulation and receipts from manufacture of medicines and miscellaneous receipts.

³ The details given in Annexure-I.

Co-operation: The decrease was due to lesser grant received from the National Co-operative Development Corporation, New Delhi, for the execution of Integrated Co-operative Development Projects in the State.

The other Departments did not intimate the reasons for variation of receipts with that of previous year (December 2017).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 on some Principal Heads of revenue amounted to ₹3,554.30 crore of which ₹170.67 crore was outstanding for more than five years as depicted below.

Table-1.4 Arrears of revenue

₹ in crore				
Sr. No.	Head of revenue	Total Amount outstanding as on 31 March 2017	Amount outstanding for more than 5 years as on 31 March 2017	Replies of the Departments
1.	Taxes on Sales and Trade	2,984.08	119.43	Arrears for ₹2,560.40 crore had been referred for recovery as arrears of land revenue, ₹88.95 crore were stayed by the Courts, ₹16.56 crore was recoverable from Government Departments/ undertakings/ Boards, ₹24.11 crore was proposed to be written off, ₹55.47 crore was pending under appeal and ₹238.59 crore recoverable form the others.
2.	Water supply, Sanitation, Housing and Minor Irrigation	288.27	0.0	Arrears of ₹277.10 crore pertains to supply of water to Municipal Corporations/Committees and Notified Area Committees, ₹8.75 crore and ₹77 lakh to Non-Government Bodies and Government Departments respectively and ₹1.65 crore to Minor Irrigation.
3.	State Excise	86.40	13.22	Arrears for ₹44.70 crore had been referred for recovery as arrears of land revenue, ₹4.53 crore were stayed by the Courts, ₹1.04 crore was recoverable from Government Departments/undertakings/Boards, ₹22.00 lakh was proposed to be written off and ₹35.91 crore recoverable form the bidders/licensees/others.
4.	Forestry and Wild Life	68.09	14.89	Arrears of ₹2.78 crore pertain to contractors & cases referred to Collectors for recovery under ALR, out of these some cases were under trial in the Court of Law. ₹65.05 crore recoverable from the HPSFDC Ltd. and ₹25.80 lakh pertains to other Government Department.
5.	Other Taxes and Duties on Commodities and Services	65.75	12.71	Arrears of ₹39.26 crore had been referred for recovery as arrears of land revenue, ₹9.43 crore were stayed by the Courts, ₹5.65 crore was pending under appeal and ₹11.41 crore recoverable form the others.
6.	Police	39.37	0.30	Arrears accumulated from the years 1971-72. Out of this ₹28.96 lakh related to JP Cement plant Ltd., ₹2.90 lakh related to various Courts, ₹5.57 crore related to BBMB and remaining amount ₹33.48 crore related to other Departments/institutions.
7.	Village and Small Industries	8.48	2.41	Arrears accumulated from the year 1989-90. Arrears pertain to premium of plots (Industrial areas) etc.
8.	Taxes on Goods and Passengers	7.06	6.29	From the total arrears, ₹3.37 crore had been referred for recovery as arrears of land revenue, ₹12.00 lakh were stayed by the Courts, ₹11.17 lakh was recoverable from Government Departments/undertakings/Boards, ₹7.00 lakh was proposed to be written off and ₹3.39 crore recoverable form the others.
9.	Printing and Stationery	5.53	0.59	Arrears accumulated from the year 1999. Arrears of ₹1.85 crore from Corporations/Boards/undertakings, ₹3.56 crore from Government Departments and ₹12.41 lakh from NRHM were recoverable.
10.	Non-ferrous, Mining and Metallurgical Industries	0.79	0.57	Arrears 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.

11.	Public Works	0.24	0.17	Arrears pertain to residential and non-residential buildings.
12.	Industries	0.22	0.09	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.
13.	Co-operation	0.02	0.0	Arrears pertained to Audit Fee recoverable.
Total		3,554.30	170.67	

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 are depicted below.

Table-1.5 Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2016-17	Total assessments due	Cases disposed of during 2016-17	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	1,478,12	70,893	2,18,705	39,397	1,79,308	18
Luxury tax	3,413	2,541	5,954	2,401	3,553	40
Tax on works contracts	2,150	420	2,570	1,300	1,270	50
Motor spirit tax	27	28	55	27	28	49
Total	1,53,402	73,882	2,27,284	43,125	1,84,159	19

Source: Departmental figures

The disposal of assessment cases in respect of Department of Sales and Taxes was very low.

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 depicted below.

Table-1.6 Evasion of Tax

Sr. No.	Head of revenue	Cases pending as on 1 st April 2016	Cases detected during 2016-17	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 2017
					Number of cases	Amount (₹ in crore)	
1.	Taxes on Sales and Trade	83	13,452	13,535	13,379	55.80	156
2.	State Excise	33	359	392	330	1.59	62
3.	Passengers and Goods tax	16	11,424	11,440	11,115	4.97	325
4.	Other Taxes and Duties on Commodities and Services	9	1,853	1,862	1,765	5.25	97
Total		141	27,088	27,229	26,589	67.61	640

Source: Departmental figures

It is observed that out of total 27,229 cases, the Department had completed the assessment in 26,588 cases and raised an additional demand of ₹67.61 crore. Number of pending cases have increased from 141 to 640 during the year.

1.5 Refund cases

The refund cases pending at the beginning of the year 2016-17, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2016-17 are depicted below.

Table 1.7 Details 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	49	19.65	18	0.33
2.	Claims received during the year	187	28.27	18	0.62
3.	Refund made during the year	194	26.23	17	0.42
4.	Balance outstanding at the end of year	42	21.69	19	0.53

Source: Departmental figures

The number of outstanding cases at the end of year has decreased in Sales Tax/VAT and slightly increased in State Excise as compared to cases outstanding at the beginning of the year.

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 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.

Inspection reports issued up to December 2016 disclosed that 7,764 paragraphs involving ₹1,817.56 crore relating to 2,582 IRs remained outstanding at the end of June 2017 as mentioned below in **Table 1.8** along with the corresponding figures for the preceding two years.

Table-1.8 Details of pending Inspection Reports

	June 2015	June 2016	June 2017
Number of IRs pending for settlement	2,509	2,549	2,582
Number of outstanding audit observations	7,150	7,512	7,764
Amount of revenue involved (₹ in crore)	1,099.13	1,512.30	1,817.56

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2017 and the amounts involved are depicted below.

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 & Taxation	Taxes/VAT on sales and trade	132	945	364.52
		State Excise Duty	59	267	217.55
		Passenger & Goods Tax	182	375	294.36
		Other Taxes & Duties on Commodities and Services	109	141	7.14
		Entertainment & Luxury tax etc.	54	107	10.01
2.	Revenue	Land Revenue	228	452	190.41
		Stamp and Registration Fees	605	1,270	56.96
3.	Transport	Taxes on Motor Vehicles	669	2,548	277.76
4.	Forest and Environment	Forest Receipts	544	1,659	398.85
Total			2,582	7,764	1,817.56

During 2016-17, audit did not receive even the first reply in respect of 120 IRs out of 138 IRs issued during the year, from the Heads of the Offices within the stipulated time of four weeks. The 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 audit 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 2016-17 and the paragraphs settled are depicted below.

Table-1.10 Details of Departmental Audit Committee meetings

Sr. No.	Department	Number of meetings held	Number of paragraphs outstanding	Number of paragraphs settled	Amount (₹ in crore)
1.	Revenue Department	1	1,320	55	0.11
2.	State Excise Department	1	2,049	245	1.10
3.	Transport Department	1	2,594	74	1.42
4.	Forest Department	1	1,532	51	3.63
Total		4	7,495	425	6.26

Out of 7,495, outstanding paragraphs, 425 paras (5.67 per cent) involving amount of ₹6.26 crore were settled in four Audit Committee Meetings in respect of Revenue, State Excise, Transport and Forest Departments held during the year 2016-17.

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.

One Performance Audit and twenty five draft paragraphs, sent to the Principal Secretaries/Secretaries of the respective Departments between June and July 2017. The Principal Secretaries/Secretaries of the Departments had not furnished replies to 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 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 tabling the Report for consideration of the Committee. However, action taken notes on audit paragraphs of the Reports were delayed. Total 127 paragraphs (including performance audits) included in the Audit Reports of the Comptroller and Auditor General of India of the Government of Himachal Pradesh for the years ended 31 March 2012, 2013, 2014 and 2015 on the Revenue Sector were placed before the State Legislature Assembly between 9th April 2013 and 07th April 2016. Action taken notes from the concerned Departments on these paragraphs were received late with average delay of 12, 14, 10 and seven months of each of these Audit Reports, respectively. Action taken notes in respect of nine paragraphs from Revenue (04 paragraphs) and Forest (05 paragraphs) Departments had not been received (August 2017) for the Audit Report for the year ended 31 March 2015.

The PAC discussed 18 selected paragraphs pertaining to the Audit Reports for the years from 2008-09 to 2012-13. The recommendations are awaited on discussed paragraphs in respect of Departments as depicted below.

Table-1.11 Details of paragraphs discussed in the PAC

Year	Name of the Departments	Number of paragraphs
2008-09	Transport and Industries	2
2009-10	Transport	4
2010-11	Transport and Industries	5
2011-12	Transport and Industries	4
2012-13	Transport and Industries	3
Total		18

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 Excise and Taxation Department under Major Receipt Head '0039-State Excise Duty' is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the Excise and Taxation Department in respect of State Excise duties under Major Receipt Head '0039-State Excise Duty' and cases noticed in the course of local audit during the last 10 years upto 2016-17 and also the cases included in the Audit Reports for the years 2007-08 to 2015-16.

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 2017, relating to state excise are depicted 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
2007-08	69	170	12.32	14	59	2.23	2	16	0.41	81	213	14.14
2008-09	81	213	14.14	6	74	27.47	2	30	1.35	85	257	40.26
2009-10	85	257	40.26	15	95	6.79	21	75	13.48	79	277	33.57
2010-11	79	277	33.57	9	64	3.48	8	149	2.14	80	192	34.91
2011-12	80	192	34.91	8	55	1.41	9	46	24.14	79	201	12.18
2012-13	79	201	12.18	7	48	4.24	15	67	6.29	71	182	10.13
2013-14	71	182	10.13	7	55	12.13	16	36	5.08	62	201	17.18
2014-15	62	201	17.18	10	76	24.23	15	92	6.14	57	185	35.27
2015-16	57	185	35.27	9	73	23.17	10	71	8.18	56	187	50.26
2016-17	56	187	50.26	10	85	168.32	1	5	1.03	65	267	217.55
Total	719	2065	260.22	95	684	273.47	99	587	68.24	715	2162	465.45

It is observed that against 69 IRs with 170 paragraphs outstanding as on start of 2007-08, the number of outstanding IRs declined to 65 with 267 paragraphs at the end of 2016-17. The corresponding money value pointed out in IRs have increased from ₹12.32 crore to ₹217.55 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 are depicted 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 2017
1	2	3	4	5	6	7
2006-07	1	0.86	0	0.00	0.00	0.31
2007-08	3	1.27	2	1.25	0.48	1.14
2008-09	3	10.65	3	6.29	0.17	2.58
2009-10	4	1.47	2	0.07	0.03	0.78
2010-11	4	0.39	0	0.00	0.00	0.08
2011-12	3	0.22	1	0.07	0.00	0.11
2012-13	1	3.57	1	2.54	0.32	0.63
2013-14	7	4.28	3	2.97	1.89	2.98
2014-15	6	9.01	6	9.01	1.45	1.68
2015-16	8	16.68	6	16.05	2.58	2.58
Total	40	48.40	24	38.25	6.92	12.87

It is observed that the progress of recovery even in accepted cases was very slow during the last 10 years.

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

Draft report on Performance Audit conducted by the PAG are forwarded to the concerned Department/Government with a request to furnish their replies. These Performance Audit are also discussed in an exit conference and the Department/Government's views are included while finalizing the Performance Audit for the Audit Report. One Performance Audit on the Excise and Taxation Department under Receipt Head '0039-State Excise Duty' conducted and featured in the Audit Report for the year 2008-09 is depicted below.

Table-1.14 Action taken on the recommendations

Sr. No.	Year of Audit Report	Title of the performance audit	Number of recommendations made in PA	Remarks
1.	2008-09	'Collection of duties and fees on working of distilleries in Himachal Pradesh'	Four recommendations	The Department accepted and admitted all the recommendations and stated that efforts were being made for their implementation.

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 2016-17, out of 11 units planned for audit, Internal Audit Cell audited five units (45 per cent) as depicted 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	11	5	6
Total	13	11	5	6

The irregularities discussed in the paragraphs of Chapters II to VI are indicators of inadequate internal control mechanism as the irregularities pointed out in the Audit Report were not detected by the internal audit parties.

1.9 Audit planning

The auditable entities 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 2016-17, there were 350 auditable units of which 138 units⁴ were planned and audited.

Besides, the compliance audit mentioned above, one Performance Audit on '*Working of State Excise Department including working of distilleries*' was also conducted to examine the efficacy of the Departments concerned in realisation of revenue receipts.

1.10 Results of audit

Test check of the records of 138 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods & Passengers Tax and Forest Receipts conducted during the year 2016-17 revealed under-assessment/short levy/loss of revenue aggregating ₹344.45 crore in 832 cases. During the year, the Departments concerned accepted under-assessment and other deficiencies of ₹7.32 crore in 290 cases out of which an amount of ₹4.31 crore was realised in 275 cases, of which ₹4.30 crore in 269 cases relate to findings of previous years and ₹1.09 lakh in six cases relate to the findings of year 2016-17.

⁴ These units included 20 units of Luxury tax, Entertainment tax and Multi-Purpose Barriers.

1.11 Coverage of this Report

This Report contains a Performance Audit and 25 paragraphs with revenue implication of ₹269.46 crore. The Departments/Government have accepted 11 audit observations involving ₹8.83 crore of which ₹1.82 crore had been recovered in 11 cases.