सत्यमेव जयते

Report of the
Comptroller and Auditor General of India
on
Revenue Sector
and
Public Sector Undertakings

for the year ended 31 March 2019

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

हिमाचल प्रदेश सरकार

Government of Himachal Pradesh

Report No. 1 of the year 2021

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PART 'A' (Revenue Report)

PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2019 has been prepared for submission to the Governor of Himachal Pradesh under article 151 of the Constitution of India.

This Report contains two parts.

Part-A: Revenue Sector

This part contains significant findings of audit of Receipts and Expenditure of major Revenue earning Departments conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

Part-B: Public Sector Undertakings

This part deals with the results of test audit of Government Companies and Statutory Corporations for the year ended March 2019.

The accounts of Government companies (including Companies deemed to be Government Companies as per the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, read with Section 619 of the Companies Act, 1956, and Sections 139 and 143 of the Companies Act, 2013. The audit of Statutory Corporations is conducted under their respective legislations.

Reports in relation to the accounts of Government Companies or Corporations are submitted to the Government by the Comptroller and Auditor General of India for laying before the State Legislature of Himachal Pradesh under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. In respect of Himachal Road Transport Corporation which is a Statutory Corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of Himachal Pradesh Financial Corporation, the Comptroller and Auditor General of India has the right to conduct the audit of accounts in addition to the audit conducted by Chartered Accountants appointed by the Corporation. The Separate Audit Reports on the Annual Accounts of these corporations are forwarded separately to the State Government.

The instances mentioned in this Report are those, which came to notice in the course of test audit done during the period 2018-19 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2018-19 have also been included, wherever necessary.

The audit has been conducted in conformity with the Regulations on Audit and Accounts, 2007 and Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

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)

Part 'A'
Revenue Sector

Chapter-1
General

CHAPTER-1

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 2018-19, 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**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**[1]
1.	**Revenue raised by the State Government**					
	Tax revenue	5,940.16	6,695.81	7,039.05	7,107.67	7,575.61[2]
	Non-tax revenue	2,081.45	1,837.15	1,717.24	2,363.85	2,830.04
	Total	**8,021.61**	**8,532.96**	**8,756.29**	**9,471.52**	**10,405.65**
2.	**Receipts from the Government of India**					
	Share of net proceeds of divisible Union taxes and duties	2,644.17	3,611.17	4,343.70	4,801.31	5,426.97[3]
	Grants-in-Aid	7,177.67	11,296.35	13,164.35	13,094.23	15,117.66[4]
	Total	**9,821.84**	**14,907.52**	**17,508.05**	**17,895.54**	**20,544.63**
3.	**Total revenue receipts of the State Government (1 and 2)**	**17,843.45**	**23,440.48**	**26,264.34**	**27,367.06**	**30,950.28**
4.	**Percentage of 1 to 3**	**45**	**36**	**33**	**35**	**34**

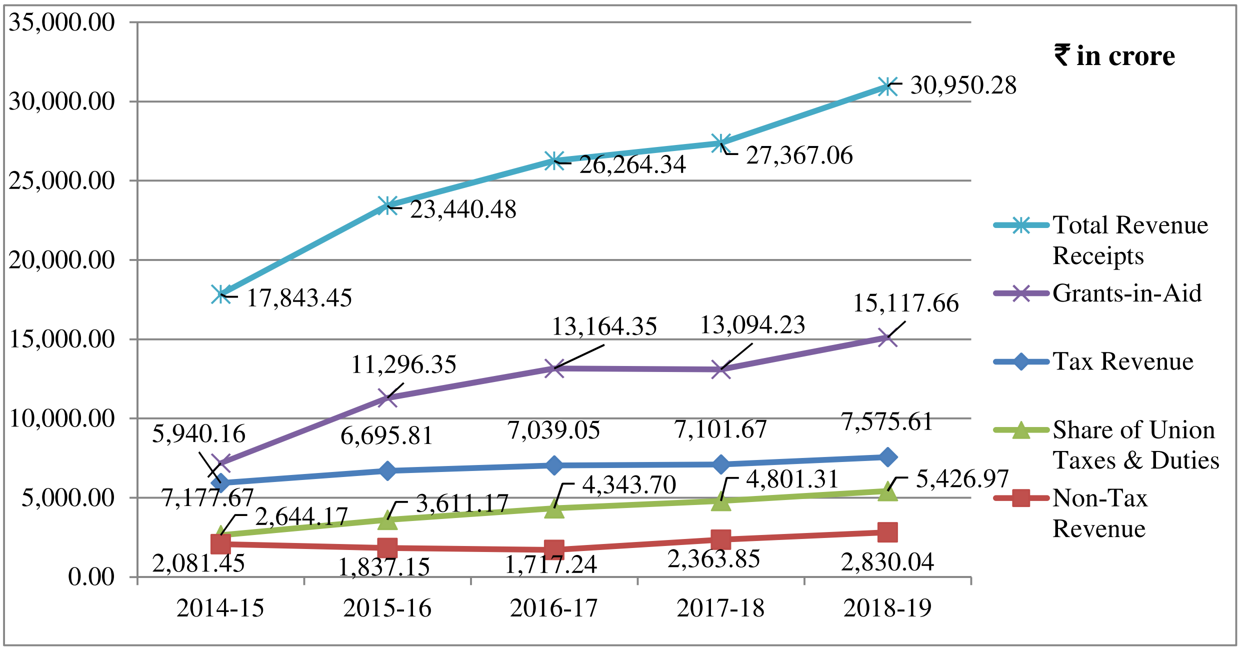
Source: Finance Accounts

The State is actually revenue deficit and is showing revenue surplus due to receipt of post devolution revenue deficit grant of ₹ 8,206 crore under Gants-in-aid. During the year 2018-19, the revenue raised by the State Government (₹ 10,405.65 crore) was 34 *per cent* of the total revenue receipts. The balance 66 *per cent* of the receipts was from the Government of India as share of net proceeds of divisible union taxes and Grants-in-Aid. The percentage of revenue receipts of the State Government from its own resources to total revenue receipts declined from 45 to 34 *per cent* during 2014-2019. The overall trends of revenue receipts from 2014-15 to

[1] Finance Accounts of the State Government.
[2] This includes amount of ₹ 3,342.68 crore received under Major Receipt Head '0006-State Goods and Services Tax'.
[3] The details are as shown in Appendix 1.1.
[4] This includes amount of ₹ 2,037 crore received from Government of India as compensation of loss due to implementation of Goods and Services Tax

2018-19 is depicted in Chart 1.1:

Chart: 1.1



Source: Finance Accounts

1.1.2 The details of the tax revenue raised during the period 2014-15 to 2018-19 are depicted below:

Table 1.2: Details of Tax Revenue Receipts

(₹ in crore)

Sr. No.	Major Head of revenue receipts	Tax Revenue Receipts (percentage to total tax revenue receipts)					Percentage of increase (+) or decrease (-) in 2018-19 over actual of 2017-18
		2014-15	2015-16	2016-17	2017-18	2018-19	
1.	VAT on sales and trade	3,660.57 (61.62)	3,992.99 (59.63)	4,381.91 (62.25)	2,525.87 (35.53)	1,185.43 (15.64)	-
	State Goods and Service Tax				1,833.16 (25.79)	3,342.68[5] (44.12)	-
2.	State Excise	1,044.14 (17.58)	1,131.22 (16.89)	1,307.87 (18.58)	1,311.25 (18.45)	1,481.63 (19.55)	13
3.	Motor vehicles tax	220.10 (3.71)	317.05 (4.74)	279.58 (3.97)	367.16 (5.17)	408.01 (5.39)	11
4.	Stamp Duty	190.58 (3.21)	205.52 (3.07)	209.16 (2.97)	229.18 (3.22)	250.55 (3.31)	09
5.	Taxes and Duties on electricity	332.82 (5.60)	551.06 (8.23)	371.67 (5.28)	360.79 (5.08)	487.08 (6.43)	35
6.	Others	491.95 (8.28)	497.97 (7.44)	488.86 (6.94)	480.26 (6.76)	420.23[6] (5.55)	-12
Total		**5,940.16**	**6,695.81**	**7,039.05**	**7,107.67**	**7,575.61**	**07**
Percentage increase over previous year		**16**	**12.72**	**5.13**	**0.97**	**6.35**	
Overall average growth and growth rate for five years.							**6,871.66/ 8.23**

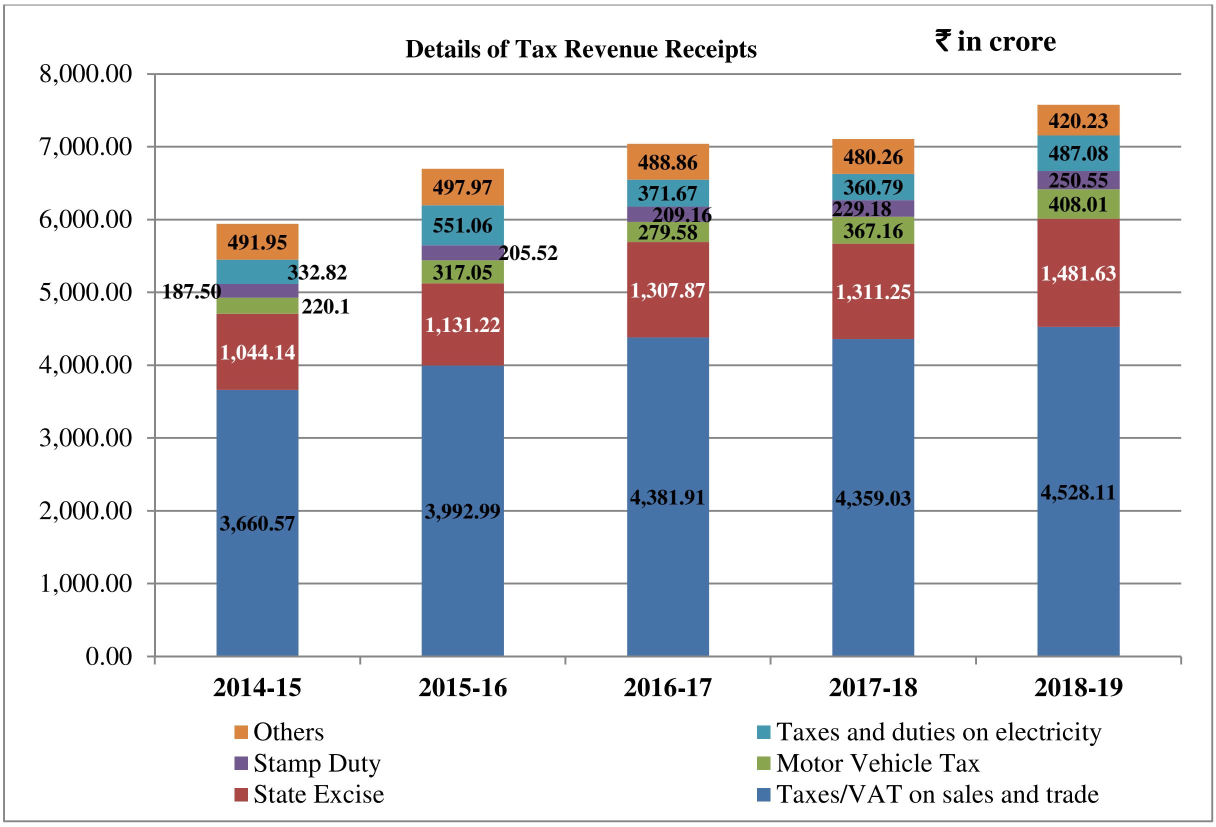
Source: Finance Accounts

5 SGST figure for the year 2017-18 was only for nine months and 2018-19 is for 12 months. Hence comparison was not done.

6 Other Receipts-Land Revenue: ₹ 8.39 crore, Taxes on Goods and Passengers: ₹ 104.38 crore and Other Taxes and Duties on Commodities and Services: ₹ 307.46 crore

The year-wise trend of various tax revenues is depicted in **Chart 1.2**.

Chart 1.2



Source: Finance Accounts

The tax revenue increased by ₹ 1,635.45 crore (27.53%) during the years 2014-15 to 2018-19 with an average rate of growth of 8.23 per *cent*. However, rate of growth for 2018-19 was 6.35 *per cent* mainly due to decline in annual growth rate of tax on Sales (VAT + SGST) to 3.87 *per cent* during 2018-19, which was 9.08 *per cent* before implementation of GST.

The respective Departments reported the following reasons for variations during the year:

- **State Excise:** The increase is mainly due to quarterly collection of Licence Fee and Excise Duty and better enforcement of Excise Policy 2018-19.
- **Motor Vehicle Tax:** The increase in collection is due to registration of more number of vehicles, better enforcement, revision of composite fee and increase in number of driving licenses and choice numbers issued.
- **Taxes and duties on electricity:** The increase in receipt is due to the payment of previous outstanding taxes/amounts by Himachal Pradesh State Electricity Board Limited (HPSEBL) during the financial year 2018-19.
- **Taxes on Goods and Passengers:** The decrease is mainly due to reduction by 25 *per cent* in Additional Goods Tax (AGT) on all types of yarn (excluding woollen yarn), Iron and steel and Plastic Goods under the Himachal Pradesh Passenger and Goods Tax Act, 1955, w.e.f. July, 2018.

1.1.3 Details of the non-tax revenue raised during the period 2014-15 to 2018-19 are indicated in the Table below:

Table 1.3: Non-Tax Revenue raised

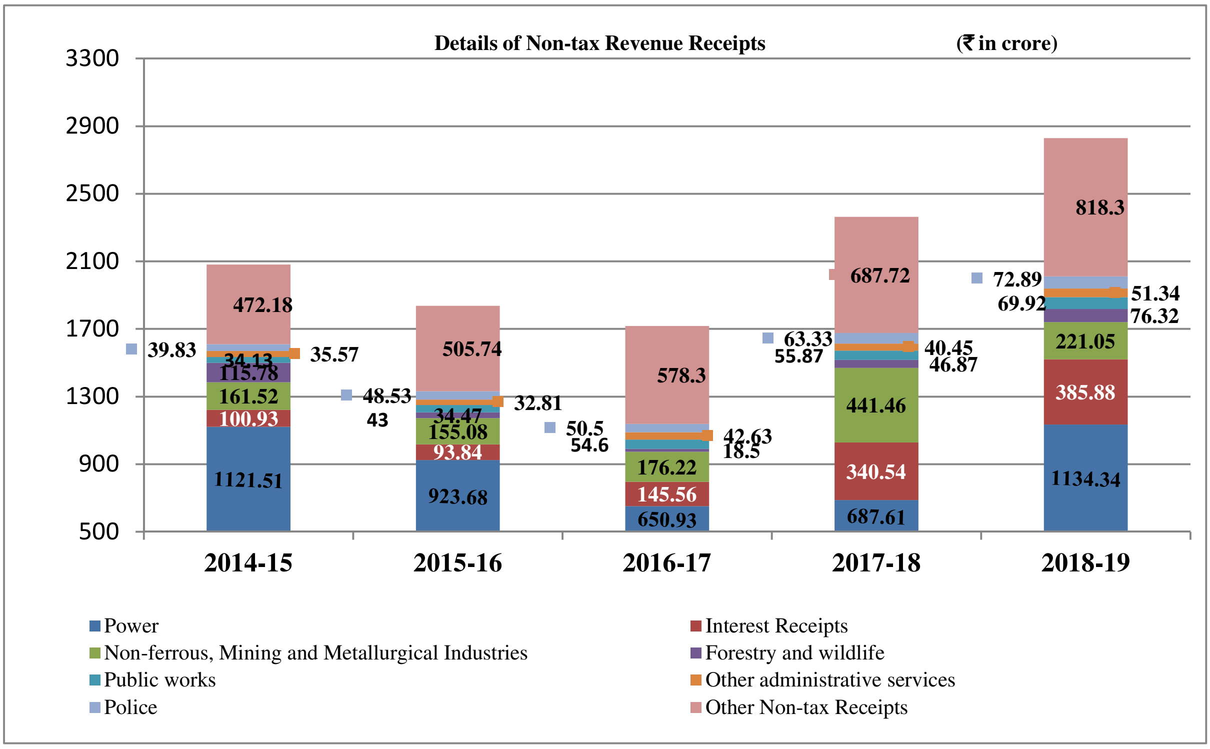
(₹ in crore)

Sr. No.	Major Head of revenue receipts	Non-tax Revenue Receipts (percentage to total Non-tax Revenue Receipts)					Percentage of increase (+) or decrease (-) in 2018-19 over actual of 2017-18
		2014-15	2015-16	2016-17	2017-18	2018-19	
1.	Power	1,121.51 (53.88)	923.68 (50.28)	650.93 (37.91)	687.61 (29.09)	1,134.34 (40.08)	65
2.	Interest receipts	100.93 (4.85)	93.84 (5.11)	145.56 (8.48)	340.54 (14.41)	385.88 (13.64)	13
3.	Non-ferrous, Mining and Metallurgical Industries	161.52 (7.76)	155.08 (8.44)	176.22 (10.26)	441.46 (18.68)	221.05 (7.81)	-50
4.	Forestry and Wildlife	115.78 (5.56)	34.47 (1.88)	18.50 (1.08)	46.87 (1.98)	76.32 (2.70)	63
5.	Public works	34.13 (1.64)	43.00 (2.34)	54.60 (3.18)	55.87 (2.36)	69.92 (2.47)	25
6.	Other administrative services	35.57 (1.71)	32.81 (1.79)	42.63 (2.48)	40.45 (1.71)	51.34 (1.81)	27
7.	Police	39.83 (1.91)	48.53 (2.64)	50.50 (2.94)	63.33 (2.68)	72.89 (2.58)	15
8.	Other Non-tax revenue[7]	472.18 (22.69)	505.74 (27.53)	578.30 (33.68)	687.72 (29.09)	818.30 (28.91)	19
Total		**2,081.45**	**1,837.15**	**1,717.24**	**2,363.85**	**2,830.04**	**20**

Source: Finance accounts

The year-wise trend of non-tax revenue during 2014-15 to 2018-19 is depicted in **Chart 1.3** below:

Chart 1.3



Source: Finance Accounts

[7] The details of Other Non-tax revenue are in ***Appendix 1.2***.

The overall non-tax revenue receipts increased from ₹ 2,363.85 crore in 2017-18 to ₹ 2,830.04 crore in 2018-19 (20 *per cent*). Power (40.08 *per cent*), Interest receipts (13.64 *per cent*) and Non-ferrous, Mining and Metallurgical Industries (7.81 *per cent*) are the main contributors to non-tax revenue and as a whole contribute 61.53 *per cent* to total non-tax revenue.

The respective Departments reported the following reasons for variations during the year.

- **Forestry and Wildlife:** The increase was mainly due to realisation of more royalty money for the sale of Timber/Wood etc. by the State Forest Corporation.
- **Public works:** The increase was due to increase in rental income from residential and non-residential buildings and rest houses/circuit houses.
- **Home Guards and Civil Defence:** The increase was due to condemnation of old vehicles in the department.
- **Police:** The increase was due to recoveries from Bhakra Beas Management Council for guards, Railway Police and issue of permits to vehicles for plying on restricted roads in Shimla.
- **Education, Sports, Art and Culture:** Shortfall in receipts was mainly due to non-receipt of reimbursement from the State Project Director, Rashtriya Madhyamik Siksha Abhiyan (RMSA) scheme and less recovery of over payments.
- **Other administrative services:** The majority of increase was in the Sub Major Head Elections (47 *per cent*) owing to more compensation received by the State Government for conducting the Lok Sabha Elections 2019.
- **Non-ferrous, Mining and Metallurgical Industries:** The reason for decrease in 2018-19 as compared to 2017-18 is that in 2017-18, ₹ 208.92 crore was deposited by M/s. Ultratech Cement Company on account of transfer fees of mining lease.

The other Departments did not intimate reasons for variations of actual receipts from the previous year (November 2020).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 realizable under some Major Receipt Heads amounted to ₹ 4,216.87 crore, of which ₹ 415.22 crore was outstanding for more than five years as depicted below:

Table 1.4: Arrears of revenue

₹ in crore

Sr. No.	Major Head of revenue receipts	Amount outstanding as on 31 March 2019	Amount outstanding for more than 5 years as on 31 March 2019	Replies of the Departments
1.	Taxes/VAT on Sales and Trade	3,390.36	145.91	Most of the cases have been declared arrears of land revenue under the HP Land Revenue Act, 1955. The field offices and the concerned AAs have been directed to make prompt efforts to recover the outstanding amount. Besides this, in some cases the amount to be recovered is stayed by the Courts. All out efforts are being made to recover the outstanding amounts.
2.	State Excise	256.25	12.70	
3.	Other Taxes and Duties on Commodities and Services	84.35	24.83	
4.	Taxes on Goods and Passengers	7.07	6.60	
5.	Water supply, Sanitation, Housing and Minor Irrigation	310.28	198.79	₹ 229.64 crore is outstanding from the Municipal Corporation Shimla. Notices have been issued to the consumers by the Department. Due to shortage of Village Revenue Officer and Field Staff, the outstanding amount had not been recovered.
6.	Taxes and duties on electricity	16.95	0	The adjustment of Electricity Duty payable is being made with the receivables from HP Government from time to time.
7.	Forestry and Wildlife	116.45	18.78	₹ 113.68 crore was recoverable from the Himachal Pradesh State Development Corporation Limited and other Government Departments. ₹ 2.77 crore was recoverable from contractors, of which some cases are under litigation and others sent to the GoHP for writing off.
8.	Police	24.26	4.91	Arrears of ₹ 14.15 lakh pertains to M/s Ultratech Cement Ltd. Bagga, Distt Solan, ₹ 3.86 lakh pertains to M/s Patel Engineers Ltd. Kullu and the remaining from the Government Departments/Undertakings for supply of Police force.
9.	Village and Small Industries	0.05	0.02	Arrears accumulated from the year 1980-81. Arrears pertained to rent of sheds (Industrial Estate), rent of Government accommodation/receipt of sale of Mulberry plants etc.
10.	Printing and Stationery	5.18	0.38	Arrears of ₹ 1.16 crore from the Director HP State Women and Child Development, ₹ 1.07 crore from the State Project Officer, SSA Lal-Paani, ₹ 32.46 lakh from CE (MM) HPSEB and ₹ 2.62 crore from other Industries/Departments/Corporations were recoverable.
11.	Non-ferrous, Mining and Metallurgical Industries	0.93	0.61	Arrears accumulated from the year 1970-71. Arrears pertain to Mining Offices and DDO (Headquarters) Geological Wing Directorate of industries on account of recovery of royalty/drilling charges etc.
12.	Public Works	0.23	0.15	Arrears pertained to rent of residential and non-residential buildings.
13.	Industries	4.52	1.54	Arrears accumulated from the year 1989-90. Arrears pertained to outstanding premium of plots (Industrial areas) etc.
	Total	**4,216.87**	**415.22**	

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 finalization 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

Major Head of revenue receipts	Opening balance	New cases due for assessment during 2018-19	Total assessments due	Cases disposed of during 2018-19	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Taxes/VAT on Sales and Trade	2,15,448	13,134	2,28,582	57,193	1,71,389	25
Luxury Tax	3,971	870	4,841	1,029	3,812	21
Tax on Works Contracts	1,124	493	1,617	482	1,135	30
Motor Spirit Tax	28	27	55	25	30	45

Source: Departmental figures

The low percentage of disposal (21 *per cent* in the case of Luxury Tax and 25 *per cent* in VAT was a matter of serious concern because of the large and increasing volume of arrears. The Department stated that arrears in assessment are being processed/completed as per agreement with the World Bank to clear the pendency under VAT/CST regime by fixing the targets to be achieved by each district.

The Department may take necessary steps to clear the arrears under VAT assessment as these are now merged with GST.

1.4 Evasion of tax

The details of cases of evasion of tax detected by different Departments, cases finalized and demands for additional tax raised by the Department are depicted below:

Table 1.6: Evasion of Tax

Sr. No.	Major Head of revenue receipts	Cases pending as on 1 April 2018	Cases detected during 2018-19	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 2019
					Number of cases	Amount (₹ in crore)	
1.	**Taxes/VAT on Sales and Trade**	111	954	1,065	1,000	9.96	65
2.	**State Excise**	27	779	806	734	2.02	72
3.	**Passengers and Goods Tax**	28	14,035	14,063	14,027	5.41	36
4.	**Other Taxes and Duties on Commodities and Services**	5	872	877	870	1.25	7
5.	**Land Revenue**	1,852	125	1,977	528	49.49	1,449
	Total	**2,023**	**16,765**	**18,788**	**17,159**	**68.13**	**1,629**

Source: Departmental figures

In Excise and Taxation Department, the total number of cases pending for finalization had increased from 171 at the beginning of financial year to 180 at the end of the financial year 2018-19. The Department stated that all out efforts were being made by the field offices to reduce pendency. However, due to introduction of the GST w.e.f. July, 2017 in the State, more focus was on effective implementation of GST in State.

1.5 Refund cases

The details of refund cases pending at the beginning of the year 2018-19, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2018-19 are depicted below:

Table 1.7: 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**	41	4.95	15	1.03
2.	**Claims received during the year**	124	34.77	107	19.04
3.	**Refunds made during the year**	117	28.21	99	18.99
4.	**Balance outstanding at the end of year**	48	11.51	23	1.08

Source: Departmental figures

The number of cases outstanding at the end of the financial year 2018-19 had increased for both Sales Tax/VAT and State Excise as compared to cases outstanding at the beginning of the financial year which was due to low rate of disposal of 75.26 *per cent* as compared to 81.45 *per cent* disposal during the previous year.

1.6 Response of Government/Departments towards Audit

The Principal Accountant General (Audit), Himachal Pradesh (PAG), conducts periodic 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 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 March 2019, disclosed that 8,439 audit observations involving ₹ 2,209.43 crore relating to 2,742 IRs remained outstanding at the end of June 2019 as shown in **Table 1.8** along with the corresponding figures for the preceding two years.

Table 1.8: Details of pending Inspection Reports

	June 2017	June 2018	June 2019
Number of IRs pending for settlement	2,582	2,660	2,742
Number of outstanding audit observations	7,764	7,924	8,439
Amount of revenue involved (₹ in crore)	1,817.56	1,958.98	2,209.43

Source: Inspection Reports

The number of IRs, audit observations pending for settlement and the total money value showed an increasing trend during the last three years.

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2019 and the amounts involved are mentioned in **Table 1.9** 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 and Taxation**	Taxes/VAT on Sales and Trade	146	1,055	453.90
		State Excise	64	308	333.45
		Passengers and Goods Tax	186	426	231.89
		Other Taxes and Duties on Commodities and Services	126	159	6.70
		Entertainment and Luxury tax etc.	65	124	21.80
2.	**Revenue**	Land Revenue	219	413	169.05
		Stamp and Registration Fees	675	1,532	64.09
3.	**Transport**	Taxes on Motor Vehicles	716	2,709	303.80
4.	**Forestry and Wildlife**	Forest Receipts	545	1,713	624.75
Total			**2,742**	**8,439**	**2,209.43**

Source: Inspection Reports

Audit did not receive even the first reply from the respective Heads of Offices after the stipulated time of four weeks in respect of 57 IRs out of 164 IRs issued during the year 2018-19.

The purpose of audit is to check whether prescribed rules, laws and procedures are being adhered to, and to highlight cases of non-compliance, systemic weaknesses and failures. The increasing trend of IRs and audit observations pending settlement indicate inadequate response to audit observations. The lack of action on these audit observations weakens accountability and raises the risk of loss of revenue. Increasing pendency of audit paragraphs merits urgent attention of the Government for addressing the issues consistently raised by Audit.

1.6.1 Departmental audit committee meetings

The Government had set up audit committees to monitor and expedite the settlement of paragraphs included in the IRs. The details of audit committee meetings held during the year 2018-19 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.	**Excise and Taxation**	1	1,826	167	0.36
	Revenue	1	1,826	32	0.2
	Transport	1	2,598	47	1.04
2.	**Forest**	1	1,633	9	0.43
Total		**4**	**7,883**	**255**	**2.03**

Source: Revenue and Economic (Non-PSU) Sectors, Shimla

In 2018-19, out of 7,883 outstanding paragraphs, 255 paragraphs (3.23 *per cent*) involving an amount of ₹ 2.03 crore were settled in four Audit Committee meetings held for Revenue and Forest Departments.

The Government should ensure holding of meetings of the Audit Committee at regular intervals for all the Departments.

1.6.2 Response of Departments to 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 Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. The issue 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 paragraphs were sent to the Principal Secretaries/Secretaries of the respective Departments between July 2019 and July 2020 of which, 23 paragraphs have featured in this Report. Progress of recovery in accepted cases was very slow which is depicted in chart 1.4.

1.6.3 Follow-up on the Audit Reports-summarised position

The Public Accounts Committee notified (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 the tabling the Report, for the consideration of the Committee. However, in spite of these provisions, the action taken notes on audit paragraphs of the Reports were delayed inordinately. A total of 112 paragraphs (including Performance Audits) included in the Audit Reports on Revenue Sector of the Comptroller and Auditor General of India of the Government of Himachal Pradesh for the years ended 31 March of 2014, 2015, 2016, 2017 and 2018 were placed before the State Legislative Assembly between 10 April 2015 and 14 December 2019. Action taken notes on these paragraphs were, however, received very late from the Departments with an average delay of 12, 24, 12 and 16 months respectively for these Audit Reports. The PAC had discussed seven paragraphs pertaining to the Audit Report (2013-14) on Revenue Sector during the year 2018-19.

1.7 Action taken by the Departments on issues raised by Audit: Detailed status for Transport Department

The action taken on the Paragraphs and Performance Audits included in the Audit Reports of the last 10 years for the Transport Department under Major Receipt Head *'0041-Motor Vehicle Tax'* was evaluated and is detailed in the succeeding paragraphs **1.7.1** to **1.7.3**.

1.7.1 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 2019, relating to Transport Department is depicted in ***Appendix 1.3***.

Against 619 IRs with 1,910 paragraphs outstanding as on start of 2009-10, the number of outstanding IRs increased to 722 with 2,694 paragraphs at the end of 2018-19. The corresponding money value pointed out in IRs increased from ₹ 28.53 crore to ₹ 312.29 crore.

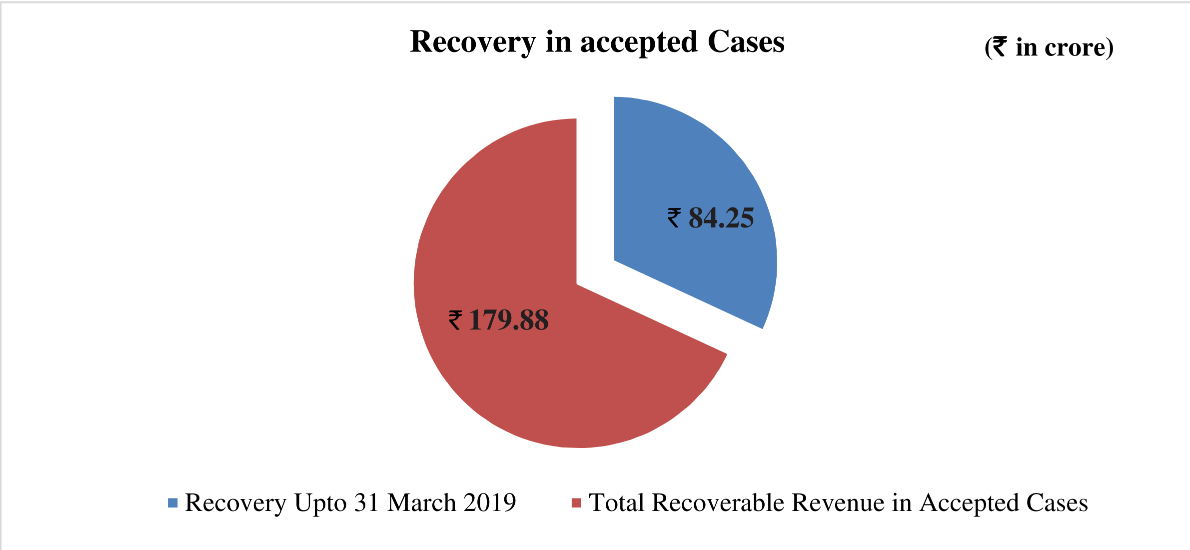
1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Transport Department and the amount recovered is depicted in ***Appendix 1.4***.

The progress of recovery even in accepted cases was low as only ₹ 84.25 crore (47 *per cent*) were recovered up to 31 March 2019 against the total recoverable revenue of ₹ 179.88 crore in accepted paragraphs.

The recovery of accepted cases and the amount recovered by the Transport Department is depicted in Chart below:

Chart 1.4



Source: PAC, Revenue Sector, Shimla

1.8 Internal Audit

Internal Audit Cells (IAC) in the Departments under the charge of the Assistant Controller (F and A), were required to conduct test check of the 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.

Name of the Department	Total auditable units	No. of units planned for audit	No. of units audited	Shortfall
Excise and Taxation	13	9	03	06
Revenue	169	20	15	05
Transport	06	06	06	0
Forest	**There was no Internal Audit Cell.**			

Source: Departmental figures

The Excise and Taxation Department and Revenue Department attributed the shortfall in internal audit to shortage of staff. Information regarding internal audit was not provided by Transport Department while Forest Department stated that there was no IAC in the Department.

1.9 Audit planning and Results of audit

There were a total of 383 auditable units in the State of Himachal Pradesh, of which 166 units[8] of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers Tax and Forest Receipts were audited during the year 2018-19 through test check of records. The units were selected on the basis of risk analysis.

The major deficiencies observed in the functioning of the Departments included; failure to detect suppression of sales and purchases; under-assessment/wrong allowance of Input Tax Credit; application of incorrect rate of tax; short recovery of excise duty, license fee and interest by AAs; short levy of stamp duty and registration fees, incorrect determination of market value of property by Sub-Registrars; short recovery of token tax, special road tax, composite fee by the Transport Department; non-realization of passenger and goods tax by the Excise and Taxation Department and short recovery of royalty and extension fee by the Forest Department. The total revenue loss on account of the deficiencies highlighted by Audit through IRs during 2018-19 amounted to ₹ 297.10 crore[9] in 1,168 cases.

During the year 2018-19, 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 also recovered an amount of ₹ 2.72 crore in 195 cases of which ₹ 2.69 crore in 188 cases related to audit findings of previous years and remaining amount pertaining to findings of current year.

1.10 Coverage of Revenue Chapter of Report

This Revenue Chapter of the Report contains 23 paragraphs having a total revenue implication of ₹ 173.63 crore. The Departments/Government accepted audit observations involving ₹ 77.45 crore, of which ₹ 0.40 crore was recovered in nine cases.

8 These units included three units of Apex level of Excise, Transport and Revenue Departments, one unit (Economic Intelligence Unit) of the office of the ETC, Shimla (these four Inspection Reports had not been issued), units of Luxury Tax, Entertainment Tax, Toll Tax and Multi-Purpose Barriers and Forest Department.

9 Taxes/VAT on sales and Trade: amount: ₹ 71.15 crore: cases: 316; State Excise: amount: ₹ 109.66 crore: cases:72; Stamp Duty: amount: ₹ 10.65 crore: cases: 305; Taxes on vehicles, Passenger and Goods : amount: ₹ 86.87: cases:411; Forest Receipts: amount: ₹ 18.77: cases: 64.

Chapter-2
Compliance Audit (Revenue Sector)

CHAPTER-2

Compliance Audit (Revenue Sector)

A. General

2.1 Tax administration

2.1.1 Sales Tax/ Value Added Tax/State Excise

The Principal Secretary (Excise and Taxation) administers State GST and State Excise at the Government level. The Commissioner of State Taxes and Excise (CSTE) is the Head of the Excise and Taxation Department and is assisted by three Additional CSTE, two Joint CSTE, and five Deputy CSTE. There are 12 Deputy CSTE at District level in the field, assisted by 119 Assistant CSTE. In addition, there are State Taxes and Excise Officers and Assistant State Taxes and Excise Officers in the field to control all the activities of Department and other allied staff for administering the relevant tax laws and rules.

2.1.2 Stamp Duty

The State Government exercises control over the registration of instruments through the Additional Chief Secretary (Revenue) at the Government level. The Inspector General of Registration (IGR) is the Head of the Revenue Department who is assisted by Deputy Commissioners (Collectors) and Sub-Registrars (SRs), respectively. He is empowered with the task of superintendence and administration of registration work. For levy and collection of Stamp duty and Registration Fees, State has 12 Collectors and 117 *Tehsildars*/*Naib-Tehsildars* acting as the Registrars and SRs, respectively.

2.1.3 Taxes on Vehicles, Passengers and Goods

The Principal Secretary (Transport) is the administrative head at the Government level. The Department consists of a State Transport Authority, an Additional District Magistrate (Special Road Tax), 10 Regional Transport Officers and 63 Registering and Licensing Authorities to regulate the receipts of the Department under the provisions of the Central and the State Motor Vehicle Acts and Rules. The AETCs under the administrative control of Commissioner (Excise and Taxation) regulate the receipts of passengers and Goods Taxation Act, 1955.

2.1.4 Forests Receipts

The Principal Chief Conservator of Forest (PCCF) heads the Forest Department under the administrative control of the Additional Chief Secretary (Forest). The PCCF is assisted by eight Conservators of Forest (CFs) in 37 territorial divisions. Each CF controls the exploitation and regeneration of forest activities carried out by the Divisional Forest Officers (DFOs) under their control. Each DFO is in-charge of assigned forest related activities in his territorial division.

2.2 Results of Audit

Test-check of records of 166 units out of a total of 383 units of Sales Tax/ Value Added Tax/ State Excise, Stamp Duty, Taxes on Vehicles, Passengers and Goods and Forest Receipts conducted during the year 2018-19 revealed under-assessment/ short levy of revenue aggregating ₹ 297.10 crore in 1,168 cases as detailed in **Table 2.1**.

Table 2.1: Results of audit

			₹ in crore
Sr. No.	**Categories**	**Number of cases**	**Amount**
Sales Tax/ Value Added Tax			
1.	Under assessment of tax	16	1.5
2.	Acceptance of defective statutory forms *C, D, E* and *F*	24	13.29
3.	Evasion of tax due to suppression of sale/Purchase	43	10.86
4.	Irregular/incorrect/excess allowance of Input Tax Credit	36	8.08
5.	Application of incorrect rate of tax	37	24.83
6.	Other irregularities	115	11.99
	Total	**271**	**70.55**
Others Tax and Non-Tax			
1.	Entertainment Tax	10	0.47
2.	Multi-purpose barriers and Luxury tax	35	0.13
	Total	**45**	**0.60**
State Excise			
1.	Non/short realisation of excise duty	07	4.71
2.	Non/short recovery of license fee/interest/penalty etc.	35	103.55
3.	Other irregularities	30	1.40
	Total	**72**	**109.66**
Stamp Duty			
1.	Incorrect determination of market value of property and irregular exemption on housing loan	04	0.33
2.	Non/short levy of stamp duty and registration fees	133	7.65
3.	Non/short recovery of stamp duty on lease deeds	32	2.67
4.	Other irregularities	136	0.00
	Total	**305**	**10.65**
Taxes on Vehicles, Passengers and Goods			
1.	**Non/short realisation of**		
	• Token Tax and Composite Fee	117	6.34
	• Special Road Tax	38	25.86
	• Passengers and Goods tax	14	1.77
2.	**Evasion of**		
	• Token Tax	33	1.83
	• Passengers and Goods tax	21	50.10
3.	**Other irregularities**		
	• Vehicles Tax	171	0.97
	• Passengers and Goods tax	17	0.0007
	Total	**411**	**86.87**
Forest Receipts			
1.	Non/ Short recovery of royalty	25	11.22
2.	Non-levy of interest/ extension fee	06	0.10
3.	Blockade/ Loss of revenue due to non-disposal of seized timber	09	2.76
4.	Other irregularities	24	4.69
	Total	**64**	**18.77**
	Grand Total	**1,168**	**297.10**

Source: Inspection Reports

The total revenue loss on account of the deficiencies highlighted by Audit through IRs during 2018-19 amounted to ₹ 297.10 crore in 1,168 cases (3.14 *per cent* of total tax and non-tax revenue - ₹ 9,471.52 crore during 2017-18). During the year 2018-19, the Departments 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 an amount of ₹ 2.72 crore (14.63 *per cent* of accepted amount of ₹ 18.59 crore) in 195 cases during the year 2018-19.

Category-wise audit findings noticed under taxes on sales, trade VAT, etc., State Excise, Stamp duty/ registration fees, Taxes on Vehicles, Passengers and Goods and Forest Receipts are depicted in Chart- 2.1, 2.2, 2.3 and 2.4 respectively

Chart 2.1: Sales Tax/ Value Added Tax/ MPB

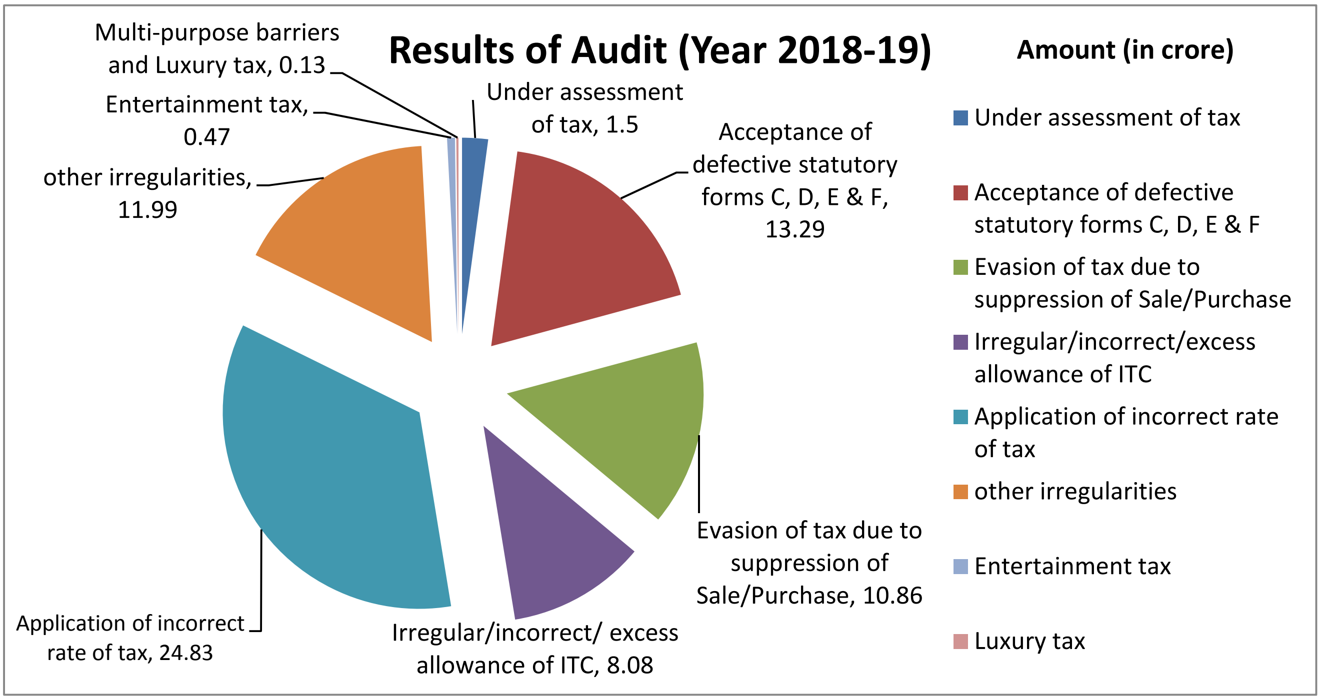


Chart 2.2: State Excise

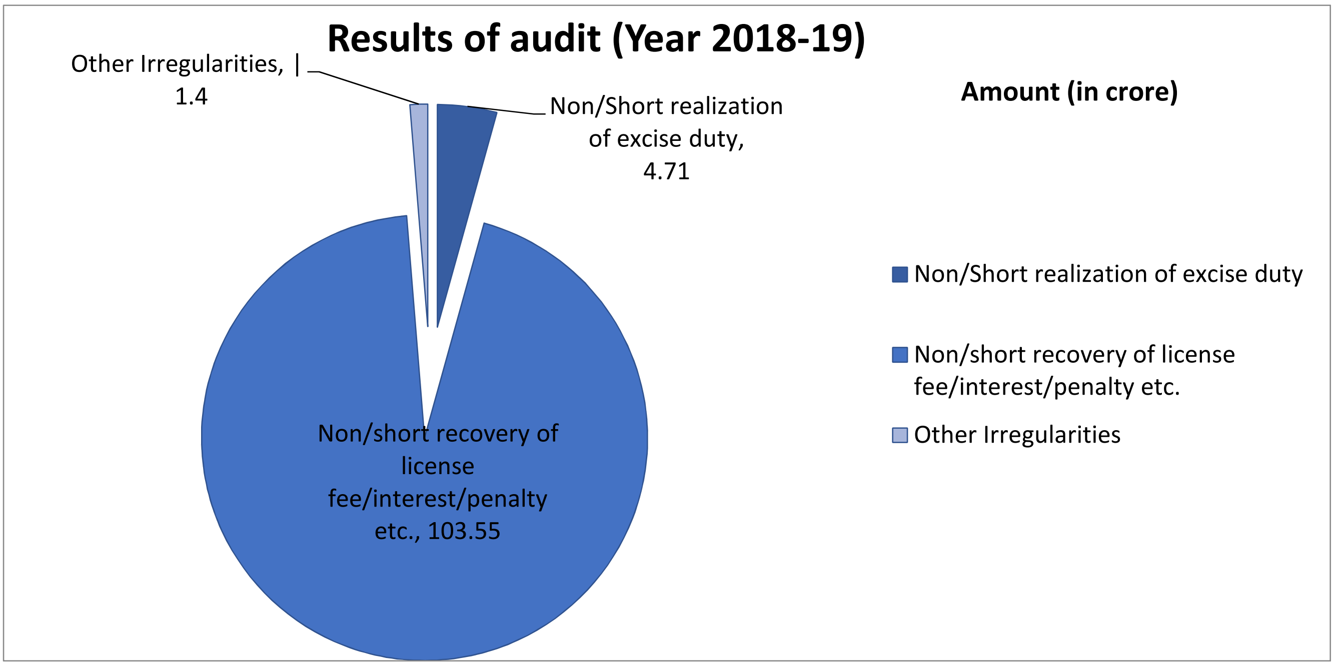


Chart 2.3: Stamp Duty

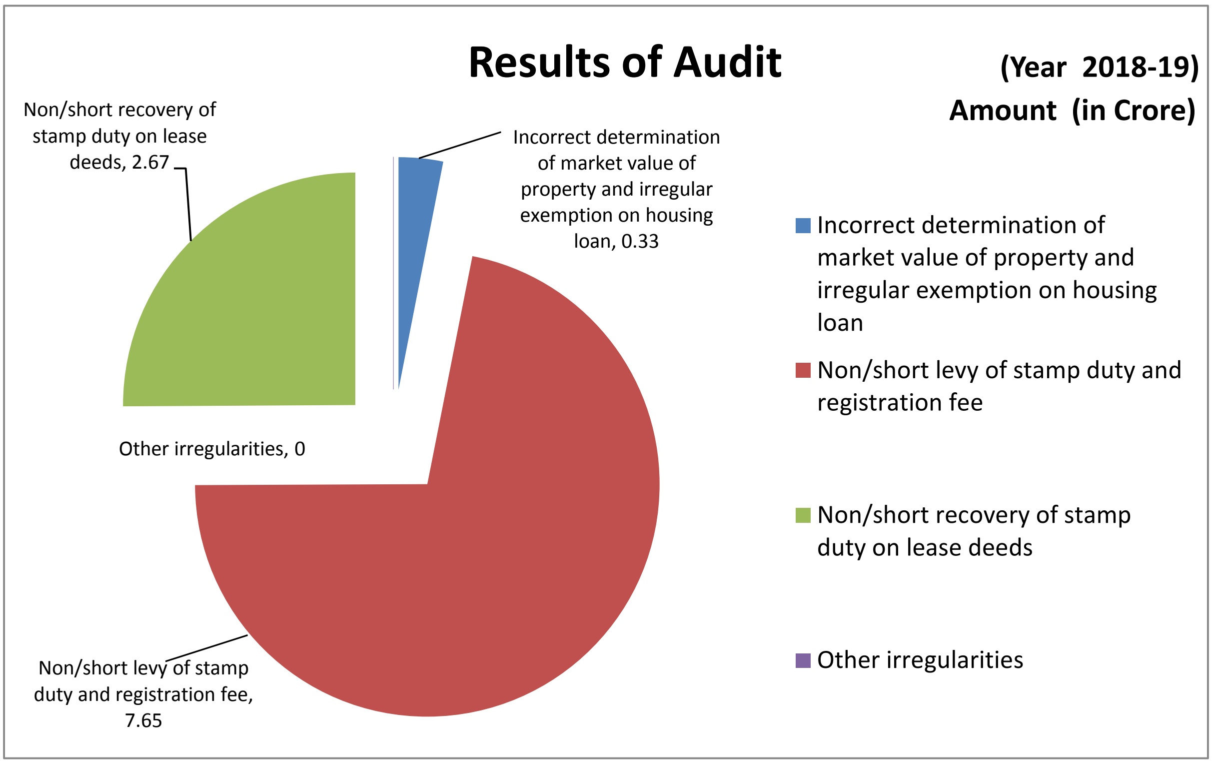


Chart 2.4: Taxes on Vehicles, Passengers and Goods

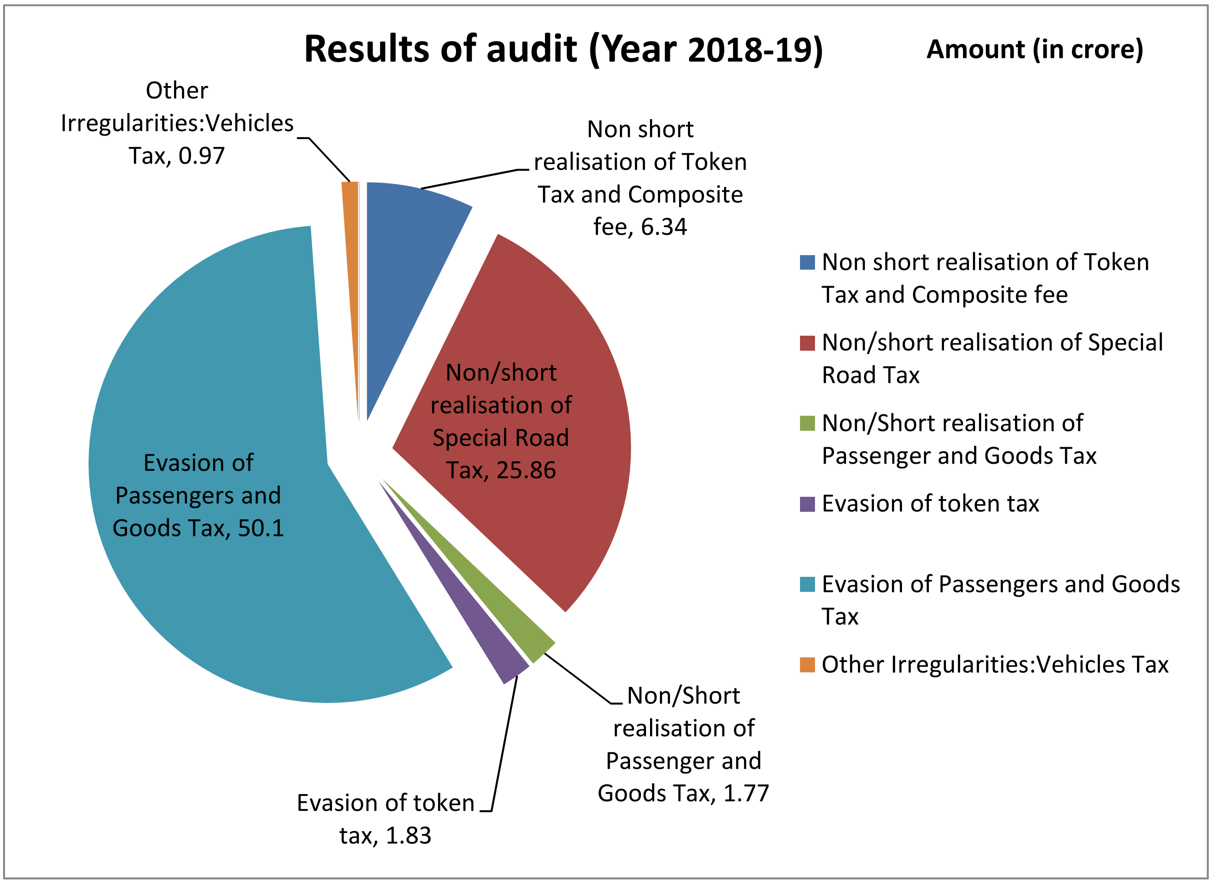
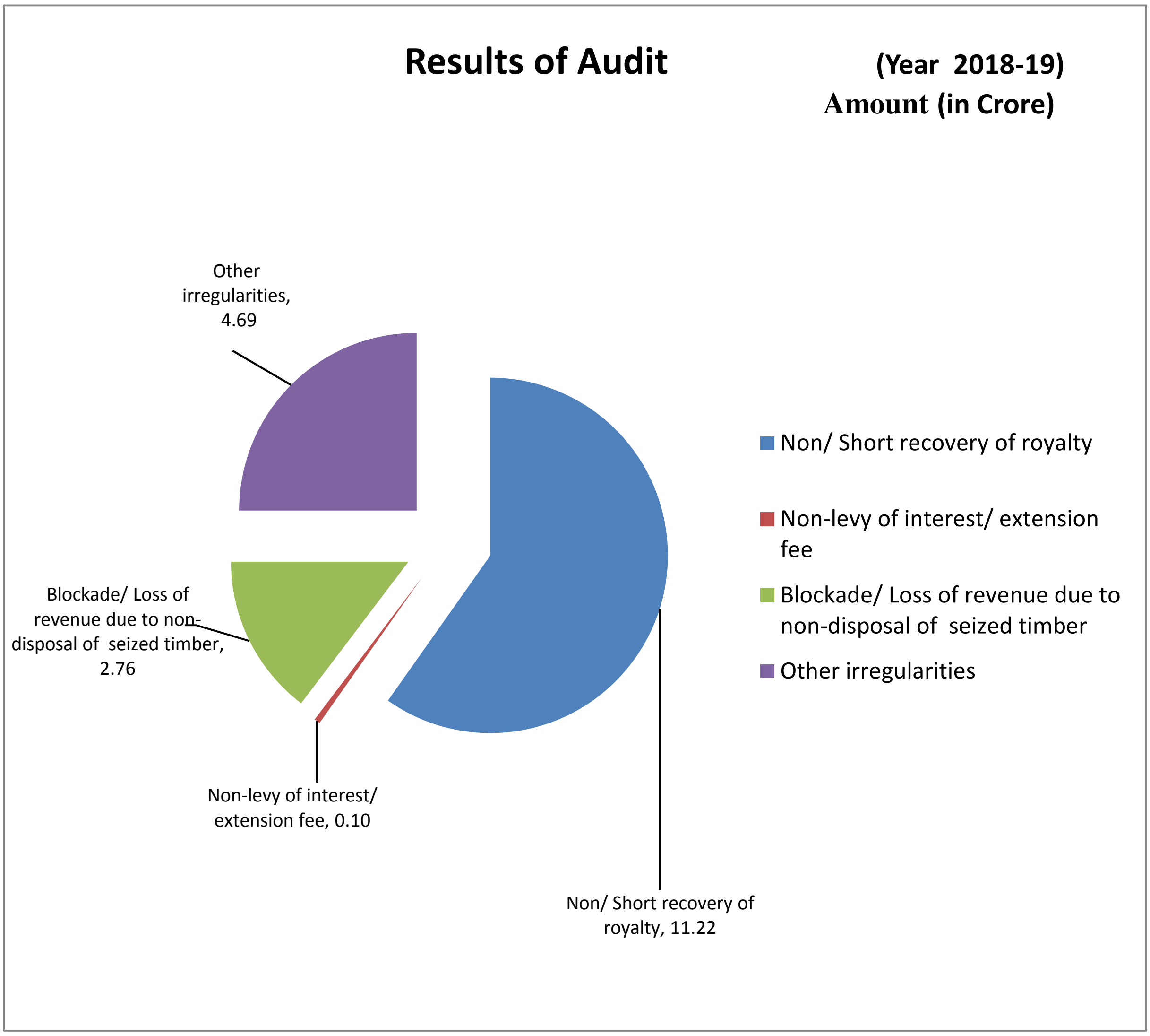


Chart 2.5: Forest Receipts



Source: Inspection Reports

Significant cases having a total revenue implication aggregating ₹ 173.63 crore are discussed in the following 23 paragraphs.

B. Audit Findings

Excise and Taxation Department

Sales Tax/ Value Added Tax

During 2018-19, audit test-checked 40 units out of 87 units involving receipt of ₹ 2,274.70 crore under VAT/GST, Multi-purpose Barriers and Luxury tax which revealed under assessment of tax and other irregularities involving short levy of tax of ₹ 71.15 crore in 316 cases.

The Department accepted and recovered under-assessment and other deficiencies of ₹ 70.25 lakh in 45 cases related to audit findings of earlier years. The Department also accepted under-assessment and other deficiencies of ₹ 03.84 crore in 31 cases related to audit findings of 2018-19.

Significant cases (9) having a financial implication of ₹ 9.18 crore are discussed in the following paragraphs 2.3 to 2.11.

2.3 Allowance of concessional rate of tax

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.

HP Government vide notification dated April 2013 had raised the concessional rate of tax to one and half *per cent* instead of one *per cent* in respect of sale in course of interstate trade or commerce of goods other than those manufactured by the industrial units specified in negative list (List of items prescribed by the Department of Industries, GoHP which will attract two *per cent* CST).

In case of any violation of the conditions mentioned in the notification, *ibid,* at any point of time by the concerned industrial unit, no further concession shall be admissible to it and tax at rate of two *per cent* as per Section 8 of the Central Sales Tax Act, 1956 shall be leviable.

Further, Section 19 of the HPVAT Act, *ibid*, provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and one and a half *per cent* per month thereafter, till the default continues.

Scrutiny of records showed that in the office of three Assistant Excise and Taxation Commissioners (AETCs)[10], the AAs had allowed concessional rate of tax to 17 dealers in 27 cases who were engaged in manufacturing of craft and printing papers and plastic articles falling in the negative list. These dealers were not entitled to avail any concessional rate of tax on interstate sales of ₹ 406.90 crore for the tax period 2013-14 to 2016-17. However, the AAs, while finalising the assessments of the dealers between April 2017 and May 2018, failed to

10 Baddi, Nahan and Solan.

correctly classify the nature of manufactured goods and allowed one or one and half *per cent* concessional rate of tax and levied tax of ₹ 5.72 crore instead of leviable tax at the rate of two *per cent* amounting to ₹ 8.14 crore. This resulted in short levy of tax of ₹ 2.42 crore[11]. Besides, interest of ₹ 1.67 crore was leviable.

The Department intimated (September 2020) that notices have been issued to nine dealers in 15 cases. In seven cases, the Department has stated that items do not fall in the negative list but the replies are not acceptable as items did fall under negative list issued by the Department of Industries. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider issuing necessary directions to the Department to follow the provisions of the notifications and the Act/Rules while finalising assessments.

2.4 Allowance of concessional rate of tax against form-I

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

The Excise and Taxation Department, Government of Himachal Pradesh vide notification dated April 2013, had raised the concessional rate of tax to one and half *per cent* instead of one *per cent* barring new industrial units coming into operation on or after 1st April, 2013 with effect from the date of commencing of production, or on existing industrial units which carry out substantial expansion (25 *per cent*) both on installed capacity and manpower for a period of five years or till the implementation of Goods and Services Tax, whichever is earlier.

One of the conditions for availing the concessional rate of tax is that the unit should obtain certificate to the effect in Form-'I' from the Department of Industries of the GoHP that the unit is located in the Category 'C' areas, employs at least 70 *per cent* of its total manpower employment from amongst the bonafide Himachalis and has furnished the same certificate to assessing authority. In case of any violation of this condition at any point of time by the concerned industrial unit, no further concession shall be admissible to it and tax at rate of two *per cent* as per Section 8 of the Central Sales Tax Act, 1956 shall be leviable.There is no provision in the Act/Rules that enables the AA to allow concessional rate of tax at his discretion.

Further, Section 19 of the Act, *ibid,* provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and one and a half *per cent* per month thereafter, till the default continues. Audit observed that two AETCs[12] had not pursued the cases under the provisions of notifications, *ibid,* as detailed below:

I. Scrutiny of records showed that AAs while finalizing the assessments (between April 2017 to February 2018) of 11 units for the years 2009-10 to 2017-18 had accepted

[11] Baddi: ₹ 1.35 crore, Nahan: ₹ 23.32 lakh and Solan: ₹ 83.94 lakh.
[12] Baddi and Solan.

Form-I, which did not pertain to the corresponding assessment year. In the absence of *Form-I* belonging to the corresponding year, the condition on employment of 70 *per cent* Himachalis could not be ascertained. The AAs had levied concessional rate of tax of one and one and half *per cent* on interstate sale of ₹ 421.95 crore. The allowance of concessional rate of tax instead of applicable rate of two *per cent* by AAs at their own discretion was against the provision of the notification, resulting in under assessment of tax of ₹ 3.38 crore. Besides, interest amounting to ₹ 3.39 crore was also leviable.

II. Similarly, audit scrutiny showed that AAs had finalized the assessment of 08 units (between July 2017 to February 2018) who made inter-state sales of ₹ 50.49 crore for the years 2009-10 to 2016-17. The AAs, while finalising the assessments applied concessional rate of tax of one and one and half *per cent* and levied tax of ₹ 52.09 lakh instead of leviable tax at the rate of two *per cent,* amounting to ₹ 1.01 crore. Audit noticed that there was nothing on records to prove that the units submitted the 'Form I' or they had carried out substantial expansion on or after 1 April, 2013 and as such these units did not qualify for availing concessional rate of tax. Thus, without verification of the provisions of the notifications, *ibid*, the AAs had applied incorrect rate of tax, resulting in under assessment of tax to the tune of ₹ 48.89 lakh. Interest amounting to ₹ 63.98 lakh was also leviable.

Audit observed that the AAs had not finalised the assessments under the provisions of notification, which resulted in short levy of tax of ₹ 3.87 crore and interest of ₹ 4.03 crore.

The Department intimated (September 2020) that in four cases notices had been issued to the dealers for reassessment and in 15 cases units are not required to furnish Form- I annually. The reply is not acceptable as the audit point is regarding non submission of Form-I pertaining to current year and Department has not taken action to re-assess the cases. Moreover, in the absence of Form-I pertaining to corresponding year, the condition on employment of at least 70 *per cent* of the Himachalis could not be ascertained. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider issuing necessary directions to the Department to ensure that the dealers must submit the mandatory 'Form-I' and fulfil the conditions mandated in the notifications to avail of concessional rates.

2.5 Grant of concessions without statutory forms

Acceptance of invalid and defective statutory forms by the Assessing Authorities and allowance of concessional rate of tax on inter-state sale resulted in short levy of tax of ₹1.43 crore. In addition, interest of ₹1.79 crore was required to be levied.

In case of sale in the course of interstate trade or commerce seeking full or partial exemption from tax, statutory *forms*-'*C*', and '*F*' are pre-requisite for claiming tax exemption under the CST Act, 1956 before finalisation of assessment of dealer. The *form*-'*C*' is provided by the purchasing dealers to the selling dealer for claiming concession in the course of interstate trade or commerce. These forms are issued in three parts i.e. *Original,* *Duplicate* and *Counterfoil*. It has been judicially held[13] that production of original forms containing full particulars like date of issue, transaction details, name of selling and purchasing dealers, value of form and period to which these forms pertain etc. is mandatory for claiming concessional rate of tax.

2.5.1 Form-'C'

The Central Sales Tax (CST) Act, 1956 prescribes that in the course of interstate trade or business, the selling dealer has to submit *form*-C obained from the purchasing dealer to avail concessional rate of tax or else the tax at full rate is to be paid.

Scrutiny of records of 11 AETCs showed that in three AETCs[14], the AAs had finalised the assessments between June 2017and September 2017 (for the years 2009-10 to 2013-14) of six dealers who had made interstate sales of ₹ 143.52 crore, out of which sales valued at ₹ 12.23 crore were supported with ineligible *form-'C'*. These ineligible forms did not pertain to assessment year or had overwriting or cuttings over critical inputs and entries, or were photocopies/counter-foils, instead of original forms (***Appendix 2.1***). These forms were liable to be rejected at the time of assessments but the AAs did not do the same. The AAs levied tax of ₹ 23.07 lakh at the concessional rate of one/two *per cent* on ₹ 12.23 crore involved in ineligible *forms-'C'* whereas tax of ₹ 74.39 lakh at the rate of five, 12.50 and 13.75 *per cent* was to be levied. This resulted in short levy of tax of ₹ 51.32 lakh. Interest of ₹ 53.94 lakh was also required to be levied.

2.5.2 Form-'F'

The CST Act 1956, read with the CST Rules 1957, provides that exemption of tax to a registered dealer is granted in case of branch transfer/consignment sale, provided these are supported by a declaration in *form-'F'*. Further, a single *form-'F'* is to cover transactions of only one calendar month. Besides, interest at the prescribed rate under the Act is also required to be levied on the unpaid amount of tax.

Scrutiny of records of 11 AETCs showed that in AETC Solan, the AA while finalising the assessments of two dealers between October 2017 and March 2018 for the tax periods 2009-10 to 2014-15, had allowed exemption of tax of ₹ 84.40 lakh on transfer of stock amounting to ₹ 6.75 crore against declaration in *form-'F'*. Audit observed that *form-'F'* were liable to be rejected at the time of assessment as these were covering transactions for more than one calendar month or were not in original. However, the AAs concerned did not properly scrutinise the forms and allowed concessions, which resulted in non-levy of tax of ₹ 84.40 lakh. Interest of ₹ 1.20 crore was also required to be levied (***Appendix 2.2***).

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13 Commissioner Sale Tax v/s M/s Prabhu Dayal Prem Narayan (1988) 71 STC (SC) and Delhi Automobiles Private Limited v/s Commissioner of Sales Tax (1997) 104 STC 75 (SC).

14 AETCs: Baddi (three dealers: ₹ 47.98 lakh), Solan (two dealers: ₹ 2.08 lakh) and Una (one dealer: ₹ 1.26 lakh).

2.5.3 Form-'H'

As per Rule 12(10) of the CST (Registration and Turnover) Rules 1957, a dealer is not liable to pay tax in the course of export of goods out of the territory of India, if he submits *form*-H duly filled and signed by the exporter along with the evidence of export of such goods.

Scrutiny of records of AETC Solan showed that while finalising the assessments of two dealers between March 2017 and December 2017 for the tax period 2013-14 to 2015-16, the AAs allowed exemption of tax of ₹ 7.94 lakh on export of stock amounting to ₹ 57.78 lakh without declaration form–'*H'*. This resulted in non-levy of tax of ₹ 7.94 lakh on which interest of ₹ 4.91 lakh was also required to be levied.

There is no provision in the Act/Rules that enables the AAs to accept the defective forms. Thus, non-rejection of the invalid and defective statutory forms resulted in irregular allowance of concessional rate of tax of ₹ 1.43 crore.

The Department stated (September 2020) that in six cases, an additional demand of ₹ 0.12 lakh[15] had been created and recovered whereas the remaining cases (four) of the dealers were under process for re-assessment. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider issuing necessary directions to the Department to ensure that the AAs verify that dealers submit the respective mandatory Forms and fulfil the conditions mandated in the notifications before allowing concessional rates of tax and finalising their assessments.

2.6 Incorrect determination of turnover

Assessing Authorities assessed the Gross Turnover lesser than the actual turnover as depicted in certified accounts of the dealers, resulting in loss of revenue of ₹ 58.43 lakh. Besides, interest of ₹ 64.17 lakh was required to be levied.

As per Section 2(v)(zd) of HPVAT Act, 2005, turnover means aggregate amount of sales, purchases or any part of sales and purchases made by dealer and includes any sum charged on account of freight, storage, demurrage, insurance and for anything done by the dealer in respect of the goods at the time of or before delivery thereof. Further, Section 32(1) provides that Commissioner or Excise and Taxation Officer may inspect, examine any book, document or account as may be necessary.

During 2017-18, Audit test checked the records of 11 AETCs and observed that four AAs[16] while finalising (between April 2017 and February 2018) the assessments of nine dealers/ contractors in nine cases for the tax years 2011-12 to 2015-16, assessed Gross turnover at ₹ 244.26 crore against the actual determinable Gross turnover of ₹ 253.41 crore as depicted in the certified accounts or in Form STXI-B of the dealers/contractors. Further, the AAs neither examined books, documents/accounts nor did they cross check the returns with certified

15 AETC Solan: six dealers: ₹ 0.12 lakh.

16 AETCs: Baddi: two dealers, Sirmour at Nahan: three dealers, Shimla: one dealer and Solan: three dealers.

Accounts or Form STXI-B of the dealers/contractors to verify the Gross turnover for calculation of tax, penalty and interest due on applicable tax rates. This led to undue benefits to dealers/contractors at the cost of State revenue. Thus, short determination of Gross turnover/Taxable turnover of ₹ 9.15 crore, resulted in short levy of tax of ₹ 58.43 lakh[17]. Besides, interest of ₹ 64.17 lakh was required to be levied.

The Department intimated (September 2020) that in five cases notices had been issued to re-assess the cases, whereas in remaining cases re-assessments has been done by the Department. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider setting up a mechanism to monitor turnover and a system to correlate annual returns with certified accounts of the dealers.

2.7 Short levy of interest

Assessing Authorities levied interest of ₹ 1.16 lakh instead of leviable interest of ₹ 32.18 lakh on additional demand created, resulting in short levy of interest of ₹ 31.02 lakh.

As per Section 19 of the HPVAT Act 2005, if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* for a period of one month and one and a half *per cent* per month thereafter, till the default continues.

Scrutiny of records of three AETC[18] showed that the AAs while finalising the assessments (between April 2017 and January 2018) in respect of 11 dealers in 15 cases for the tax period 2007-08 to 2015-16, created additional tax demands of ₹ 32.93 lakh and levied interest of ₹ 1.16 lakh against the leviable interest of ₹ 32.18 lakh on additional demand created, upto the date of assessment. No reasons were recorded in the assessment orders by the AAs for short levy of interest despite the fact that there was no discretion granted in the Act to the AAs. Audit had pointed out similar lapses for last five years in Inspection Reports/Audit Reports, however, AETCs did not review the assessments made by the AAs to take corrective action. The Department neither took any action to strengthen its mechanism to guard its revenue loss due to wrong calculation nor did it conduct regular review of the assessments which highlighted that the Department did not have an effective mechanism to assess the tax due and tax paid by tax payers. This resulted in short levy of interest of ₹ 31.02 lakh[19].

The Department stated (September 2020) that AETC Baddi had issued notices to four dealers in six cases which are under process, whereas in nine cases the dealers had been re-assessed and additional demand of ₹ 1.80 lakh had been created and ₹ 1.40 lakh recovered. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider issuing necessary directions to the Department to follow the provisions of the Act and exercise appropriate checks before finalising any assessment.

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17 AETCs: Baddi: ₹ 24.38 lakh, Sirmour at Nahan: ₹ 24.05 lakh, Shimla: ₹ 4.84 lakh and Solan: ₹ 5.16 lakh.

18 AETCs: Baddi, Mandi and Solan.

19 AETCs: Baddi: ₹ 26.44 lakh, Mandi: ₹ 1.80 lakh and Solan: ₹ 2.78 lakh.

2.8 Short levy of entry tax

AAs neither verified the interstate purchases nor take cognizance of the Government notification for levy of entry tax during the period 2013-16, which led to short levy of entry tax by ₹24.14 lakh and interest of ₹17.92 lakh.

The Himachal Pradesh Tax on Entry of Goods into Local Area Act, 2010 (TEGLA) under Schedule-II provides that goods used in the works contract including Hydropower and Thermal power projects, and all other turnkey projects being executed by private as well as the Government Departments/Corporations/Board etc. in the State, will attract entry tax at the rate of five *per cent* of the value of goods. Further, as per GoHP, Excise and Taxation Department notification dated 25 February 2014, the entry tax is payable at the rate of two *per cent* of the value of goods *w.e.f.* 1 March 2014 (instead of one *per cent* earlier) on all industrial inputs, raw material and packing material, when administered into State. This is applicable to dealers registered outside the State and supplying goods in Himachal Pradesh.

Further, Section 19 of the HPVAT Act, *ibid*, provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and one and a half *per cent* per month thereafter, till the default continues.

During 2017-18, Audit test checked the records of 11 AETCs and observed that a dealer under AETC Baddi, purchased raw material worth ₹ 131.80 crore during the year 2013-14, out of which goods worth ₹ 13.13 crore were brought into the State during the month of March 2014. The AAs did not take cognizance of the notification dated 25 February 2014 and incorrectly levied entry tax at the rate of one *per cent* amounting to ₹ 1.28 crore instead of applicable rate of two *per cent* which resulted in short levy of tax amounting to ₹ 11.39 lakh. In addition, interest of ₹ 10.03 lakh was required to be levied.

Similarly in AETC Shimla[20], scrutiny of dealer-wise details of Goods Imported (form VAT XXVI-A) and Assessment Order of a dealer for the years 2014-15 and 2015-16 (finalised on 11.01.2018.), it was found that the dealer had imported goods worth ₹ 3.91[21] crore into the State in two years, while the assessing authority has assessed the value of imported goods as ₹ 1.36[22] crore only. Thus, the Assessing Authority did not levy entry tax of ₹ 12.75 lakh on imported goods valuing ₹ 2.55 crore at the rate of 5 *per cent*. This resulted in short levy of tax to the tune of ₹ 12.75 lakh besides an interest of ₹ 7.89 lakh was required to be levied.

For calculation of tax, penalty and interest due on applicable tax rates, the AAs had not undertaken the scrutiny of returns filed during the tax period. Audit observed that AAs did not verify the interstate purchases for calculation of entry tax during the tax period. This resulted in short levy of tax of ₹ 24.14 lakh[23] and interest of ₹ 17.92 lakh.

[20] AETC Shimla: (one dealer: ₹ 20.64 lakh).
[21] 2014-15: ₹ 2.70 crore; 2015-16: ₹ 1.2 crore.
[22] There was nothing on the records regarding the levy of tax/ justification of the remaining amount (₹ 3.91 cr-1.36 cr = ₹ 2.55 crore).
[23] ₹ 11.39 lakh + ₹ 12.75 lakh.

The Department intimated (September 2020) that in one case (Shimla) an additional demand of ₹ 5,000 had been created and recovered, whereas in the second case (Baddi) the Department had initiated the proceedings against the dealer for non-payment of entry tax liability for the year 2011-12 to 2013-14 and recovered ₹ 50.40 lakh. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider issuing necessary directions to the Department to follow the provisions of the Act and exercise proper control before finalising assessments. The Government may also consider cross verifying the returns filed by the dealers with their annual accounts.

2.9 Suppression of Sale and Stock

12 dealers in 15 cases suppressed sales and closing stock of ₹ 1.51 crore which escaped assessment, resulting in evasion of tax of ₹ 12.96 lakh. Interest of ₹ 9.58 lakh and minimum penalty of ₹ 3.24 lakh was also required to be levied.

Section 16(8) of HPVAT Act, 2005 provides that if a dealer has maintained false accounts with a view to suppress his Sales, Purchases or stocks of Goods, or has concealed any particulars of his sales or purchases, or produced false accounts before any Authority under the Act, then he is liable to pay penalty not less than 25 *per cent* of tax due. Section 32(1) provides that Commissioner or Excise and Taxation Officer may inspect, examine any book, document or account as may be necessary. Further, Section 19 of the Act, *ibid*, provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one per cent on the tax due for a period of one month and one and a half per cent per month thereafter till the default continues.

During 2017-18, Audit test checked the records of three AETCs[24], and observed that 10 dealers in 12 cases having GTO of ₹ 537.48 crore during tax periods 2010-11 to 2015-16 had not disclosed sales of ₹ 1.47 crore in the annual returns which were otherwise depicted in their Trading, Profit and Loss accounts as sale of assets (Vehicles, Plant and Machinery). In another case of AETC Chamba, audit scrutiny revealed that two dealers in three cases having GTO of ₹ 2.12 crore for the tax period between 2011-12 and 2014-15 had shown opening stock of ₹ 16.15 lakh whereas closing stock of ₹ 20.35 lakh was depicted in their certified accounts of the previous years. Thus, there was a difference of ₹ 4.20 lakh in closing and opening stock during the tax period.

Audit observed that the AAs did not examine books, documents/accounts as well as crosscheck the returns with certified accounts of the dealers to verify the GTO for calculation of tax and interest during the tax period. The AAs did not take cognizance of gross receipts while comparing certified receipts for corrective action and the AA/AETC did not check/review the deficiencies to uniform applicability of Rules, even repeatedly pointed out by Audit in the Audit

[24] AETCs: Chamba, Sirmour (Nahan) and Solan.

Reports for the last five years. Audit scrutiny revealed that the AAs did not calculate the GTO, even though the records were available with the Department, which indicated either negligence or inaction in applying the provisions of Act/Rules. Thus, due to failure on the part of AAs to crosscheck annual returns with annual accounts, dealers were able to supress GTO/TTO of ₹ 1.51 crore (₹ 1.47 crore + ₹ 4.20 lakh) which escaped assessment, resulting in evasion of tax of ₹ 12.96[25] lakh and led to undue benefits to dealers, at the cost of State revenue. Interest of ₹ 9.58 lakh and minimum penalty of ₹ 3.24 lakh was also required to be levied.

The Department intimated (September 2020) that two AETCs[26] had created an additional demand of ₹ 0.39 lakh against three dealers, whereas in remaining cases, notices had been issued for re-assessment which were under process. The reply of the Government was awaited (September 2020).

The Government may consider creating a procedure to fix accountability of officials for failure to implement the provisions of the VAT Act/Rules while assessing the dealers and take appropriate action against the official concerned after reviewing all such cases in the State.

2.10 Assessment of work contractor

Assessing Authority did not scrutinise the annual returns of a dealer which led to under-assessment of tax by ₹11.11 lakh. Interest of ₹15.78 lakh was also leviable.

Rule 18 of HPVAT Rules, 2005 provides that every registered dealer shall classify his taxable turnover of sale, on the basis of rate of tax specified in the Schedule(s) appended to the HPVAT Act. Section 60 of the Act, *ibid,* read with Rule 44 provides that the Assessing Authority may undertake scrutiny of the returns filed during any tax period for ascertaining compliance of the provisions of Act, to check correctness of rates of tax applied and payment of tax, penalty and interest payable and due, according to such return.

Further, Section 19 of the HPVAT Act, *ibid*, provides that if a dealer fails to pay the tax due by the prescribed date, he becomes liable to pay interest at the rate of one *per cent* on the tax due for a period of one month and one and a half *per cent* per month thereafter, till the default continues.

In AETC Baddi, a dealer filed two separate annual returns[27] having Gross Turnover (GTO) of ₹ 7.93 crore[28] for the tax period 2010-11. The AA assessed the dealer in April 2017. Audit cross checked the returns submitted by the dealer and assessment orders made by the Assessing Authority and observed the following:

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25 AETCs: Chamba: two dealers: ₹ 0.21 lakh, Sirmour (Nahan): eight dealers: ₹ 12.46 lakh and Solan: two dealers: ₹ 0.29 lakh.
26 AETCs: Chamba: ₹ 0.16 lakh and Sirmour (Nahan): ₹ 0.23 lakh.
27 Trading and works contract.
28 GTO: ₹ 7.93 crore (Annual return of trading account ₹ 5.81 crore plus Annual return of works contracts ₹ 2.12 crore).

Table 2.2: Audit Observations on Assessment made by the AA and returns filed by the dealer

(Amount in ₹)

Description	Assessment made by the AA	GTO/TTO as per annual returns filed		Audit observations
		Trading	Works contract	
GTO	**7,92,86,325**	**5,80,91,930**	**2,11,94,395**	--
Interstate sale (-)	18,62,783	0	0	The AA allowed interstate sales of ₹ 18.63 lakh and exempted it as export sale whereas dealer did not claim any interstate or export sales.
Labour Charges (-)	1,98,21,581	--	43,69,535	On the GTO of ₹ 2.11 crore (work contract), the dealer claimed ₹ 0.44 crore as labour charges which is tax free whereas the AA allowed labour charges and profit on labour charges as ₹ 2.18 crore (₹ 1.98 crore + ₹ 0.20 crore). This resulted in excess allowance of labour charges and profit on labour charges by ₹ 1.74 crore[29]. Besides, allowance of labour charges and profit exceed the GTO of works contract by ₹ 7.00 lakh which was overlooked by the AA.
Profit on Labour (-)	19,82,158	--	--	
Stock in Hand (-)	48,34,896	--	--	Out of total GTO of ₹ 7.93 crore, the AA deducted closing stock of ₹ 48.35 lakh which is against the provisions of the Act. This resulted in wrong deduction and under assessment of Taxable Turnover (TTO).
TTO @ 5%	4,58,80,070	5,80,91,930	41,48,056	The AA while assessing the dealer mentioned in assessment order that dealer had made sales of ₹ 6.22 crore (trading ₹ 5.81 crore and works contract ₹ 41.48 lakh) at the rate of five *per cent* during the tax period. However, the AA determined TTO of ₹ 4.59 crore and levied tax of ₹ 22.94 lakh against leviable tax of ₹ 31.12 lakh (₹ 29.04 lakh + ₹ 2.08 lakh) on ₹ 6.22 crore at the rate of five *per cent*. This resulted in under assessment of tax by ₹ 8.18 lakh (₹ 31.12 lakh- ₹ 22.94 lakh). Interest of ₹ 11.62 lakh was also required to be levied.
Tax @ 5%	22,94,003	29,04,596	2,07,402	
Total of classified sales in annual returns		**5,80,91,930**	**74,07,243**[30]	
Labour charges			(+) 43,69,535	
Profit on labour charges		--	(+) 4,36,954	
Machinary charges		--	(+) 16,45,650	
		5,80,91,930	**1,38,59,382**	The total of classified sales including labour charges, profit on labour charges and machinery charges worked out to be ₹ 1.38 crore, as compared to works contract GTO of ₹ 2.11 crore. This is short by ₹ 73 lakh and resulted in short levy of tax @ 4% (minimum rate of tax) amounting to ₹ 2.93 lakh. Interest of ₹4.16 lakh was also required to be levied.
			73,35,013	

Audit observed that in this case, the AAs did not undertake the scrutiny of returns filed during the tax period to check correctness for application and calculation of rate of tax, penalty and interest payable, which was required as per the provisions of the Act/Rule. Thus, inefficiency of the AA to check the records and failure to follow the provisions of the Act/Rules resulted in under-assessment of tax by ₹ 11.11 lakh[31], on which interest of ₹ 15.78[32] lakh was also required to be levied.

The Department stated (September 2020) that the notices had been issued to the dealer for re-assessment. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

[29] Excess allowance of labour charges and profit on labour charges (₹ 1.98 crore + ₹ 0.20 crore - ₹ 0.44 crore = ₹ 1.74 crore).

[30] TTO @ 4% ₹ 10,37,014+ TTO @ 5% ₹ 41,48,056 + TTO @ 13.75% ₹ 22,22,173= ₹ 74,07,243.

[31] ₹ 8.18 lakh + ₹ 2.93 lakh=₹ 11.11 lakh.

[32] ₹ 11.62 lakh + ₹ 4.16 lakh = ₹ 15.78 lakh.

The Government may consider creating a system to fix accountability of officials for failure to implement the provisions of the VAT Act/Rules while assessing the dealers and take appropriate action against the official concerned after reviewing all such cases in the State.

2.11 Excess allowance of labour charges

Excess deduction of labour charges of ₹ 99.23 lakh from GTO, resulted in under assessment of tax of ₹ 7.92 lakh.

The HPVAT Act, 2005 provides that where labour charges are not determinable from the accounts of the works contractors or are considered unreasonably high in consideration of the nature of the contract, the deductions towards labour charges shall be allowed by the AAs according to limits prescribed for the type of contract specified in the Act/Rules,*ibid*.

Scrutiny of records of 11 AETCs showed that two AAs,[33] while finalising the assessments of two contractors in four cases between December 2017 and February 2018 for the tax period 2014-15 to 2016-17, had allowed inadmissible deductions towards labour charges. The AAs allowed labour charges of ₹ 4.38 crore (25 *per cent* of the Gross Turn over of ₹ 17.52 crore) against ₹ 3.39 crore as claimed by the contractors. The AAs had allowed labour charges without verifying the account of labour charges or cross-checking the returns with the certified accounts of the contractors which led to excess allowance of labour charges of ₹ 99.23 lakh. Even after repeatedly pointed out by Audit for the last five years in Audit Reports, the AAs did not determine labour charges on the basis of certified accounts in these cases. This resulted in under assessment of tax by ₹ 7.92 lakh[34]. Interest of ₹ 3.12 lakh[35] was also required to be levied.

The Department intimated (July 2020) that the cases of dealers had been re-assessed and an additional demand of ₹ 1.98 lakh had been created and recovered but in the absence of supporting documents, the reply could not be verified. The reply of the Government was awaited (September 2020).

The Government may consider issuing necessary directions to the Department for carefully examining the assessments of the dealers to avoid excess and impermissible allowance of labour charges and other deductions and allow deductions under the purview of HPVAT Act.

The cases pointed out are based on test check conducted by Audit. The Department may initiate action to comprehensively examine similar cases and take necessary corrective action.

33 AETCs: Shimla and Una.

34 Tax leviable = Excess Allowance x rate of tax (minimum)/100
Shimla: ₹ 18,22,552 x 5/100 = ₹ 91,128 and ₹ 33,84,759 x 13.75/100 = ₹ 4,65,404
Una: ₹ 47,16,116 x 5/100 = ₹ 2,35,805,
Total Tax: ₹ 91,128 + ₹ 4,65,404 + ₹ 2,35,805 = ₹ 7,92,337

35 Interest =Tax leviable x Rate of interest x delay in months/100
Shimla: ₹ 91,128 x 1.5 x 22/100 + ₹ 91,128x1/100 = ₹ 30,983 and ₹ 4,65,404 x 1.5 x 22/100 + ₹ 4,65,404 x1/100=₹ 1,58,237
Una: case-I : ₹ 1,04,895 x 1.5 x 46/100 + ₹ 1,04,895x1/100 = ₹ 73,426
Case-II : ₹ 24,866 x 1.5 x 34/100 + ₹ 24,866x1/100 = ₹ 12,930
Case – III : ₹ 1,06,046 x 1.5 x 22/100 + ₹ 1,06,046x1/100 = ₹ 36,056
Total Interest: ₹ 30,983 + ₹ 1,58,237 + ₹ 73,426 + ₹ 12,930 + ₹ 36,056 = ₹ 3,11,632

STATE EXCISE

In 2018-19, audit test checked records of ten units, out of 13 units having receipt of ₹ 2,184.20 crore relating to State Excise Department which revealed non-realisation and short realisation of Excise Duty, License Fee, Interest, Penalty and other irregularities involving ₹ 109.66 crore in 72 cases.

During the year 2018-19, the Department accepted under-assessment and other deficiencies worth ₹ 95.49 lakh in six cases pertaining to audit findings of earlier years and recovered the same.

Significant cases (five) having a financial implication of ₹ 107.46 crore are discussed in the following paragraphs 2.12 to 2.16:

2.12 Short recovery of License fee

The Assessing Authorities did not take any action either to seal 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.

Excise Announcement (EA) 2017-18 of the State Government provides that annual license fee of a particular vend shall be predetermined based on the Minimum Guaranteed Quota (MGQ) of liquor fixed for each vend for the whole year. The fee so fixed is required to be levied in 12 monthly instalments and paid by the last day of each month and last instalment for the month of March has to be paid in full by 15 March. If the licensee fails to pay the license fee upto the last day of the next month, or the last instalment by 15th March, the AETC in-charge of the District or any other officer authorised by him would ordinarily seal vend on 1st day of the following month or 16th March as the case may be. The AETC or any other officer authorised by him may also cancel or suspend the license or re-sell vend and attach the property, after declaring such case as arrears under land revenue.

Scrutiny of M-2 registers[36] of nine AETCs[37] between May 2018 and March 2019 showed that against the recoverable license fee of ₹ 334.68 crore for the years 2016-18 from 23 licensees, out of 1192 licensees, the Department could recover only a sum of ₹ 252.36 crore. The AETCs had neither taken any action to cancel/suspend the permit nor did they seal the vends for re-selling the license for recovery of remaining license fee, even though the licensees of these vends were in default of payment of monthly instalment between May 2016 and March 2018. All these cases were required to be sent to the Collector concerned to effect recovery as per prescribed procedure, after declaring arrears under land revenue (ALR) to recover the balance license fee. However, two AETCs had declared ₹ 3.08 crore[38] as ALR in three cases and no further action was taken to attach the property i.e. shop/premises etc., of such licensee.

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[36] A register showing the quantity of Foreign Spirit including IMFL and CL issued for sale, amount of additional license fee payable and received during the month.

[37] Baddi: two units: ₹ 12.33 crore, Bilaspur: six units: ₹ 0.53 crore, Hamirpur: three units: ₹ 1.44 crore, Nahan at Sirmour: two units: ₹ 10.52 crore, Mandi: two units: ₹ 0.50 crore, Nurpur: one unit: ₹ 0.16 crore, Shimla: five units: ₹ 5.22 crore, Solan: one unit: ₹ 0.22 crore and Una: one unit: ₹ 51.40 crore.

[38] Bilaspur: two units: ₹ 1.59 crore, Nahan at Sirmour: one unit: ₹ 1.49 crore.

Thus, failure of the AAs to follow the procedures of the Act/EA, resulted in short recovery of license fee amounting to ₹ 82.32 crore.

The Department stated (between July 2018 and March 2019) that after reviewing the cases, action would be initiated. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider setting up an effective mechanism for a monthly review of recoveries from the licensees or seal of vends in case of default.

2.13 Non-levy of additional fee and penalty on short lifting of Minimum Guaranteed Quota of liquor

The Assessing Authorities had not reviewed the status of lifting of MGQ 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. Penalty of ₹2.48 crore was also required to be levied for short lifting of quota.

Excise Announcement (EA) 2017-18 of the State Government stipulates that each licensee shall be required to lift the Minimum Guaranteed Quota (MGQ) both of Country Liquor (CL) and Indian Made Foreign Liquor (IMFL) fixed for each vend and the licensee shall be liable to pay license fee fixed on the basis of the MGQ. The licensee shall also be liable to pay additional fee of ₹ 10 per proof litre (pls) on CL and ₹ 56 per pls on IMFL on the un-lifted quota of liquor which falls short of the benchmark of 100 *per cent* of MGQ. Further, the licensee shall also be liable to pay penalty of ₹ 7 per pls on CL and ₹ 14 per pls on IMFL on the un-lifted quota of liquor which falls short of the benchmark of 80 *per cent* of MGQ. AETC or Excise and Taxation Officer (ETO) in-charge of the District shall review the status of lifting of MGQ on quarterly basis and ensure recovery of the additional fee and penalty on the un-lifted MGQ.

Scrutiny of records (between May 2018 and March 2019) of 10 AETCs[39]revealed that 1,130 vends out of 1,837 vends had short-lifted 62,87,807pls[40] (CL 32,44,913 pls and IMFL 30,42,894 pls) of liquor against the fixed annual MGQ of 2,36,83,000 pls (CL 1,36,93,032 pls and IMFL 99,89,968 pls) which was short of the benchmark of 100 *percent* of MGQ.

Table 2.3: Details of MGQs fixed, short lifted and additional fees/penalty levied

Types of Liquor	MGQ quota fixed (in pls.)	Less than 100% (in pls.)	Additional Fee (in ₹)	Less than 80% (in pls.)	Penalty (in ₹)
Country Liquor	1,36,93,032	32,44,913	3,24,49,128	10,94,315	76,60,209
Indian Made Foreign Liquor	99,89,967	30,42,894	17,04,02,068	12,22,666	1,71,17,323
TOTAL	**2,36,82,999**	**62,87,807**	**20,28,51,196**	**23,16,981**	**2,47,77,532**

[39] Baddi: 58 vends: ₹ 1.98 crore; Bilaspur: 151 vends: ₹1.52 crore; Hamirpur: 72 vends: ₹ 0.45 crore; Kangra at Dharamshala: 134 vends: ₹ 0.90 crore; Mandi: 171 vends: ₹ 3.80 crore; Nurpur: 24 vends: ₹ 0.29 crore; Sirmour: 33 vends: ₹ 1.54 crore; Solan: 62 vends: ₹ 2.67 crore; Shimla: 144 vends: ₹ 2.37 crore and Una: 281 vends: ₹ 4.74 crore.

[40]

Liquor quota	CL	IMFL	Total
MGQ fixed	1,36,93,032	99,89,967	2,36,83,000
MGQ lifted	1,04,48,119	69,47,073	1,73,95,193
MGQ short lifted	32,44,913	30,42,894	62,87,807

Thus, additional fees of ₹ 20.28 crore was required to be levied on short lifted quota. Further, in 546 vends out of these 1,130 vends, the lifting against MGQ was also short of the 80 *per cent* benchmark by 23,16,982 pls and the penalty of ₹ 2.48 crore was required to be levied on these licensees. However, the Department did not levy the same.

In violation of the EA, AETCs/ETO did not review the quota lifting statement to check the lifting status of MGQ on quarterly basis in-spite of the fact that Audit had pointed out the same deficiencies repeatedly for the last six years, indicating either negligence or unwillingness in applying provisions of EA. Thus, failure on the part of AETC/ETO resulted in short realisation of additional fee and penalty of ₹ 22.76 crore (₹ 20.28 crore + ₹ 2.48 crore).

The Department stated (January 2020) that notices have been issued to the concerned licences and efforts are being made to recover the amount. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider setting up of an effective mechanism for monthly review of status of lifting of quota so that timely action can be taken to recover additional fee.

2.14 Non/short recovery of salaries of excise staff posted at distillery/bonded warehouses

Salaries of ₹ 58.36 lakh of excise establishment staff posted in two breweries, three distilleries and five bottling plants were not recovered from the licensees.

Rules 9.13 and 9.16 of the Punjab Distillery Rules (PDR) 1932, as applicable to Himachal Pradesh, stipulates that licensee shall agree to the posting of a Government Excise Establishment to his distillery for the purpose of ensuring the due observance of the Rules and for watch and ward. The licensee shall, if required, by the Excise Commissioner, make payment to the Government as may be demanded on account of the salaries of the Government Excise Establishment posted to the distillery, but he shall not make any direct payment to any member of such establishment.

Audit cross checked the records of 10 licensees (two breweries, three distilleries and five bottling plants) with that of concerned five AETCs[41]and observed that the salaries amounting to ₹ 74.40 lakh of the excise establishment staff posted to the distilleries/breweries/bottling plants were required to be paid by the licensees for the years 2016-18. However, two out of 10 licensees had paid only ₹ 16.03 lakh[42] to the concerned AETCs. AETCs being the Drawing and Disbursing Officers were aware of these postings and were responsible for realising the

[41] AETCs: Baddi, Mandi, Nahan, Nurpur and Una.
[42] AETCs: Nurpur: ₹ 5.32 lakh and Una: ₹ 10.71 lakh.

Government dues in time. Lack of monitoring and weak internal control to assess the demand raised on account of salaries due and paid by AETCs, led to non-recovery of ₹ 58.36 lakh[43].

The Department intimated (August 2020) that in five cases ₹ 23.57[44] lakh have been recovered and in other cases notices have been issued to recover the amount. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

2.15 Non-recovery of bottling fee

AETC Mandi did not take any action to recover bottling fee of ₹51.31 lakh from a licensee.

Excise Announcement (EA) for the year 2017-18 provides that the licensee shall pay bottling fee of ₹ five per 750 ml on Indian Made Foreign Liquor (IMFL) and ₹ one per 750 ml on Country Liquor (CL). Rule 9.5(6)(9a) of PDR, 1932 provides that fee shall be payable on quarterly basis i.e. within seven days of the expiry of each quarter of the financial year.

Scrutiny of the records of AETC Mandi showed that a licensee of bottling plant did not deposit bottling fee of ₹ 51.31 lakh during the year 2017-18. Despite the fact that Audit had pointed out the lapses every year, AETCs had not taken any action either to recover the bottling fee or cancel the license as per EA, even though the licensee was in default of payment from July 2017.The ETO/ETI posted in bottling plant was required to realise bottling fee after each quarter but did not do the same.

Thus, absence of follow-up action as per Act/Rules against licensee and inadequate action on part of the Department to review the position of payment for realising revenue on time was indicative of weak internal control which led to non-recovery of bottling fee amounting to ₹ 51.31 lakh.

The Department stated (November 2019) that AETC Mandi has directed the Excise and Taxation Inspector to recover the bottling fee from the concerned bottling plant. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider setting up an effective mechanism for periodic review of recoveries from the licensees on a quarterly basis.

43 AETCs: Baddi: ₹ 18.29 lakh, Mandi: ₹ 10.11 lakh, Nahan: ₹ 18.21 lakh, Nurpur: ₹ 3.14 lakh and Una: ₹ 8.61 lakh.
44 AETCs: Baddi: Two cases ₹ 11.64 lakh, Nahan: two cases ₹ 8.80 lakh and Nurpur : one case ₹ 3.13 lakh.

2.16 Non-levy of interest on delayed payment

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.

The Excise Announcement 2017-18 of the State Government provides that if the licensee is unable to lift the MGQ within a month, he shall be required to pay the full instalment of license fee for that month by the last day of the month, and fee for the month of March shall be paid in full by 15 March. Para 4.5(a) further, provides that if the licensee fails to pay the amount of fees or part thereof on due dates, interest at the rate of 14 *per cent* upto one month and 18 *per cent* per annum from the date of expiry of one month's period thereafter shall be leviable. Rule 9.5(6(a) ii) of the Punjab Distillery Rules, 1932 as applicable to Himachal Pradesh provides that bottling fee at the rates prescribed shall be payable on quarterly basis i.e. within seven days of the expiry of each quarter of the financial year. Rule 9.5(8) further provides that in the event of failure to pay the bottling fee or part thereof by the due date, interest at the rate of 12 per cent per annum for a period of one month or a part thereof from the date of default in the payment of fee and if the default in the payment of fee exceed one month, the interest at the rate of 18 *per cent* per annum from the initial date of default in payment shall be payable, till the default continues.

Scrutiny of records of 10 AETCs[45] between May 2018 and March 2019 revealed that licensees of 134 out of 1,837 vends, had deposited (between April 2016 and November 2017) license fee of ₹ 258.37 crore and bottling fee of ₹ 3.73 crore, after the due dates. The delay ranged between two and 339 days. Therefore, these licensees were liable to pay interest of ₹ 3.75 crore[46] (₹ 3.54 crore on license fee and ₹ 21.26 lakh on bottling fees) on the delayed payments.

However, AETCs concerned neither raised any demand for the same nor did they seal vends as per the provisions of the EA. Further, AETCs/AAs did not review the same deficiencies even after having been pointed out repeatedly in Audit for the last five years, indicating either negligence or inaction in applying the provisions of EA.

The Department stated (August 2020) that notices have been issued to concerned Excise and Taxation Inspectors to recover the amount from the licensees. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider conducting periodic review of recoveries from distilleries, breweries, bottling plants to safeguard its revenue.

[45] AETCs: Baddi, Bilaspur, Hamirpur, Dharamshala, Mandi, Nurpur, Shimla, Sirmour, Solan and Una.

[46] AETCs: Baddi three vends: ₹ 0.79 crore, Bilaspur10 vends: ₹ 0.25 crore, Hamirpur 19 vends: ₹ 0.25 crore, Dharamshala 29 vends: ₹ 0.11 crore, Mandi 15 vends: ₹ 0.26 crore, Nurpur one vend: ₹ 0.05 crore, Shimla 19 vends: ₹ 0.67 crore, Sirmour 26 vends: ₹ 0.26 crore, Solan six vends: ₹ 1.07 crore and Una six vends: ₹ 0.03 crore.

Stamp Duty

Test check of records of 55 units, out of 155 units, having receipts of ₹ 251.6 crore, during the year 2018-19 relating to Revenue Department which revealed incorrect determination of market value of property non/short levy of Stamp Duty and Registration Fees, non/short recovery of Stamp Duty on lease deeds and other irregularities involving ₹ 10.65 crore in 305 cases.

During the year 2018-19, the Department accepted under-assessments and other deficiencies with revenue implications of ₹ 1.55 crore in 107 cases related to audit findings of earlier years and ₹ 10.48 crore in 292 cases related to audit findings of 2018-19. An amount of ₹ 60.45 lakh was realized in 114 cases, of which ₹ 57.03 lakh in 107 cases related to audit findings of earlier years and ₹ 3.41 lakh in 7 cases were related to audit findings of the year 2018-19.

Significant cases (two) having a financial implication of ₹ 12.07 crore are discussed in the following paragraphs 2.17 and 2.18:

2.17 'Levy and collection of Stamp Duty and Registration Fees'

In 809 cases of sales/lease deeds, the Sub Registrars had not considered value or market value of the properties with reference to revised rates or verified the circle rates of land or cross-checked the affidavits with reference to distance of land from road before registration. In lease deed cases, the SRs had not adopted a uniform procedure. The incorrect levy of Stamp Duty and Registration Fees, resulted in loss of revenue of ₹ 10.53 crore. Further, Himachal Registration Information (HIMRIS) Software used for the registration of deeds had flaws and the application was running on standalone servers in each unit and there was no centralised server.

2.17.1 Introduction

The amount charged on registration of a sale/lease deed document on market value or consideration value of the properties is known as Stamp Duty and Registration Fees.

The Stamp Duty is a direct tax levied by the Government payable under Section 3 of the Indian Stamp Duty Act, 1899 on all transactions of properties. The State Government levies and collects Stamp Duty (SD) and Registration Fee (RF) on various types of instruments such as conveyance, mortgage, lease etc. through Inspector General of Registration (IGR) who is the Head of the Department assisted by Deputy Commissioners/Collectors (DCs) and Sub-Registrars (SRs). For levy and collection of Stamp Duty and Registration Fees, the State has 12 Collectors and 117 *Tehsildars/Naib-Tehsildars* acting as the Registrars and SRs, respectively.

The consideration amount or market value of the property, whichever is higher, is considered for the levy of Stamp Duty and Registration Fees on transfer of properties *viz.* built-up structures, land, lease deeds. For registration of the same, a valuation report of the properties is mandatory from a registered or licensed valuator.

The Stamp Duty is leviable at the rate of six *per cent*. For women, the Stamp Duty is leviable at the rate of four *per cent* which was reduced to three *per cent* w.e.f. 21 June 2016 on sale/gift deed of built-up (residential) structures. The Registration Fee is leviable at the rate of two *per cent* on consideration or market value of property, whichever is higher.

The Department has Himachal Registration Information Software (HIMRIS) running in each SR or Sub-*Tehsil* Office separately for registration of sale/conveyance deeds. HIMRIS is a self-sustaining-Governance project ensuring simple and uniform document registration process with a guarantee to return original document after registration and archival within the same day. The application is work flow based and integrated with HIMBHOOMI (computerized land records system).

In order to assess the efficiency and adequacy of the system with regards to levy and collection of Stamp Duty and Registration Fees on sale and conveyance deeds etc. audit was conducted between December 2018 and April 2019.

Out of 156 registering offices (Registrar/SRs), the records of 33[47] SRs for the years 2015, 2016 and 2017 were test checked. In test checked SRs, 1.50 lakh deed documents were registered, out of which 40,625 documents were test checked during the period covered. The receipts of the State under the Stamp Duty as well as the receipts in the sampled SRs for the years 2015-2017 is depicted below:

Table 2.4: Receipts of the State and sampled SRs under Stamp Duty

Year	Receipts of State (₹ in crore)	Receipts in sampled SRs (33) (₹ in crore)
2015-16	205.52	86.91
2016-17	209.16	87.99
2017-18	205.52	99.13

Source: Finance Accounts and Inspection Reports of sampled SRs

[47] Amb, Baddi, Balh, Bhalej, Bharwain, Bhunter, Bilaspur, Dalhousie, Darlaghat, Hamirpur, Haroli, Indora, Jawali, Kamrau, Kandaghat, Kullu, Nahan, Nalagarh, Nirmand, Nurpur, Pachhad, Palampur, Paonta, Sainj, Sandhole, Shahpur, Shimla Rural, Shimla Urban, Solan, Sundernagar, Theog, Thural and Una.

2.17.2 Short recovery of SD and RF on Built-up structures

Rule 4(c) of Himachal Pradesh Stamp (Prevention of Undervaluation of Instruments) Amendment Rules, 1992, amended (June 2013), stipulates that certain factors are to be taken into consideration for fixing the rates of valuation of residential/non-residential buildings such as (i) classification of buildings into *Pucca, Semi Pucca and Kutcha*; (ii) area in which buildings are located; (iii) latest plinth area rates notified by Himachal Pradesh Public Works Department (HPPWD), (iv) Premium for annual increase and (v) land area occupied by the structure (proportionately or wholly) etc. to arrive at minimum cost of building/structures.

The built-up area rates as notified in June 2013 are applicable for the lowest category of land. Further, it is stated that the DCs shall finalise the rates for higher categories of land in the District by making increase in the base rate for building in the same proportion as in the land rates. The rates shall be applicable upto 31 March of the preceding year and for the next years rates shall be revised which shall be effective from 1 April 2014. The notification, *ibid,* also provides that latest plinth area rates notified by the Himachal Pradesh Public Works Department should be taken into consideration for fixing rates for valuation of residential or non-residential buildings.

The Revenue Department notified (June 2013) the built-up structure rates as ₹ 12,746 per square meter (sqm) for the year 2013-14. The HPPWD had revised structure rates to ₹ 24,436 per sqm. for residential buildings in August 2014.

In test checked 33 SRs, scrutiny of rates for built up structures finalised by 10 DCs[48] showed that the instructions issued vide notification (June 2013) had not been complied with, as the DCs did not revise the rates from 1 April of every year. The DC (Kangra) revised the rates which were applicable from 1 April 2015 and the DC (Solan) revised the rates w.e.f. 1 April 2016. The DCs of three districts (Chamba, Shimla and Una) revised the rates applicable from 1 April 2017 after a lapse of three years. The revised rate (₹ 1,603.56 for *Katcha* building by the DC Shimla for year 2017-18) was much less than that of the minimum prescribed rate (₹ 6,109) in the notification of August 2014. The remaining five DCs of Bilaspur, Hamirpur, Kullu, Mandi and Sirmour had not revised/fixed the rates till 2017.

As a result, out of 33 SRs test checked, 31 SRs[49] had levied short Stamp Duty and Registration Fees on built up structures in 403 sale deeds. These deeds were registered between January 2015 and December 2017 for a consideration amount of ₹ 77.31 crore calculated on the basis

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48 Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmour, Solan and Una.

49 Bilaspur: 24 cases: ₹ 16.03 lakh; Hamirpur: 34 cases: ₹ 98.88 lakh, Indora: One case: ₹ 1.05 crore; Jawali: One case: ₹ 0.30 lakh, Nurpur: Five cases: ₹ 1.50 lakh, Palampur: Four cases: ₹ 2.63 lakh, Shahpur: Two cases: ₹ 0.13 lakh; Thural: Two cases: ₹ 0.39 lakh; Bhunter: Five cases: ₹ 16.52 lakh; Kullu: 26 cases: ₹ 20.77 lakh; Nirmand: One case: ₹ 0.51 lakh; Sainj: Four cases: ₹ 4.20 lakh; Balh: 26 cases: ₹ 18.88 lakh; Sandhole: One case: ₹ 0.27 lakh; Sundernagar: 16 cases: ₹ 24.73 lakh; Shimla R: 68 cases: ₹ 50.30 lakh; Shimla U: 33 cases: ₹ 32.03 lakh; Theog: Five cases: ₹ 5.55 lakh; Kamrau: Six cases: ₹ 3.73 lakh; Nahan: 20 cases ₹ 38.70 lakh; Pacchad: Nine cases: ₹ 11.04 lakh; Paonta: 11 cases: ₹ 12.78 lakh; Baddi: 28 cases: ₹ 33.88 lakh; Darlaghat: Seven cases: ₹ 10.25 lakh; Kandaghat: One case: ₹ 0.90 lakh; Nalagarh: 13 cases: ₹ 6.20 lakh; Solan: 20 cases: ₹ 8.31 lakh; Amb: Eight cases: ₹ 2.22 lakh; Bharwain: One case: ₹ 0.55 lakh; Haroli: 12 cases: ₹ 59.86 lakh and Una: Nine cases: ₹ 5.30 lakh.

of valuation of properties prepared by private valuators. The valuation was not based on rates for built-up structures as notified by the Government/Department. Audit observed that on the basis of plinth area rates fixed by the concerned DCs or revised rates of HPPWD, the actual value of the properties, including value of built-up structures, worked out to ₹ 149.32 crore. However, the SRs while registering these sale deeds did not verify the consideration amount with reference to fixed/revised plinth area rates of built-up structures, though the rates/records were available with the Department. The HPPWD had revised the rates in August 2014 of built-up structures whereas the concerned DCs did not revise the rates of built-up structures annually, which was in contravention of the provisions of the notification. Non adherence to the provisions of the notifications resulted in undue benefits to the purchasers as well as short realisation of revenue of ₹ 5.03 crore (SD of ₹ 3.58 crore and RF of ₹ 1.45 crore).

On this being pointed out, the Department informed (July 2019) that ₹ 6.08 lakh[50] in 17 cases had been recovered and no reply was furnished for the remaining cases.

2.17.3 Application of incorrect circle rates

The valuation of land for the purpose of registration of sale deeds, both in the case of rural and urban areas, is made on the basis of classification of land and in accordance with the Himachal Pradesh Land Records Manual 1992. A notification issued in January 2016 classified the land in rural and urban areas for valuation purpose into five categories *viz*. land situated (i) up to 25 meters from any road; (ii) more than 25 metres to 50 metres; (iii) distance of more than 50 metres to 100 metres from any road; (iv) more than 100 metres to 1000 metres distance from any road; and (v) more than 1000 metres from any road in the Revenue Estate. The roads were also categorised as National Highway (NH), State Highway (SH) and Other Road (OR). The purchaser was required to file affidavit stating the distance of the relevant land or holding from a NH, SH or OR for levy of rates of land for Stamp Duty calculation. If the affidavit of purchaser is found false, penalty upto 50 *per cent* of the applicable Stamp Duty/Registration Fee was to be levied and recovered.

i. Out of test checked 33 SRs, audit scrutiny revealed that in 21 SRs, 155 documents were registered between 2015 and 2017 for a consideration amount of ₹ 59.12 crore on the basis of affidavits filed by the purchasers, regarding the distance of the properties from different categories of roads. The land was classified by measuring incorrect distance of land or holding from NH, SH or OR and Stamp Duty of ₹ 2.78 crore and Registration Fees of ₹ 1.02 crore was levied. Audit cross verified the affidavits with maps *(lattha)* available with *Kanungo* (Revenue Authority) under the administrative control of the SRs and calculated valuation of the properties as ₹ 94.43 crore on the basis of leviable rates of land. Audit observed that the SRs have to verify the actual distance of land or holding from the roads as well as facts stated in the affidavits as the records (*latha*) and rates of the land are

[50] SRs: Hamirpur: nine cases, Sainj: one case and Sundernagar: seven cases.

available with the Department before registration of deeds. However, the SRs relied on the affidavits filed by the purchasers which had incorrect/false particulars, resulted in adopting valuation of ₹ 59.12 crore as against the actual valuation of ₹ 94.43 crore, based on the actual distance in these cases. Had the SRs verified the current circle rates of lands before registration of these deeds, the Department could have recovered ₹ 6.10 crore against which only ₹ 3.80 crore was realised. This led to short levy of SD and RF of ₹ 2.29 crore[51] (SD ₹ 1.67 crore + RF ₹ 0.62 crore). In addition, penalty of ₹ 2.98 crore at the rate of 50 *per cent* of applicable SD and RF was also required to be levied. Despite similar cases repeatedly having been pointed out by Audit, accountability/responsibility on erring officials of the unit/ Department was not fixed.

ii. Further, Audit scrutiny of the records of 19 SRs revealed that 155 documents were registered between 2015 and 2017 for a consideration amount of ₹ 15.14 crore. The SRs while registering these sale deeds ignored/overlooked the supporting documents and did not consider the circle rates for the category of land as cultivated or uncultivated according to *Jamabandi* and location of land from any road. This resulted in wrong valuation as ₹ 15.14 crore against actual valuation of ₹ 20.56 crore, which led to short realisation of SD and RF of ₹ 33.53 lakh[52] (SD: ₹ 24.16 lakh, RF:₹ 9.37 lakh).

iii. Similarly, Audit scrutiny of records of of 12 SRs[53] revealed that the SRs had not procured the requisite affidavits in 42 cases out of 155 from the purchasers stating distance of land while registering the deeds. In the absence of affidavit, incorrect valuation of the properties could not be ruled out. Thus, absence of a mechanism in the Department to check the particulars of affidavits led to inaccurate assessment of market value of properties, resulting in short determination of SD and RF at the cost of State revenue.

On being pointed out, two SRs intimated (June 2019 and June 2020) that ₹ 2.69 lakh[54] had been recovered. Other SRs did not give any reply (September 2020).

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[51] Indora: nine cases: ₹ 7.12 lakh; Jawali: nine cases: ₹ 5.16 lakh, Nurpur: 13 cases: ₹ 11.84 lakh, Palampur: six cases: ₹ 23.48 lakh, Shahpur: two cases: ₹ 0.29 lakh, Thural: three cases: ₹ 0.19 lakh, Bhunter: four cases: ₹ 0.43 lakh, Nirmand: one case: ₹ 1.67 lakh, Balh: three cases: ₹ 2.39 lakh, Sundernagar: one case: ₹ 5.27 lakh, Shimla R: 10 cases: ₹ 59.04 lakh, Shimla U: one case: ₹ 1.26 lakh, Theog: seven cases: ₹ 3.91 lakh, Nahan: nine cases: ₹ 42.93 lakh, Paonta: 18 cases: ₹ 13.47 lakh, Baddi: 16 cases: ₹ 29.36 lakh, Nalagarh: eight cases: ₹ 7.45 lakh, Amb: 12 cases: ₹ 7.41 lakh Bharwain: 12 cases: ₹ 1.86 lakh, Haroli: five cases: ₹ 1.76 lakh and Una: six cases: ₹ 3.26 lakh.

[52] Bilaspur: two cases: ₹ 0.24 lakh; Bhalei: two cases: ₹ 0.17 lakh; Dalhousie: four cases: ₹ 0.33 lakh; Hamirpur: nine cases: ₹ 3.46 lakh; Nurpur: four cases: ₹ 1.50 lakh; Bhunter: 12 cases: ₹ 2.16 lakh; Kullu: 15 cases: ₹ 2.0 lakh; Sainj: one case: ₹ 0.05 lakh; Balh: six cases: ₹ 0.99 lakh; Sandhole: eight cases: ₹ 0.20 lakh; Nahan: four cases: ₹ 1.10 lakh; Pacchad: two cases: ₹ 4.98 lakh; Paonta: 56 cases: ₹ 8.72 lakh; Baddi: five cases: ₹ 2.83 lakh; Nalagarh: eight cases: ₹ 1.81 lakh; Solan: six cases: ₹ 2.19 lakh; Amb: one case: ₹ 0.10 lakh; Bharwain: one case: ₹ 0.13 lakh and Una: nine cases: ₹ 0.57 lakh.

[53] Amb, Bharwain, Balh, Haroli, Indora, Jawali, Nurpur, Palampur, Paonta Sahib, Shahpur, Thural and Theog.

[54] Hamirpur: two cases: ₹ 0.24 lakh and Nirmand: one case: ₹ 2.45 lakh.

2.17.4 Short realisation of Stamp Duty and Registration Fees on Lease Deeds

The Revenue Department vide notification (January 2012) prescribed the rates of Stamp duty of five *per cent* and Registration Fees of two *per cent* of the market value of the property or the consideration amount, whichever is higher, for registration of a lease deed.

Out of test checked 33 SRs, in 25 SRs in 96 cases, land was leased out between 2015 and 2017 for the period ranging from 2 years to 99 years. On registration of these lease deeds, the SRs levied Stamp Duty and Registration Fees of ₹ 65.61 lakh (SD ₹ 47.45 lakh, RF ₹ 18.16 lakh) instead of leviable SD and RF of ₹ 3.53 crore (SD ₹ 2.53 crore + RF ₹ 1.00 crore) on the basis of market value of ₹ 185.96 crore of land. Audit observed that before registration of these lease deeds, the SRs without taking any cognizance whether the rate of the land was correct or not, levied SD and RF on lower rates, even though the current circle rates of the land were available with the Department.

Thus, in the absence of uniform application of correct rates by the Department and failure of internal control to detect undervaluation, led to short realisation of SD and RF of ₹ 2.88 crore[55] (SD: ₹ 2.05 crore, RF: ₹ 0.83 crore).

The Department stated (between September and November 2019) that two SRs had recovered an amount of ₹ 4.76 lakh[56] and the market value of the land leased out by SR Nichar to Hydropower projects is not to be determined on the basis of prevailing circle rates. The reply is not acceptable because as per the sanction given (March 2016) by the Revenue Department, the land had to be leased out as per HP Lease Rules. Therefore, according to HP Lease Rules, market value of the land should be assessed as per prevailing circle rates.

2.17.5 HIMRIS (Himachal Registration Information System) IT Application

HIMRIS (IT application) was introduced in the Department to provide facility to register all types of deeds and better monitoring of Stamp Duty and Registration Fees collection by plugging in the leakage of Government revenue through proper and correct evaluation as defined by administration based on current rates. It was also envisaged to provide better services to citizens by facilitating on the spot registration and single window service, prevention of frauds like impersonation, professional witnesses and proxies by capturing photographs of all the parties and the witnesses on the spot and inclusion of Aadhar number as ID proof. The transparency in the system was also to be increased by removing all the discretion at different levels through automation of scrutiny, valuation, and checking of

55 Bilaspur: nine cases: ₹ 3.21 lakh; Dalhousie: one case: ₹ 0.26 lakh; Dehra: one case: ₹ 1.80 lakh; Hamirpur: three cases: ₹ 0.29 lakh; Indora: 13 cases: ₹ 115.56 lakh; Nichar: 11 cases: ₹ 45.74 lakh; Palampur: three cases: ₹ 0.62 lakh; Thural: three cases: ₹ 3.12 lakh; Sainj: one case: ₹ 0.16 lakh; Kullu: three cases: ₹ 3.26 lakh; Sundernagar: two cases: ₹ 1.07 lakh; Shimla (R): five cases: ₹ 15.70 lakh; Shimla (U): three cases: ₹ 0.11 lakh; Theog: five cases: ₹ 6.42 lakh; Nahan: two cases: ₹ 8.70 lakh; Paonta: four cases: ₹ 3.03 lakh; Rakkad: two cases: ₹ 2.16 lakh; Baddi: three cases: ₹ 0.84 lakh; Darlaghat: two cases: ₹ 0.08 lakh; Kandaghat: five cases: ₹ 2.33 lakh; Nalagarh: two cases: ₹ 2.68 lakh; Solan: six cases: ₹ 4.16 lakh; Haroli: two cases: ₹ 62.94 lakh; Una three cases: ₹ 1.13 lakh and Sangla: two cases: ₹ 2.60 lakh.

56 SRs: Rakkad: ₹ 2.16 lakh and Sangla: ₹ 2.60 lakh.

supporting documents. HIMRIS has seven main operational tables[57] which were test checked in audit and revealed that:

Table 2.5: Observations on HIMRIS Application and its Implications

Sr. No.	Observation	Implication
1.	Data in table 'RegMain_detail' revealed that in the database, Stamp Duty at the rate of 6 *per cent* only was shown. In another column, percentage share of the female purchaser was captured. Thus, Based on it, Stamp Duty for female purchasers was calculated on manual entries at the rate of three or four *per cent*.	The application does not store the gender information in the database for the depiction of the correct rate of stamp duty which needs to be applied. Due to manual interventions, it could not be ensured that the percentage of female share entered and captured were same as per deed and possibility of wrong calculation of the SD and RF could not be ruled out.
2.	In the table 'Regyear" data up to four characters (alpha/numeric) could be inserted, however, audit scrutiny observed that in one case the value was shown as '0'	Due to lack of data validation, invalid registration year could be captured in the database which cannot provide any reliable information in respect of registration year.
3.	Software did not show the original unit of area of the transacted land. It was shown in sqm only whereas there were different units (bigha-biswa, hectare-centiare, kanal- marla etc.) for measuring the land areas in deeds and the circle rates were also fixed per bigha/ sqm.	Due to non-availability of original unit and area of land entered in the software, it could not be verified that the area of land entered and stored in the system after conversion into sqm was same as per deed document.
4.	While entering the property details, the relevant land record details such as Khasra No, Khata No. and Khatouni No. etc. were available on screen for verification with online data of HIMBHOOMI but it was not co-related with the application of circle rates of the Revenue Department.	In the absence of software with the provisions of calculation and correlation with circle rates of the concerned District, the market value of the structures or consideration amount could not be cross checked resulting in short realisation of SD and RF.
5.	Scrutiny of the database revealed that transaction date and time in some cases were beyond office hours *viz.* 6:27 AM, 6:43 AM and 8:16 AM whereas the working hours in State Government offices start at 10:00 AM.	The reasons for this could not be ascertained as to whether this was a system issue or data security issue in terms of access as the application is not a web application and operates on standalone machine only. The timings depicted created doubts on trans actions with regards to their genuineness.

The Government may consider issuing instructions to Department to strictly follow the provisions of the Acts/Rules/Notifications, verify the distance from roads before registration of sale/lease deeds and link the HIMRIS with other computerised applications (HP Circle Rates, Settlement (digitised maps/Moumi) and HIMBHOOMI).

[57] Regmain_detail, CIVmain_detail, CIVreceipt_detail, Fee_detail, Regreceipt_detail, SerReceipt_detail, RegStamp_detail.

2.18 Short realisation of Lease Money, Stamp Duty and Registration Fees due to incorrect determination of market value

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

Under the Himachal Pradesh Lease Rule (HPLR) 2013, Government land can be granted on lease to individuals/private companies for various purposes in the interest of the development of the State. The lease amount shall be charged from the lessee *per annum* at the rate of 10 *per cent* of the current circle rate. Article 35 of Schedule I-A of Indian Stamp Act, 1899, provides that where the lease purports up-to one hundred years or exceeding hundred years, Stamp Duty is chargeable at the rate of five *per cent* of the market value of the leased property, subject to the minimum of rupees one hundred and duty rounded off to nearest rupees ten. Besides, registration fees at the rate of two *per cent* shall be charged on the same amount of the market value of the leased property, on which Stamp Duty has been assessed in terms of the Government of Himachal Pradesh, Department of Revenue notification dated 12 January 2012.

i). Scrutiny of the records (June 2018) of the Sub-Registrar (SR) Nirmand (Kullu), showed that sanction for transfer of the Government land measuring 60-09-00 *bighas* was accorded (March 2015) to a lessee for a period of 40 years to establish a Hydroelectric Project. The market value of the Government land worked out to ₹ 3.10 crore and lease money was required to be fixed as ₹ 30.97 lakh per annum at the rate of 10 *per cent* on the prevailing market rates of the year as notified by the Department under the Rules, *ibid*. Therefore, a lease amount of ₹ 1.55 crore was required to be paid by the lessee for the years 2014-15 to 2018-19. Audit scrutiny revealed that it was clearly mentioned in the sanction letter that lease money would be charged at the rate of 10 *per cent* of the current circle rates whereas the Department incorrectly fixed lease amount as ₹ 9.73 lakh instead of ₹ 30.97 lakh per annum. The lessee paid ₹ 9.73 lakh during 2014-15 and thereafter lease amount was neither paid by the lessee nor was it demanded by the Department. This resulted in short realisation of lease money of ₹1.45 crore.

ii). Scrutiny, further, showed that the SR while registering these documents did not levy the Stamp Duty and Registration Fees on the prevailing market value (₹ 3.10 crore) of leased property under the Act, *ibid*. The Stamp Duty and Registration Fees of ₹ 8.67 lakh was leviable on the leased land against which the lessee paid only ₹ 0.27 lakh, which was short by ₹ 8.40 lakh. Thus, due to non-adherence of the provisions of the Lease Rules and absence of the provisions to verify or review applicable circle rates of the land, resulted in short realisation of revenue of ₹ 1.53 crore (₹ 1.45 crore + ₹ 8.40 lakh).

The Department stated (October 2020) that the matter has been sent to the DC Kullu to recover the amount as Arrears of Land Revenue. The Government stated (October 2020) that the matter is under examination at its level.

The Government may issue instructions to the Department to strictly follow the provisions of the Act/Rules to determine the correct market value of the properties to safeguard the revenues.

TAXES ON VEHICLES, PASSENGERS AND GOODS

Test check of records of 46 units, out of 91 auditable units, having receipt of 370.55 crore during the year 2018-19 brought out under-assessment of tax and other irregularities relating to Token tax, Special Road Tax, Registration Fees, Permit Fee, Driving License Fee, Conductor License Fee, Penalties and Composite Fee under the National Permit Scheme, involving ₹ 86.87 crore in 411 cases.

During the year 2018-19, the Department accepted under-assessments and other deficiencies with revenue implications of ₹ 38.56 lakh in 24 cases related to audit findings of earlier years and ₹ 34.92 lakh in 349 cases relate to audit findings of 2018-19. An amount of ₹ 22.24 lakh was realised in 24 cases pertaining to audit findings of earlier years.

Four cases having a financial implication of ₹ 12.73 crore are discussed in the following paragraphs 2.19 to 2.22:

2.19 Non-realisation of Token tax

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.

Under the Himachal Pradesh Motor Vehicles Tax (HPMVT) Act, 1972 and Rules made there-under, token tax[58] as per different rates of tax[59] prescribed for different types of vehicles is payable by vehicle owners in advance, quarterly or annually. If motor vehicle owner fails to pay the tax due within the prescribed period, then the vehicle owner is liable to pay the penalty at the rate of 25 *per cent* per annum of the tax due.

During 2018-19, Audit test checked the Demand and Collection Register and VAHAN database relating to 30,868 commercial vehicles in 30 Registering and Licensing Authorities (RLAs) and 10 RTOs for the years 2015-16 to 2017-18. Audit observed that the owners of 21,107 commercial vehicles (68.38 *per cent*) in 27 RLAs[60] and 10 RTOs[61], did not pay token tax amounting to ₹ 7.72 crore for the period 2015-16 to 2017-18. There was nothing on record to indicate that the vehicles were off the road. The VAHAN software has provision to generate list of defaulters for non-payment of motor vehicles tax and penalty, if any. However, the RTOs and RLAs concerned did not realise the tax due, even after availability of report generating facility in VAHAN software. Despite having the software facility, the RTOs/RLAs

58 As per Section-3 of the Himachal Pradesh Motor Vehicles Taxation Act, 1972, there shall be levied, charged and paid to the State Government an annual tax on motor vehicles used or kept for use in Himachal Pradesh described in Column 2 of Schedule-I of the Act at the rates specified.

59 Tax is payable by (**Goods Carriage)** LGV: ₹ 1500 annually, MGV: ₹ 2,000 annually, HGV: ₹ 2,500 annually, (**Stage Carriage):** ₹ 500 per seat per annum and (**Contract Carriage): Maxi Cab:** ₹ 750 per seat per annum, **Motor Cab**: ₹ 350 per seat per annum and **Auto Rickshaw**: ₹ 200 per seat per annum.

60 **RLAs:** Anni, Amb, Arki, Bharmour, Baijnath, Bhoranj, Bilaspur, Chopal, Chuwari, Churah, Dehra, Ghumarwin, Joginder-nagar, Karsog, Kangra, Kaza, Manali, Mandi, Nadon, Nichar, Palampur, Parwanoo, Pooh, Rajgarh, Rohru, Sarkaghat and Shimla.

61 **RTOs:** Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmour, Solan and Una.

did not issue notices to defaulters to recover tax of ₹ 7.72 crore and penalty of ₹ 1.93 crore from the owners of 21,107 commercial vehicles as detailed below:

Table 2.6: Details of vehicles from which Token Tax was not realized

Sr. No.	Category of vehicle	Name of RLAs/RTOs/STA	Period	Total No. of Vehicles	No. of vehicles not paid tax	Amount recoverable (₹ in crore)
1.	**(Construction Vehicles)** Cranes, Recovery Van etc.	**RLAs-** Anni, Arki,Bilaspur, Chopal, Mandi, Nadon, Rajgarh and Shimla	2015-16 to 2017-18	395	190	0.26
		RTOs- Bilaspur, Chamba, Hamirpur, Kullu, Mandi, Shimla, Solan and Una		786	398	0.36
	Total (A)			**1,181**	**588**	**0.62**
2.	**(Passenger Vehicles)** Buses/Mini Buses/ Maxi Cabs/ Taxi	**RLAs-** Amb, Arki,Bilaspur, Churah, Dehra, Ghumarwin, Joginder-nagar, Kangra, Nichar, Palampur, Rohru, Sarkaghat and Shimla		1,148	358	0.63
		RTOs-Bilaspur, Chamba, Hamirpur, Kangra,Kullu, Mandi, Nahan, Shimla,Solan and Una		6,156	4,187	2.42
	Total (B)			**7,304**	**4,545**	**3.05**
3.	**(Goods vehicles)** Heavy/ Medium/ Light Goods Vehicles/ Tractors	**RLAs-** Anni, Amb, Arki,Bharmour, Baijnath, Bhoranj,Bilaspur, Chopal, Chuwari, Churah, Dehra, Ghumarwin, Joginder-nagar, Karsog, Kangra, Kaza, Manali, Mandi, Nadon, Nichar, Palampur, Parwanoo, Pooh, Rajgarh, Rohru, Sarkaghat and Shimla		11,791	7,612	2.49
		RTOs-Bilaspur, Chamba, Hamirpur, Kangra,Kullu, Mandi, Nahan, Shimla,Solan and Una		10,592	8,362	1.56
	Total (C)			**22,383**	**15,974**	**4.05**
	Grand Total (A)+ (B)+(C)			**30,868**	**21,107**	**7.72**

Similar observations were pointed out in the Audit Reports for the years 2004-05 to 2017-18. The Department failed to take any concrete action to check the persistence of such irregularities in-spite of repeatedly being pointed out by audit for last 15 years.

On this being pointed out, RLA Karsog stated (June 2020) that an amount of ₹ 50,750 out of ₹ 2.18 lakh has been recovered.

The Department intimated (September 2020) that ₹ 47.69 lakh had been recovered by four RTOs and five RLAs. The reply of the Government was awaited (November 2020).

The Government may consider issuing necessary directions to the Department to follow the provisions of the notifications or Act/Rules in totality.

2.20 Non-registration of commercial vehicles with Excise and Taxation Department

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.

Under the Himachal Pradesh Passenger and Goods Tax (HPPGT) Act, 1955, owners of stage/contract carriages and goods carriages are required to register their vehicles with the concerned Excise and Taxation Offices and pay PGT at the prescribed rates. Vehicle registration is handled by RTOs and RLAs and collection of passenger and goods tax is handled by different AETCs. No vehicle shall ply in the State unless it has a possession of a valid certificate of registration issued by the Excise Department. If the vehicle owner fails to apply for registration or to pay tax or surcharge, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of ₹ 500, is also required to be levied.

Scrutiny of the records of six AETCs involving total number of 40,215 commercial vehicles showed that in six RLAs[62] and five RTOs[63], 4,489 out of 10,476 commercial vehicles registered during 2016-17 to 2017-18, were not found registered with concerned six AETCs[64], as required under the HPPGT Act. Audit scrutiny further revealed that there was no mechanism to ensure co-ordination between AETCs/ETOs and the concerned RLAs/RTOs or *vice-versa* for registration of all commercial vehicles with the Excise and Taxation Department. Thus, failure on the part of Department to bring newly registered commercial vehicles under the preview of PGT despite the fact that audit had pointed out similar lapses for the last two years, resulted in non-realisation of passenger and goods tax amounting to ₹ 2.38 crore from the owners of these vehicles. Besides, a minimum penalty of ₹ 22.44 lakh was also required to be levied, as per the details given below:

Table 2.7: Details of vehicles not registered with the Excise and Taxation Department

							₹ in lakh
Sr. No.	**Types of vehicle**	**No. of vehicles registered with RLAs/ RTOs**	**No. of vehicles not registered with the Excise and Taxation Department**	**Amount recoverable**			
				Passenger tax	**Goods tax**	**Total amount recoverable**	**Minimum penalty @ ₹ 500/-per vehicle**
1.	**Passenger Vehicles** (Maxi Cabs/Taxi)	3,164	1,044	32.21	--	32.21	5.22
2.	**Passenger Vehicles** (Educational Institution Buses)	300	121	12.56	--	12.56	0.60
3.	**Goods vehicles** (HGV/MGV/LGV/ Tractors)	7,012	3,324	--	193.51	193.51	16.62
Total		**10,476**	**4,489**	**44.77**	**193.51**	**238.28**	**22.44**
						Say ₹ 2.38 crore	

Source: Departmental figures

The Department stated (June 2020) that six AETCs had recovered ₹ 44.95 lakh (Passenger Tax ₹ 9.66 lakh + Goods Tax ₹ 26.49 lakh + Passenger Tax (Educational institutional Bus) ₹ 8.79 lakh) from 1,022 commercial vehicle owners but in the absence of details and supporting documents, the amount recovered by the Department could not be verified in audit. The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider to share the information of commercial vehicles between RLAs/RTOs and the Excise and Taxation office or interconnect the VAHAN and Himachal Pradesh Tax Administration System (HIMTAS) for the levy of Passenger and Goods Tax.

62 **RLAs:** Arki, Kandaghat, Nalagarh, Parwanoo, Rajgarh and Solan.
63 **RTOs:** Bilaspur, Kangra, Sirmour, Shimla and Solan.
64 **AETCs:** Baddi, Bilaspur, Kangra at Dharamshala, Shimla, Sirmour at Nahan and Solan.

2.21 Non-realisation of Passenger and Goods Tax

The passenger and goods tax amounting to ₹ 1.97 crore was neither paid by the owners of 2,472 commercial vehicles nor was it demanded by the Department.

Under the Himachal Pradesh Passenger and Goods Tax (HPPGT) Act, 1955 owners of vehicles are required to pay Passenger and Goods Tax (PGT) on all fares and freight at the prescribed rates either quarterly or annually. The HPPGT Rules, 1957 provides that vehicle owners shall inform the Assessing Authorities (AAs) concerned as soon as the vehicle goes out of use for exemption from payment of tax for that period. In case any sum is payable by an owner, the AA shall serve a notice to the vehicle owner to furnish receipt of *challan* in proof of tax payment. Any arrears or penalty imposed under this Act shall be recoverable as an arrear of land revenue under the Act, *ibid*.

In five AETCs, a total number of 17,750 vehicles were registered out of which records of 8,230 vehicles were test checked. Further, scrutiny of Demand and Collection Register (DCR) maintained by five AETCs revealed that PGT in respect of 2,472 vehicles[65] amounting to ₹ 1.97 crore for the period from 2016-17 to 2017-18 was not paid by the commercial vehicle owners already registered with Excise and Taxation Department. The commercial vehicle owners had also not sought exemption from tax for non-use of the vehicles during the tax period. The AAs neither issued demand notices to the owners nor referred the cases to the Collector for recovery, as arrears of land revenue (ALR) as depicted below:

Table 2.8: Details of vehicles for which Passenger and Goods Tax was not realised

						₹ in lakh
Sr. No.	**Category of vehicles**	**No. of vehicles not paying PGT(Test checked)**	**Amount recoverable**			
			Passenger tax	**Goods tax**	**Total amount recoverable**	**Minimum penalty @ ₹ 500 per vehicle**
1.	**Passenger Vehicles** (Maxi Cabs/Taxi)	613(2,172)	44.98	-	44.98	3.07
2.	**Passenger Vehicles** (Educational Institution Buses)	30(96)	4.50	-	4.50	0.15
3.	**Goods vehicles** (HGV/MGV/LGV/Tractors)	1,829(5,962)	-	147.81	147.81	9.15
Total		**2,472 (8,230)**	**49.48**	**147.81**	**197.29**	**12.37**
						Say ₹ 1.97 crore

Thus, absence of internal control, lack of monitoring and non-conducting of regular review to assess the tax due shows that the AETCs did not have an effective mechanism to verify the amount of tax due and tax collected from tax payers. Audit had pointed out similar lapses for the last five years. This resulted in non-realisation of PGT of ₹ 1.97 crore.

On this being pointed out, five AETCs stated (between September 2018 and November 2018) that notices were being issued to the defaulters for payment of PGT whereas AETC Chamba did not furnish any reply.

The Government intimated (October 2020) that directions have been given to the Commissioner (Excise and Taxation) for immediate necessary action.

The Government may consider to share the information of commercial vehicles between RLAs/RTOs and the Excise and Taxation office or interconnect the VAHAN and HIMTAS for the levy of Passenger and Goods Tax.

[65] Baddi: 355 vehicles: ₹ 35.03 lakh, Bilaspur: 393 vehicles, ₹ 23.18 lakh, Solan: 577 vehicles, ₹ 46.98 lakh, Nahan: 85 vehicles: ₹ 5.93 and Shimla: 1,062 vehicles, ₹ 86.17 lakh

2.22 Non recovery of Green Tax and Cess

Green tax of ₹40.90 lakh and Cess of ₹25.15 lakh in respect of 4,417 vehicles for the year 2017-18 was not demanded by the Department.

The Department of Transport, GoHP created (February 2017) the Himachal Pradesh Transport Infrastructure Development Fund (HPTIDF) vide Notification dated 21 February 2017 in order to provide organized and safe traffic and public transport and to mitigate its effects on environment. The Green Tax and Cess are one of the sources to generate the HPTIDF. Further, notification dated 28 March 2017 prescribes the rates of Green Tax and Cess on the tax payable Under Sections 3 and 3A of the Himachal Pradesh Motor Vehicle Taxation Act, 1972, for different classes of vehicles at the rate of 10 *per cent* and 5 *per cent* for the vehicles paying one time / lump sum tax and other than one time/ lump sum tax respectively. The rates are applicable with effect from 1 April 2017. The levy of various taxes and cess has been computerized and is collected by the transport Department through the 'VAHAN' software developed for this purpose.

Audit scrutiny of the data (between May 2018 to March 2019) regarding Green tax and Cess maintained in 'VAHAN' software of 11 Registering and Licensing Authorities (RLAs) and five Regional Transport Offices (RTOs) revealed that the 'VAHAN' software was not updated for more than one month during the year 2017-18 for incorporating Green tax and cess as mentioned in the notification, *ibid*. Audit observed that from April 2017 to 21 May 2017, 4,417 vehicles were registered with RLAs and RTOs; however, concerned RTOs/RLAs did not levy Green tax and Cess manually during the period even though the notification was issued in advance. This resulted in non-levy of Green tax and Cess of ₹ 66.05 lakh[66] (₹ 40.90 lakh and ₹ 25.15 lakh) by the Department. The Department did not take corrective follow-up action required even after updation in the 'VAHAN' software as there was no evidence on record to indicate that RLAs and RTOs initiated any action for recovery of the applicable Green Tax and Cess.

The Department intimated (September 2020) that an amount of ₹ 6.50 lakh had been recovered by one RTO and four RLAs. The reply of the Government was awaited (September 2020).

The Government may consider issuing necessary directions to the Department to follow the provisions of the notifications or Act/Rules. Further, all changes in applicable rates, Rules should be promptly mapped with the IT software, developed to administer tax/duties etc.

The cases pointed out are based on test check conducted by Audit. The Department may initiate action to comprehensively examine similar cases and take necessary corrective action.

[66] **RTOs:** Hamirpur: ₹ 1.20 lakh, Kullu: ₹ 4.12 lakh, Nahan: ₹ 1.02 lakh, Shimla: ₹ 6.16 lakh and Solan: ₹ 2.90 lakh **RLAs:** Amb: ₹ 5.24 lakh, Arki: ₹ 3.22 lakh, Bilaspur: ₹ 4.26 lakh, Dehra: ₹ 5.44 lakh, Joginder Nagar: ₹ 1.94 lakh, Kangra:₹ 7.04 lakh, Mandi: ₹ 7.22 lakh, Palampur: ₹ 9.01 lakh, Parwanoo: ₹ 1.88 lakh, Rajgarh: ₹ 2.57 lakh and Sarkaghat: ₹ 2.83 lakh.

Forest Receipts

Test check of records of 15 units, out of 37 auditable units, having receipt of ₹ 14.51 crore, during the year 2018-19, brought out non/short recovery of royalty, non-levy of interest/extension fee, blockade/loss of revenue due to non-disposal of seized timber and other irregularities involving ₹ 18.77 crore in 64 cases.

During the year 2018-19, the Department accepted under-assessment and other deficiencies of ₹ 33.28 Lakh in six cases, out of which ₹ 25.06 lakh was realised in six cases related to audit findings of earlier years.

Significant cases involving an amount of ₹ 32.19 crore are discussed in the following three paragraphs 2.23 to 2.25:

2.23 Levy and Collection of Royalty from Resin and Timber

Non-claiming of royalty on exploitation of timber and tapping of resin blazes, interest on belated payment of royalty; non-maintenance of permanent and reliable inventory of chil trees, led to less handing over of chil trees for resin tapping; lack of monitoring by the Department and failure of the Corporation to exploit timber; reduction in royalty rates; non-levy of extension fee by the Department; resulted in non-realisation of revenue of ₹ 31.70 crore.

2.23.1 Introduction

Forests in Himachal Pradesh are spread over 15,100 square kilometres which is 27.12[67] *per cent* of its total area (55,673 sq. km.). The Forest Department (Department) has the primary duty of managing the forests in a sustainable manner and protect, conserve and augment them with plantation activities. The management of Forests receipts is governed by the provisions of the Indian Forest Act (IFA), 1927, the Forest Conservation Act (FCA), 1980, the National Working Plan Code 2004 and 2014 (Code) and decisions of the State Government on recommendations of the statutorily constituted "Pricing Committee" (PC). The major sources of forest receipts are royalty on sale of resin[68], timber, extension fee, damage bills etc. received from the Corporation.

2.23.2 System for levy and collection of royalty

The exploitation of forest is carried out by the Himachal Pradesh State Forest Development Corporation (Corporation), as a sole agency which was incorporated (March 1974) under the Companies Act, 1956. The Department identifies the salvage (dead and broken) trees in the forest, area-wise and class-wise and such identified trees are jointly inspected by the Department and Corporation. The trees are then marked and a marking list is prepared. The marking lists, sent by the Department (Divisional Forest Officer) and accepted by the Corporation (Divisional Manager), indicate lease period of each lot determined on the basis of volume of marked trees. After lease period, the forest lot has to be handed over to the Department. The Corporation is required to complete the extraction works within the working

[67] Source: State of Forest Report – Himachal Pradesh 2017.

[68] Chil tree yields a good quality oleo resin, which on stem distillation generates two industrially important products viz., turpentine oil (about 70 *per cent*) and rosin (about 17 *per cent*). Rosin is extensively used in many industries viz., soap, paper, paints and varnishes, sealing waxes, oil cloth, inks and disinfectants. Turpentine is chiefly used in preparation of paints and varnishes, polishes, chemicals and pharmaceuticals.

period allowed by the Department. The Corporation can seek extension in working period on payment of extension fee for the extended period at the rate of 0.2 *per cent per* month of the total royalty with effect from April 2007. The Corporation extracts and sells timber and in turn pays royalty to the State Government at the rates fixed by the PC. The rates of royalty to be paid on timber and resin blazes are fixed by the PC on the basis of average sale rate of timber/rosin obtained in previous years. Similarly, tappable *chil* trees (having 1.2 metre girth/diameter 35 cm and above) are handed over to the Corporation each year for extraction and the royalty per blaze[69] as fixed by the PC is paid by the Corporation to the Department. Royalty for trees taken over for exploitation (both salvage timber and extraction of resin) by the Corporation is required to be paid to the Department in two to ten instalments, depending upon the working period of lots. Delay in payment of instalments attracts interest at the rate of 7.5 *per cent* per annum *w.e.f.* 2013-14.

2.23.3 Organizational Setup

The Additional Chief Secretary (Forests) is the administrative head at the Government level and Principal Chief Conservator of Forest, Head of Forest Force (PCCF) is the head of the Department. The latter is assisted by two Principal Chief Conservators of Forests, nine Additional Principal Chief Conservators of Forests (APCCFs) and 10 Conservator of Forests (CFs). Each CF controls the exploitation and regeneration of forest activities being carried out by Divisional Forest Officers (DFOs) in 37 territorial divisions under their control.

The affairs of the Corporation are managed by Board of Directors (BoD) through a Managing Director (MD who is assisted by the Executive Director, Financial Advisor, Company Secretary and three Directors (North, South and Marketing).The Corporation has 12 Forest Working Divisions (FWD) and eight *Himkashth* Sale Depots (HSDs) managed by the Divisional/ Depot Managers.

Audit covered the period of 2013-14 to 2017-18. Records of 10[70], out of 37 divisions were test checked.

2.23.4 Non-claiming of royalty and interest on delayed payment of royalty

2.23.4.1 Resin

The Pricing Committee (PC) initially fixes the tentative royalty rates and then later revises these to final royalty rates. As per guidelines regarding working of forest by the Corporation issued by PCCF (September 2005), the payment of resin royalty is required to be made by the Corporation in two equal instalments on 15 September and 15 December of the respective year of tapping seasons. Further, as per the PC decision (September 2013), balance payment/ adjustment is to be made by the Corporation within 30 days of fixing of final royalty rates by the PC.

The PC in its meeting decided (January 2019) that the Corporation would pay interest at the rate of 7.5 *per cent* per annum from 2013-14 on belated payment of royalty. A grace period of

[69] Blaze is a cut near the base of *chil* tree for collection of resin in a cup fixed at its base. This cut is freshened weekly throughout the tapping season.

[70] Bilaspur, Kotgarh, Kunihar, Mandi, Paonta Sahib, Rohru, Solan, Theog and Una were selected through sampling. Besides records of Kullu division were also test checked.

90 days is admissible. If the payment is made after the grace period, the Corporation is liable to pay interest from the due date of payment of royalty.

Audit scrutiny of five test checked divisions showed that the Department handed over trees having 8,37,423 resin blazes to the Corporation for tapping during the period under audit, for which royalty of ₹ 5.16 crore was payable (**Appendix 2.3**). Out of this, the Corporation had paid ₹ 2.97 crore and ₹ 2.19 crore remained unpaid as on March 2018. The delay in payment of royalty ranged between 54 and 784 days up to 31 March 2018. Interest of ₹ 38.53 lakh on delayed payment of royalty though leviable, was not levied by the Department for the period 2013-14 to 2017-18.

The DFO Theog accepted (February 2020) the audit observation and stated that correspondence has been made with the Corporation for payment of outstanding royalty and interest. No reply was provided by the other DFOs.

2.23.4.2 Timber

As per the PC decision (September 2007), royalty on salvage lots of timber was to be paid by 20 March for first instalment and 20 June for second instalment for low lying lots and 30 November and 20 March for high lying lots, applicable for the lots of 2007-08 onwards. Interest at the rate of 7.5 *per cent* per annum on belated payment of royalty w.e.f. 2013-14 was also required to be levied.

Scrutiny of records in 12 test checked divisions showed that royalty on 382 salvage lots amounting to ₹ 15.71 crore was not paid by the Corporation as of 31 March 2018 (**Appendix 2.4**). Besides, interest on belated/non-payment of royalty amounting to ₹ 2.27 crore had neither been raised by the Department nor was it paid by the Corporation.

Further, the Department did not review the same deficiencies, even after having been repeatedly pointed out by Audit in earlier years, indicating either negligence or inaction in applying the decisions of the PC.

The Department intimated (October 2020) that reconcialiation for getting final payment of royalty and interest from the Corporation was in progress and dues would be demanded. The Government intimated (July 2020) that directions have been given to the Department for necessary action.

2.23.4.3 Non-maintenance of Permanent and Reliable Inventory of Chil trees

As per the Forest Manual, Volume-IV, every tree shall be serially numbered and the number of blazes permissible must be indicated. Audit noticed the following instances where improper enumeration of trees affected the revenue to be obtained from resin tapping:

- Scrutiny of records in seven[71] test checked divisions revealed that there was no mechanism as per the Forest Manual, Volume-IV for efficient management of tree resources. The Conservator of Forest (Bilaspur Circle) also issued a standing order (February 2011) for following a system of permanent inventory management of *chil*

[71] Kunihar, Una, Kotgarh, Paonta Sahib, Mandi, Rohru and Bilaspur.

trees and for data regarding resin tapping to be recorded and managed for it in hard (registers) and in soft (MS Excel) forms, as per the prescribed format and to be refreshed every year. The system was devised for forest conservation, efficient management of tree resources and mobilisation of financial resources. The system devised by the CF, Bilaspur which is a good system to keep a permanent and reliable inventory of trees was also not being followed by the seven test checked divisions .In the absence of data, there was no system to ascertain the number of years a tree has been continuously tapped or could be tapped in future. Thus, control over resin tapping and detection of illicit felling and illicit blazes could not be ensured in these divisions.

- Lack of proper enumeration system also did not provide a reliable basis for checking the handing over of tappable *chil* trees. Audit noticed that against 21,80,075 tappable trees (as per enumeration details in Working Plan) in four[72] test checked divisions, only 5,56,629 trees were handed over to the Corporation for resin tapping, during the period 2013-14 to 2017-18.

Thus, failure on the part of the divisions to hand over tappable *chil* trees as per the working plan to the Corporation, resulted in loss of revenue amounting to ₹ 9.72 crore.

- Further, as per the instruction (May 2000) of PCCF, the proposal for deletion of blazes should be prepared by the respective DFOs by the end of the tapping season (latest by 15 December) every year, so that the approval of the CF is obtained well before the commencement of the ensuing tapping season (15 March).

Audit noticed that the DFOs of five divisions deleted 31,523[73] number of resin blazes while handing over the list of resin blazes for tapping to the Corporation during the period 2013 to 2017. However, the mandatory approval of CF was not obtained before deletion of number of blazes and in the absence of reliable data of tappable trees, the rationale behind deletion could not be ascertained. This shows lack of internal control mechanism at the CF level and resulted in irregular deletion of blazes having a revenue implication of ₹ 18.90 lakh.

The Department intimated (October 2020) that some trees which have got uprooted or become dry are marked every year for exploitation through the Corporation. Resultantly, there is variation in number of trees mentioned in Working Plan and actually enumerated in the field for resin tapping. The reply is not acceptable as the Department has to scrutinize the number of blazes permissible before handing over the list of blazes for tapping to the Corporation. The Government intimated (July 2020) that directions have been given to the Department for necessary action.

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[72] Bilaspur– 12,61,900/2,04,155/ ₹ 6.33 crore, Kotgarh -2,01,645/39,954/₹ 97.27 lakh, Kunihar-4,62,570/1,96,411/₹ 1.60 crore and Una – 2,53,960/1,16,109/ ₹ 81.72 lakh. (total number of trees/trees handed over/loss of revenue).

[73] Kotgarh-1618/(₹ 1,21,835), Kunihar-9743/(₹ 5,90,396), Mandi-17,125/(₹ 9,72,496), Paonta Sahib-217/(₹ 10,850) and Solan-2,820/(₹ 1,94,535).

2.23.4.4 Non-exploitation of salvage lots by the Corporation

The PC (September 2013) decided that all lots (resin and timber) handed over to the Corporation would have to be tapped by the Corporation and would not be taken back by the department on the plea that any lot remained unworked/untapped. If there were any specific cases in which a lot/tree could not be worked due to natural factors or some other specific problem in the concerned area, such cases had to be brought with full facts before the committee for its decision. It was also decided that the unworkable lots in remote areas would be considered for deletion after joint inspection by the DFO and the Divisional Manager within 60 days and 90 days of handing over for low and high lying lots respectively.

Scrutiny (August 2019) of records in Kullu division showed that a lot of 1,535 trees having 5,702.91 cubic meters (cum) volume was handed over (March 2006) to the Corporation for exploitation with lease period upto March 2007. Royalty of ₹ 47.85 lakh at 2006 rates was payable for the above lot. Audit noticed that all the trees (1,535) were felled and 801 trees having volume 3,187.15 cum were converted into logs and the remaining 734 trees having 2,515.76 cum volume were left to be converted into log. The Corporation could not complete the exploitation of the salvage lot even after getting multiple extensions till December 2014. A joint inspection to designate the lot as unworkable was conducted (October 2016) after a considerable delay of ten years. It was further noticed that an initial instalment of royalty of ₹ 19.40 lakh paid in respect of above lot was adjusted against subsequent lots without the approval of PC which was also objected by the CF, Kullu. The Department had also not taken any decision (March 2019) either to take back the lot or to get it exploited.

Audit noticed (November 2019) that in Rohru division, two lots of 1,468 trees (Volume – 5,594.11 cu m.) of value ₹ 14.26 lakh were handed over to the Corporation, during the period 2005 to 2008. The Corporation could not exploit the lots and handed them back to the department after a delay of five and seven years from the expiry of lease period. It was also noticed that against the handed over volume of 5,594.11 cum., the Corporation handed back only 4,884.03 cum. volume of timber (less volume handed back – 710.08 cum. having a value ₹ 1.89 lakh).

Thus, lack of monitoring by the divisions led to non-working of lots by the Corporation which resulted in non-realization of royalty of ₹ 62.11 lakh[74] besides loss of ₹ 1.89 lakh due to less handing over of trees by the Corporation.

The DFO, Kullu accepted (August 2019) the audit observation and stated that the matter has been taken up with the Corporation for refund of adjusted royalty. No reply was submitted by the DFO, Rohru.

2.23.4.5 Non/short realization of royalty due to incorrect application of royalty rates

The PC decided (August 2001) that a percentage of weighted average sale rates of a species obtained during preceding year would be the royalty rate of such species for the current year.

[74] Kullu - ₹ 47.85 lakh; Rohru - ₹ 14.26 lakh.

The rates so fixed are applicable uniformly for the whole State except Dodra Kawar for which special concessional rates are fixed in view of the difficult working conditions and higher working cost of timber extraction. The special concessional rates were further extended to special hill tracts (classified on the basis of Travelling Allowance (TA) rates) in 2008. The PC (March 2017 and March 2018) fixed the royalty for special hill tracts @ 40 *per cent* of the royalty rates fixed for the normal area for the period 2016-17 and 2017-18.

Scrutiny of periodical dues/demand register and statements of royalty due in Kullu division revealed that during the period 2016-17 and 2017-18, six salvage lots[75] were handed over to the Corporation for exploitation. The lots pertained to normal areas and the royalty of ₹ 75.33 lakh at normal rates was raised by the DFO Kullu. However, the Corporation itself worked out and paid (between 22 February 2017 and 29 January 2019) royalty of ₹ 25.36 lakh at special hill rates instead of normal rates. Thus, reduction in royalty rates by the Corporation and the inaction on the part of the Department, to demand royalty at normal rates, resulted in short/non realization of royalty amounting to ₹ 49.97 lakh.

2.23.4.6 Non-levy of extension fee

As per Clause-3 of the standard lease deed agreement with the Corporation for exploitation of timber/trees, the corporation shall have no right on such trees as are left standing in the leased forest, felled trees and any scattered/stacked timber un-removed from leased forest, after the expiry of the lease period. Further, as per decision of the PC (September 2007), extension fee at the rate of 0.20 *per cent* per month of the total royalty, whether paid or unpaid shall be levied for extension of the working period, beyond the lease period.

In two[76] test checked divisions, it was noticed that the Corporation could not complete the exploitation work of 14 salvage lots within the lease period and sought extension for the working period with delay, ranging between one and 97 months. However, the Department did not raise any demand to realise extension fee of ₹ 9.56 lakh, which was also not paid by the Corporation.

Thus, inaction on the part of the Department to claim the extension fee resulted in short realization of revenue of ₹ 9.56 lakh.

The Department intimated (October 2020) that DFOs concerned have been directed to reconcile the amount with the concerned Divisional Manager of the Corporation. The Government intimated (July 2020) that directions have been given to the Department for necessary action.

The Government may devise a mechanism to maintain permanent records of trees and leases granted for forest conservation, efficient management of tree resources and efficient mobilisation of financial resources and direct the divisions to work towards reconciliation of royalty, interest and extension fee with the Corporation on regular basis and raise demand promptly to realise revenue.

[75] Number of trees – 2,627 and volume 6,743.87 cum.
[76] Kotgarh – 7 lots; extension fee - ₹ 2.65 lakh and Rohru – 7 lots; extension fee - ₹ 7.00 lakh.

2.24 Non-disposal of seized timber

The Department did not dispose of seized timber measuring 66.098 cu.m lying in various depots, which resulted in blocking of revenue of ₹41.17 lakh.

Section 52 of the Indian Forest Act, provides for seizure of property liable to confiscation. As per Departmental instructions of April 1951, seized timber or forest produce, after accounting for in Form-17, should be kept in the *spurdagi* (safe custody) of a *sapurdar*[77] or with the concerned field staff. The Principal Chief Conservator of Forest (PCCF) instructed (April 1999) all Conservators of Forest (CFs) that where the *spurdagi* of forest produce is taken for unduly long period, the concerned Investigating Officer should be asked to obtain orders of the Competent Court for auctioning the seized property within 15 days, to minimize expenditure on watch and ward and further deterioration/pilferage of such produce.

Scrutiny of timber forms of five forest divisions between August 2018 and March 2019 showed that in 11 ranges, the Department had seized timber measuring 66.098 *cu.m* valued at ₹ 41.17 lakh[78]. The Department did not reinforce or review the Departmental instructions for suitable framework to dispose of the seized timber on time or to optimize its revenue collection. Thus, failure of the Department to obtain orders of the Court for auctioning seized timber within the prescribed time of 15 days resulted in not only blocking of revenue but also incurring of expenditure on watch and ward and carried the risk of further deterioration of timber.

On this being pointed out (between August 2018 and March 2019), the DFOs stated that efforts were being made to auction the seized timber.

The matter was reported to the Government between September 2018 and April 2019; their reply was awaited (November 2020).

The Government may consider issuing instructions to the Department to ensure the auction proceedings within stipulated time, for timely disposal of seized timber.

2.25 Non-tapping of resin blazes

The Department carved only one blaze instead of two blazes on Chil trees irrespective of class of trees, resulting in non-tapping of 16,127 blazes and loss of revenue of ₹8.28 lakh.

The Manual of HP Forest Department Volume-IV and notification of April 2007, of the Government of Himachal Pradesh prescribes that two blazes are to be carved per *Chil* tree having girth 1.90 meter (dia 60 cm) and above. Further, the Pricing Committee in its meetings of March 2017, March 2018 and January 2019 fixed the final rates of ₹ 65, ₹ 51 and ₹ 50 per blaze for the tapping season 2015 to 2017 respectively, which were to be paid by Himachal Pradesh State Forest Development Corporation (HPSFDC) Limited to the Forest Department.

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77 A *lambardar* or any reliable person of a place.

78 Ani at Luhri: vol: 9.510 cu.m ₹ 5.58 lakh, Churah at Salooni: vol: 2.472 cu.m ₹ 1.61 lakh, Dharamsala: vol: 5.892 cu.m ₹ 4.13 lakh, Kotgarh: vol: 43.705 cu.m ₹ 27.16 lakh and Pangi at Killar: vol: 4.52 cu.m ₹ 2.68 lakh.

During 2018-19, Audit test checked the lists of handed over trees for resin tapping of five DFOs involving 139 cases and observed that in the Forest Division Ani at Luhri, 49 cases of trees having dia of each tree more than 60 cm, were handed over to HPSFDC Limited for resin tapping. Out of these, in seven cases, HPSFDC Limited had carved only one blaze on 16,127 *Chil* trees against the required two blazes on each tree as dia of these trees was more than 60 cm. Thus, due to failure on the part of DFOs to follow the procedure as laid down in the manual, resulted in short tapping of 16,127 blazes and short realisation of revenue of ₹ 8.28 lakh.

The Department intimated (September 2020) that trees were being tapped under cup-lip method before introduction of rill method, resulting in less space on the trees for current blaze and due to hilly terrain only one blaze could be tapped. The reply is not acceptable as it has nowhere been prescribed that adopting a particular method would hamper the process of carving of two blazes on trees having dia of 60 cm or above and as per the notification issued by the Government, two blazes per tree were required to be marked. The reply of the Government was awaited (November 2020).

The Government may consider issuing necessary directions to the Department to follow the provisions of the Act/Rules.

Part 'B'

Public Sector Undertakings

Chapter-3
Introduction

CHAPTER-3

INTRODUCTION

3.1 Introduction

3.1.1 General

State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of a commercial nature and occupy an important place in the State's economy. As on 31 March 2019, there were 27 PSUs in Himachal Pradesh, including two [1] Statutory Corporations, and 25 Government Companies (including three[2] inactive Government Companies). Of these, one Company[3]was listed on the Delhi Stock Exchange (DSE), however, on the request of the Company (1994) and recommendation of DSE, the Security and Exchange Board of India (SEBI) accorded (September 2002) consent for delisting the Company.

The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2019 is covered in this report. The nature of PSUs and the status of accounts are indicated in table 3.1.

Table 3.1: Total number of PSUs as on 31 March 2019

Nature of PSUs	Total Number	Number of accounts received during the reporting period					Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2019
		2018-19	2017-18	2016-17	2015-16	Total	
Working Government Companies	22	1	10	4	1	16	21 (40)
Statutory Corporations	2	-	2	-	-	2	2 (2)
Total working PSUs	24	1	12	4	1	18	23 (42)
Inactive Government Companies	3	-	-	1	-	1	2[4] (7)
Total	27						

The working PSUs registered a turnover of ₹ 9,181.99 crore ***(Appendix 3.1)*** as per their latest finalised accounts as of September 2019. This turnover was equal to 5.97 *per cent* of the State Gross Domestic Product (GDP) at current prices for 2018-19.The working PSUs incurred

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1 Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.
2 Agro Industrial Packaging India Limited, Himachal Pradesh Beverages Limited and Himachal Worsted Mills Limited.
3 Himachal Pradesh General Industries Corporation Limited.
4 Himachal Worsted Mills Limited has not been considered as the Company is under liquidation.

aggregate loss of ₹ 183.49 crore ***(Appendix 3.1)*** as per their latest finalised accounts as of September 2019. These PSUs had employed 36,347 employees as of March 2019.

As on 31 March 2019, there were three inactive Companies with capital employed of ₹ 79.79 crore.

3.1.2 Accountability framework

The procedure for audit of Government Companies is laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2(45) of the Act 2013, a Government Company means any Company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a Company which is a subsidiary Company of such a Government Company. The Comptroller and Auditor General of India (CAG) appoints the Statutory Auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the Comptroller and Auditor General of India within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first statutory auditors are to be appointed by the Comptroller and Auditor General of India within 60 days from the date of registration of the Company and in case the Comptroller and Auditor General of India does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such an auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, the Comptroller and Auditor General of India may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the Comptroller and Auditor General of India. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

3.1.3 Statutory Audit

The financial statements of Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by statutory auditors who are appointed by the

Comptroller and Auditor General of India under Section 139 (5) or (7) of the Act. The Statutory Auditors submit a copy of Audit Report to the Comptroller and Auditor General of India including, among other things, financial statements of the Company under Section 143 (5) of the Act 2013. These financial statements are subject to supplementary audit by Comptroller and Auditor General of India within 60 days from the date of receipt of the Audit Report under Section 143(6) of the Act 2013.Audit of Statutory Corporations is governed by their respective legislations. Out of the two Statutory Corporations[5], the Comptroller and Auditor General of India is the sole auditor for the Himachal Road Transport Corporation (HRTC) and in respect of Himachal Pradesh Financial Corporation, the audit is conducted by Charted Accountants and supplementary audit is conducted by the Comptroller and Auditor General of India.

3.1.4 Submission of accounts by PSUs

Need for timely finalisation and submission

According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the Comptroller and Auditor General of India. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including Directors of the Company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

3.1.5 Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the Comptroller and Auditor General of India, in respect of State

5 Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

Government Companies and Separate Audit Reports in case of Statutory Corporations, are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of Comptroller and Auditor General of India are submitted to the Government under section 19A of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971.

3.1.6 Investment by the Government of Himachal Pradesh in the State Public Sector Undertakings (PSUs)

The Government of Himachal (GoHP) has high financial stakes in the PSUs. These are mainly of three types:

- **Share capital and loans** – In addition to the share capital contribution, GoHP also provides financial assistance by way of loans to the PSUs from time to time.

- **Special financial support** – GoHP provides budgetary support by way of grants and subsidies to the PSUs as and when required.

- **Guarantees** – GoHP also guarantees the repayment of loans with interest, availed by the PSUs from Financial Institutions.

The sector-wise summary of total investment in the PSUs as on 31 March 2019 is given below:

As on 31 March 2019, the total investment (Paid up capital, Long-term loans and grants) in 27 PSUs was ₹ 20,338.66 crore as given in table-3.2.

Table 3.2: Sector-wise investment in PSUs

(₹ in crore)

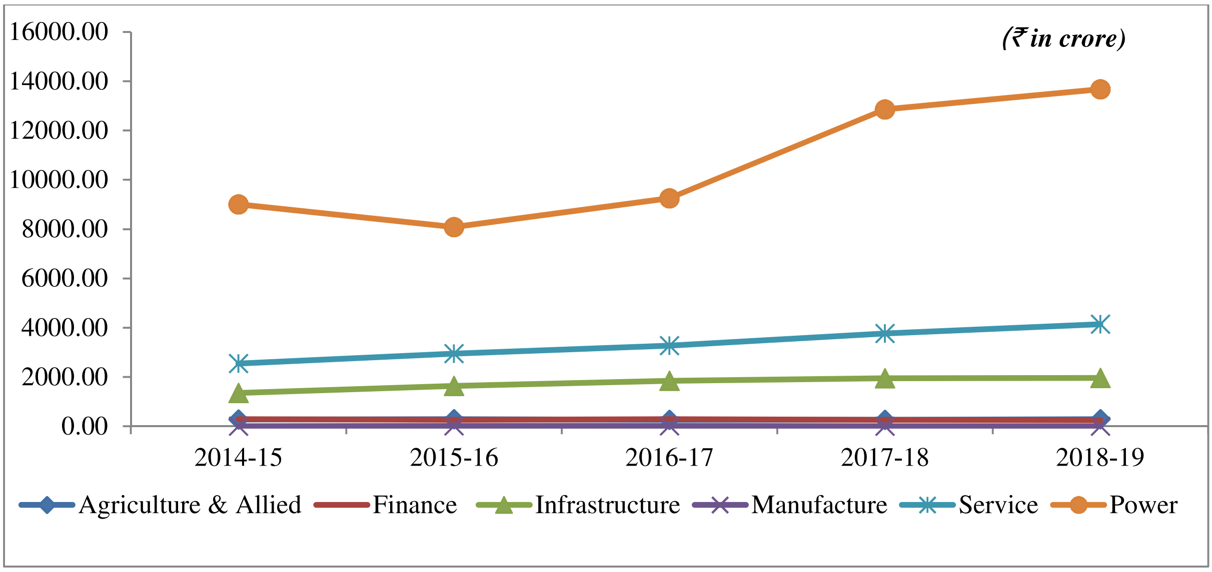
Name of sector	Government Companies		Statutory Corporation	Total	Investment							Total	
	Working	Inactive			Equity			Long term loans			Subsidy/Grants by GoHP	GoHP	Others
					GoHP	Others	Total	GoHP	Others	Total			
Agriculture and Allied	3	1	-	4	76.55	10.50	87.05	127.82	1.49	129.31	69.17	273.54	11.99
Finance	3	-	1	4	131.41	6.69	138.10	77.88	34.08	111.96	5.31	214.60	40.77
Infrastructure	4	-	-	4	55.82	-	55.82	--	-	-	1,914.00	1,969.82	-
Manufacture	1	1	-	2	7.04	1.04	8.08	2.97	-	2.97	0.00	10.01	1.04
Service	7	1	1	9	793.82	15.65	809.47	0.55	132.87	133.42	3,203.10	3,997.47	148.52
Power	4	-	-	4	1,656.66	1,705.92	3,362.58	6,393.82	3,142.82	9,536.64	771.68	8,822.16	4,848.74
Total	**22**	**3**	**2**	**27**	**2,721.30**	**1,739.80**	**4,461.10**	**6,603.04**	**3,311.26**	**9,914.30**	**5,963.26**	**15,287.60**	**5,051.06**

Source: Compiled based on information received from PSUs. Grants/Subsidy from only GoHP were considered.

The thrust of investment in PSU was mainly on power sector which received investments of ₹ 13,670.90 crore (67.22 *per cent*) out of total investment of ₹ 20,338.66 crore.

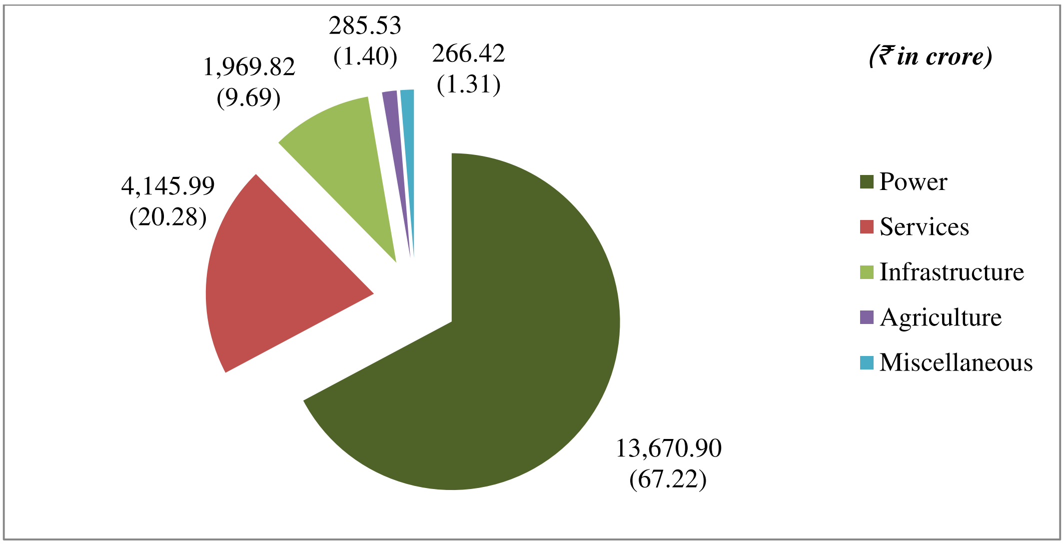
The total investment in various sectors during the period from 2014-15 to 2018-19 is shown in the chart-3.1:

Chart 3.1: Total Investment in PSUs



3.1.7 The total investment in four significant sectors and percentage thereof at the end of 31 March 2019 is indicated in chart-3.2.

Chart 3.2: Sector-wise investment in PSUs



(Figures in brackets show the sector-wise percentage of Investment to total Investment)

Keeping in view the high level of investment in Power Sector, we are presenting the results of four Power Sector PSUs in Chapter 4[6] of this report and of the 21 PSUs (other than power sector) in Chapter 5[7] of the report.

6 The Chapter-4 includes: Functioning of State Power Sector Undertakings and Compliance Audit Observations relating to Power Sector Undertakings.

7 The Chapter-5 includes: Functioning of State PSUs other than Power Sector and Compliance Audit Observations relating to PSUs other than Power Sector.

Chapter-4
Functioning of State Power Sector Undertakings

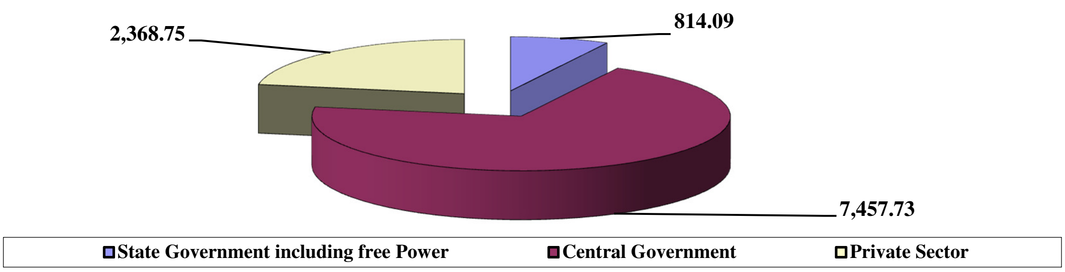
CHAPTER-4

FUNCTIONING OF STATE POWER SECTOR UNDERTAKINGS

Introduction

4.1 The Power Sector companies play an important role in the economy of the State**.** Power potential of 27,436 MW has been identified in the State, out of which 10,640.57 MW has been harnessed upto June 2020. There are four power sector undertakings (PSUs) in the State. Of these, two PSUs Himachal Pradesh Power Corporation Limited (HPPCL) and Himachal Pradesh State Electricity Board Limited (HPSEBL) are power generation Companies. Of these, HPPCL has three commissioned projects while rest of the projects are with HPSEBL as discussed in ***Paragraph 4.3***. HPSEBL is also the only State owned power distribution Company. There are four power sector undertakings (PSUs) in the State. Of these, one[8] PSU is a subsidiary of Himachal Pradesh State Electricity Board Limited (HPSEBL) for execution of 100 MW Uhl-III Hydro Electric Project (HEP) and had not commenced commercial activities until 2018-19 as the project was not commissioned. All other PSUs are active.

Chart 4.1: Share in the harnessed potential (In MWs)



During the year ended 31 March 2019 against the total electricity demand of 9,040.86 Million Units (MUs), HPSEBL was able to generate only 2,067.11 MUs and the balance of 6,973.75 MUs was received from other generating stations.

Apart from providing a critical infrastructure required for development of the State's economy, the sector also adds to the Gross Domestic Product (GDP) of the State. A ratio of Power Sector PSUs' turnover to Gross State Domestic Product (GSDP) shows the extent of activities of Power sector PSUs in the State economy. The table below provides the details of turnover of the power sector undertakings and GSDP of Himachal Pradesh for a period of five years ending March 2019.

Table 4.1: Details of turnover of power sector undertakings *vis-a-vis* GSDP of Himachal Pradesh

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	4,230.44	5,093.79	5,599.56	5,993.79	6325.56
GSDP of Himachal Pradesh (at actual current prices)	1,03,772	1,14,239	1,25,634	1,38,351	1,53,845
Percentage of Turnover to GSDP of Himachal Pradesh	4.08	4.46	4.46	4.33	4.11

Source: Compilation based on Turnover figures of PSUs and GSDP figures at current prices of Economic and Statistical Department of Government of Himachal Pradesh at actual current prices of the respective years for year to year comparison.

[8] Beas Valley Power Corporation.

The turnover of power sector undertakings has recorded continuous increase over previous years. The increase in turnover ranged between 5.54 *per cent* and 20.41 *per cent* during the period 2014-19, whereas increase in GSDP of Himachal Pradesh ranged between 9.97 *per cent* and 11.20 *per cent* during the same period. The compounded annual growth of GSDP was 10.34 *per cent* during last five years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 10.34 *per cent* of the GSDP, the turnover of power sector undertakings recorded higher compounded annual growth of 10.58 *per cent* during last five years. This resulted in increase in share of turnover of these power sector undertakings to the GSDP from 4.08 *per cent* in 2014-15 to 4.11 *per cent* in 2018-19.

The State owned power Generation/Distribution Company (HPSEBL) was incurring continuous losses in its operations since inception. The power distribution utility was burdened by accumulated losses of ₹ 2,092.86 crore at the end of the financial year 31 March 2019. It also had debts of ₹ 8,367.04 crore as on 31 March 2019. The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujjwal Discom Assurance Yojna (UDAY), a scheme for operational and financial turnaround of State owned Power Distribution Company. The provisions of UDAY and status of implementation of the scheme by HPSEBL are also discussed in this Chapter.

4.2 Power demand, availability and supply position in the State

The peak demand for power, its availability and share through State's own power distribution utility, the Himachal Pradesh State Electricity Board Limited (HPSEBL), during 2014-15 to 2018-19 is given in the table below:

Table 4.2: Details of Power Generation by HPSEBL

Year	Peak demand (in MW)	Availability of Power (in MW)	Total power Supply (in MUs)	Installed Capacity of HPSEBL (in MW)	Power Supplied by HPSEBL (in MUs)	HPSEBL's share in total supply (in *per cent*)
2014-15	1,422	1,422	8,728	487.45	1,982	23
2015-16	1,488	1,488	8,758	487.45	1,455	17
2016-17	1,499	1,499	8,779	487.45	1,491	17
2017-18	1,594	1,594	9,345	487.45	1,837	20
2018-19	1,700	1,700	9,618	487.45	1,956	20

Source: Load Generation Balance Reports of CEA and Annual Accounts of HPSEBL.

The State was able to meet its peak demand through tied up agreements (Power Purchase Agreements), purchase and drawl of power under unscheduled interchange (UI)[9] through power grid. Also, HPSEBL's share in total power supply in the State remained almost static due to no increase in its installed capacity to match the increase in demand. Overall Himachal Pradesh was a power surplus State, however, the State power distribution company (HPSEBL) was power deficit as of 31 March 2019.

4.3 Restructuring / Formation of Power Sector Undertakings

Unbundling of Electricity Boards was envisaged in the Electricity Act, 2003 to segregate the generation, transmission and distribution activities for making these as separate accounting centers.

[9] Actual drawal minus total scheduled drawal.

Pursuant to Electricity Act, 2003, the Government of Himachal Pradesh constituted three companies *viz.,*Himachal Pradesh Power Corporation Limited (HPPCL) during 2006-07 by infusing equity of ₹ 79.71 crore, Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) by infusing equity of ₹ three crore in 2008-09 and Himachal Pradesh State Electricity Board Limited (HPSEBL) during December 2009.

The State Government formulated (June 2010) the Himachal Pradesh Power Sector Reforms Transfer Scheme 2010 (HPPSRT Scheme 2010) for unbundling of Himachal Pradesh State Electricity Board (HPSEB) and transfer of assets, properties, liabilities, obligations, proceedings and personnel of HPSEB to Himachal Pradesh State Electricity Board Limited (HPSEBL). The Company came into existence *w.e.f.* 10 June 2010 and all the assets and liabilities of HPSEB were transferred to the newly created Company according to the provisions of the Himachal Pradesh Power Sector Reforms Transfer (HPPSRT) Scheme 2010.

Another Power Sector company namely Beas Valley Power Corporation Limited (BVPCL) was incorporated during 2002-03, as a subsidiary of the HPSEB (now of HPSEBL) for execution of 100 MW Uhl-III HEP.

Thus, there were four Power Sector companies in the State as on 31 March 2019. Of these, Beas Valley Power Corporation Limited had not commenced commercial activities till 2018-19.

According to the reform scheme, 26 hydroelectric power projects having total generating installed capacity of 479.350 MW along with distribution activities were to be maintained by HPSEBL and only six new hydroelectric projects having generating capacity of 986 MW were transferred to HPPCL for construction. In addition, the HPSEBL had two projects of 110 MW capacity under execution out of which one project of 10 MW was commissioned during 2014. The State Government has also allotted four new hydroelectric projects having total installed capacity of 70.50 MW to HPSEBL for construction in April 2013.

According to the HPPSRT Scheme 2010, all assets and liabilities relating to transmission lines (not being essential part of distribution system or the dedicated lines from existing or future HEPs of HPSEBL) shall stand vested / transferred to HPPTCL. Accordingly, 14 existing transmission lines of 66 KV and above (278.860 Circuit Kilometers / one *per cent* of total) were transferred to HPPTCL during 2009-11.

Thus HPSEBL is still managing / operating all of its existing generating and transmission network except a negligible one *per cent* of transmission lines, along with distribution activities. Therefore, the very purpose of unbundling of the Board (i.e. to segregate the generation, transmission and distribution activities for making these as accounting centers) in true spirit as envisaged in Electricity Act, 2003 has not been achieved.

Disinvestment, restructuring and privatisation of Power Sector Undertakings

4.4 During the year 2018-19, no disinvestment, restructuring or privatisation in Power sector was done by the State government in these PSUs.

The activity-wise summary of investment in the Power Sector undertakings as on 31 March 2019 is given in table 4.3:

Table 4.3: Activity-wise investment in power sector undertakings

Activity	Number of Government Undertakings	Investment (₹ in crore)						
		Equity		Long term loans		Grants / Subsidy from GoHP	Total	
		GoHP	Others	GoHP	Others		GoHP	Others
Generation of Power (HPPCL)	1	609.64	1,405.92	2,388.97	142.45	-	2,998.61	1,548.37
Transmission of Power (HPPTCL)	1	326.45	-	1,079.19	66.61	-	1,405.64	66.61
Distribution of Power (HPSEBL)	1	720.57	-	2,925.66	2,000.36	771.68	4,417.91	2,000.36
Other[10](BVPCL)	1	-	300.00	-	933.40	-	-	1,233.40
Total	**4**	**1,656.66**	**1,705.92**	**6,393.82**	**3,142.82**	**771.68**	**8,822.16**	**4,848.74**

Source: Compiled based on information received from PSUs Grants / Subsidy from only GoHP were considered.

As on 31 March 2019, the total investment (equity, long term loans and grants/subsidy) in four power sector undertakings was ₹ 13,670.90 crore. The investment consisted of 24.60 *per cent* towards equity, 69.76 *per cent* in long-term loans and 5.64 *per cent* towards grants / subsidy.

The long term loans advanced by the State Government constituted 67.04 *per cent* (₹ 6,393.82 crore) of the total long term loans whereas 32.96 *per cent* (₹ 3,142.82 crore) of the total long term loans were availed from other financial institutions viz., Power Finance Corporation, Rural Electricity Corporation and nationalised Banks. However, during 2016-17, the State Government has taken over ₹ 2,890.50 crore (75 *per cent*) of the outstanding debts (₹ 3,854 crore).

Budgetary Support to Power Sector Undertakings

4.5 The Government of Himachal Pradesh (GoHP) provides financial support to power sector undertakings in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of Power Sector undertakings for the last three years ending March 2019 are as follows:

Table-4.4: Details of budgetary support to power sector undertakings during last three years

(₹ in crore)

Particulars[11]	2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	2	69.51	3	182.11	3	250.00
Loans given (ii)	1	3,010.50	1	262.68	1	365.00
Grants/Subsidy[12] provided (iii)	-	-	1	6.00	2	24.00
Total Outgo (i+ii+iii)	**-**	**3,080.01**	**-**	**450.79**	**-**	**639.00**
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued during the year	-	-	-	-	-	-
Guarantee Commitment/ Outstanding	1	3,760.25	1	3,715.50	-	-

Source: Compiled based on information received from PSUs.

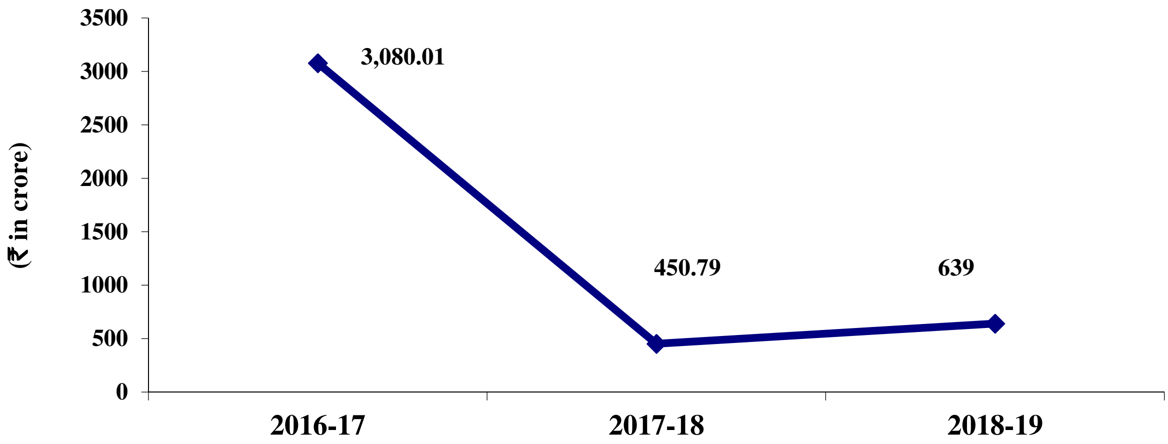
[10] Subsidiary of HPSEBL created for construction of Uhl-III HEP.

[11] Amount represents outgo from State Budget only.

[12] Grant represents Tariff roll back subsidy from State Government received by the HPSEBL on account of difference of rate between rates fixed by the regulator and rates fixed by the State Government for domestic consumers.

The details of budgetary support towards equity, loans and grants/ subsidies for the last three years ending March 2019 are given in a chart 4.2:

Chart 4.2: Budgetary support towards Equity, Loans and Grants/Subsidies



The budgetary assistance received by these PSUs during the year ranged between ₹ 450.79 crore and ₹ 3,080.01 crore during the period 2016-17 to 2018-19. In 2018-19 increase in budgetary support over the year 2017-18 was due to release of ₹ 274.00 crore to HPSEBL, HPPCL and HPPTCL in the shape of equity and grant / subsidies and ₹ 365.00 crore to HPPTCL as loans.

In order to enable PSUs to obtain financial assistance from Banks and financial institutions, the State Government provides guarantee and charges guarantee fee upto one *per cent*.

Reconciliation with the Finance Accounts of the Government of Himachal Pradesh

4.6 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Himachal Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the accounts. There were differences in equity and loans as on 31 March 2019 as given in table 4.5:

Table 4.5: Loans outstanding as per Finance Accounts vis-à-vis records of power sector undertakings

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	1,615.35	1,656.66	41.31
Loans	6,597.07	6,394.12	202.95

Source: Compiled based on information received from PSUs and Finance Accounts (Statement no. 18 and 19).

The differences between the figures are persisting for the last many years. The issue of reconciliation of differences was also taken up by the Principal Accountant General (Audit) with the PSUs/ Departments from time to time.

It is recommended that the State Government and the PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by Power Sector Undertakings

4.7 *Timeliness in preparation of accounts by Power Sector Undertakings*

There were four power sector undertakings under the audit purview of CAG as of 31 March 2019. Accounts for the year 2018-19 were not submitted by any of these working PSUs by 30 September 2019 as per the statutory requirement. Details of arrears in submission of accounts of power sector undertakings as on 30 September of each financial year, for the last five years ending 31 March 2019 are given in table 4.6:

Table 4.6: Position relating to submission of accounts of Power Sector Undertakings

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	4	4	4	4	4
2.	Number of accounts submitted during the year	3	4	4	3	4
3.	Number of PSUs which finalised accounts during the year	-	-	-	-	-
4.	Number of previous year accounts finalised during the year	3	4	4	3	4
5.	Number of PSUs with arrears in accounts	4	4	4	4	4
6.	Number of accounts in arrears	5	5	5	6	6
7.	Extent of arrears	Two years	Two years	Two years	Two years	Two years

Source: Compiled based on accounts of working PSUs received during the period October 2018 to September 2019

The four working State PSUs finalised four annual accounts for previous years (two accounts for 2016-17 and two accounts for 2017-18) during the period 1 October 2018 to 30 September 2019. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period.

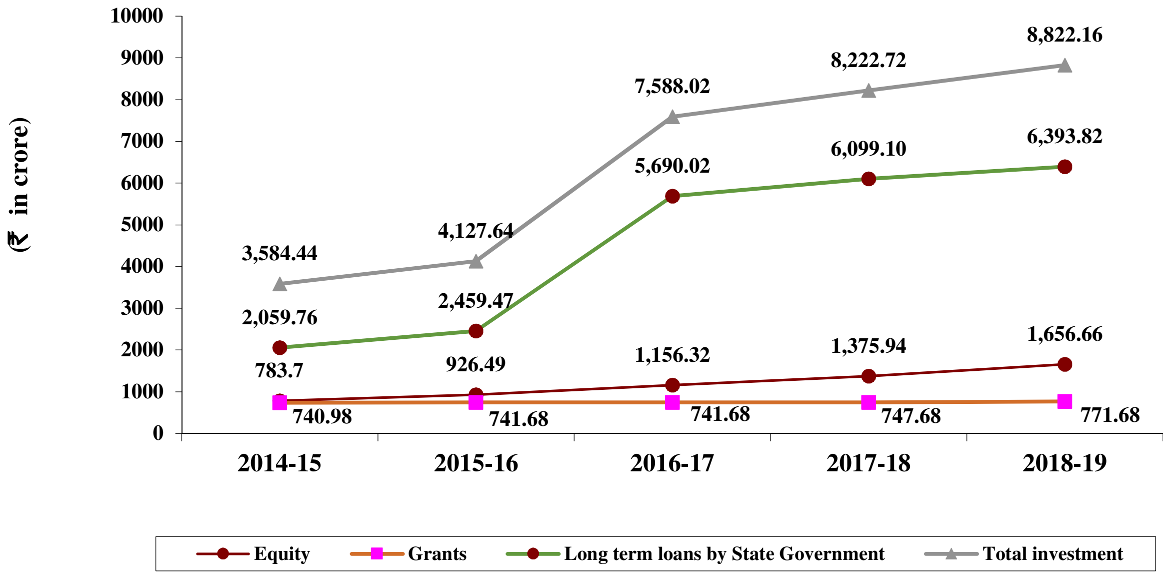
Performance of Power Sector Undertakings

4.8 The financial position and working results of four power sector companies are detailed in ***Appendix 4.1***as per their latest finalised accounts as of 30 September 2019.

The Public Sector Undertakings are expected to yield reasonable return on investment made by the Government in them. The GoHP has an investment of ₹ 8,822.16 crore as on 31 March 2019 in the three Power Sector Undertakings only consisting of equity of ₹ 1,656.66 crore, long term loans of ₹ 6,393.82 crore and grants/subsidy of ₹ 771.68 crore. The increase in loans in the year 2016-17 was mainly due to loan of ₹ 2,890.50 crore of HPSEBL taken over by the GoHP under UDAY scheme.

The year wise status of investment of the GoHP in the form of equity, long term loans and grants/subsidy in the power sector PSUs, during the period 2014-15 to 2018-19 is given in chart 4.3:

Chart 4.3: Total investment of GoHP in power sector undertakings



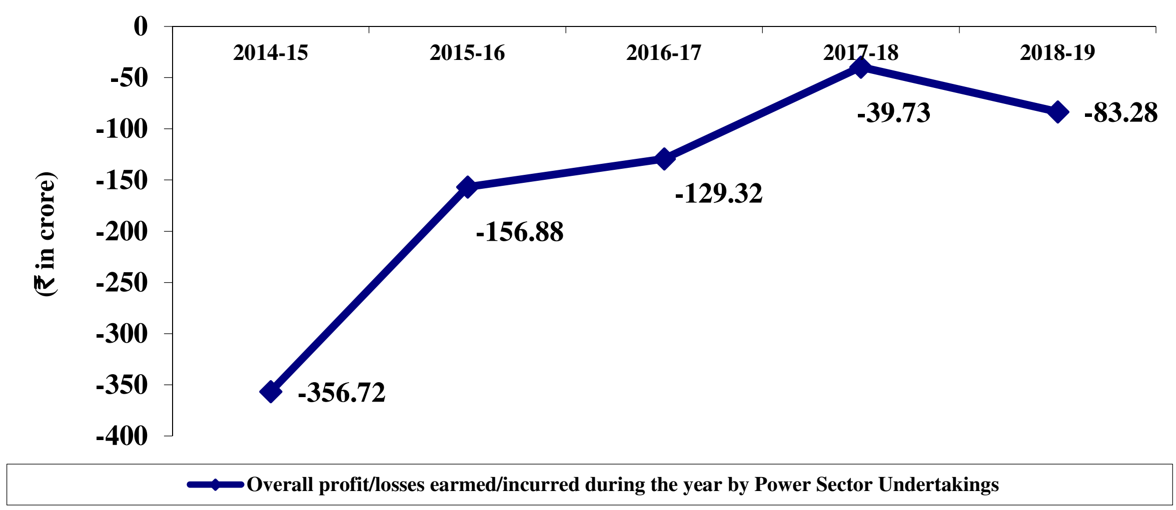
The total investment of the GoHP in the power sector had increased 2.46 times during the period from 2014-15 to 2018-19 as shown in the chart 4.3.

The profitability of a company is traditionally assessed through return on investment, return on capital employed and return of equity. Return on investment measures the profit or loss made in a year relating to the amount of money invested and is expressed as a percentage of net profit to total investment. Return on capital employed is a financial ratio that measures the Company's profitability and the efficiency with which its capital is used.

Return on Investment (ROI)

4.9 Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses [13] earned/incurred by all the power sector undertakings during 2014-15 to 2018-19 is depicted in chart 4.4:

Chart 4.4: Profit/Losses earned/incurred by Power Sector Undertakings



13 Figures are as per the latest finalised accounts during the respective years.

- The loss incurred by these PSUs was ₹ 83.28 crore as per accounts their latest finalised accounts up to 2018-19 (***Appendix 4.1***) against loss of ₹ 356.72 crore incurred in 2014-15. The loss in 2018-19 increased to ₹ 83.28 crore against ₹ 39.73 crore in 2017-18 due to increase in losses of HPSEBL and HPPCL as compared to the previous year.
- The main reason for overall decrease in losses was grant of financial package in the form of grants-in-aid / subsidy by the State Government.

Position of Power Sector Undertakings which earned/incurred profit/loss during 2014-15 to 2018-19 is given in table 4.7:

Table 4.7: Power Sector Undertakings which earned/incurred profit/loss during 2014-15 to 2018-19 as per their latest finalised accounts

Financial year	Total PSUs in power sector	Number of PSUs which earned profits	Number of PSUs which incurred loss	Number of PSUs which had not prepared their Profit and Loss account during the year
2014-15	4	1	2	1
2015-16	4	1	2	1
2016-17	4	1	2	1
2017-18	4	-	3	1
2018-19	4	-	3	1

Source: Information as per latest finalised accounts.

Return on the basis of historical cost of investment

4.10 Out of four Power Sector undertakings of the State, the State Government infused funds in the form of equity, loans and grants / subsidies in three Power Sector undertakings only. The State Government did not infuse any direct funds in one company (BVPCL). The entire equity of the company which is subsidiary of HPSEBL was contributed by the concerned holding company.

The investment of the State Government in the three Power Sector Undertakings was ₹ 1,656.66 crore consisting of equity only. The grants / subsidies released to HPSEBL were on account of tariff roll back subsidy[14] and not for Operational and Administrative Expenses (O and AE).

The return on investment on historical cost basis for the period 2014-15 to 2018-19 is as given in table 4.8:

Table 4.8: Return on State Government Investment on historical cost basis

Financial year	Funds infused by the GoHP in form of Equity on historical cost basis (*₹in crore)*	Total Earnings/ Losses (*₹ in crore)*	Return on Investment (in *per cent)*
2014-15	784.21	-356.72	-45.49
2015-16	926.99	-156.88	-16.92
2016-17	1,156.80	-129.32	-11.18
2017-18	1,376.44	-39.73	-2.89
2018-19	1,656.66	-83.28	-5.03

Source: Statistical Information received from PSUs and latest finalised accounts.

The return on investment of the four power sector PSUs ranged between -45.49 *per cent* to -2.89 *per cent* during 2014-15 to 2018-19. The ROI has improved over the

14 Difference of rate between the rates fixed by the regulator and the State Government for domestic consumers.

years due to reduction in Aggregate Technical and Commercial (AT and C) losses and infusion of funds by the GoHP under UDAY scheme.

Present Value of Investment

4.11 In view of the significant investment by the Government in the three Power Sector companies, Rate of Real Return (RORR) is essential from the perspective of the State Government. Traditional calculation of ROI based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the Present Value (PV) of money. Therefore, in addition, RORR is calculated considering the Present Value (PV) of investment.

To bring the historical cost of investments to its present value at the end of each year up to 31 March 2019, the past investments / year-wise funds infused by the GoHP in the State PSUs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government, for the concerned year. Therefore, PV of the State Government investment in the shape of equity (no interest free loans or grants / subsidies for operational and administrative expenditure was received) since inception of these companies till 31 March 2019 was computed.

In calculating the PV of the State Government investment in Power Sector undertakings, the following assumptions were made:

- Where interest free loans were given to the PSUs and later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The average rate of interest on Government borrowings for the concerned financial year[15] was adopted as compounded rate for arriving at the Present Value since these represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

For the period 2014-15 to 2018-19 when the four companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the companies is commented upon in Paragraph 4.13.

Rate of real Return (RORR) on the basis of Present Value of Investment

4.12 The Company wise position of State Government investment in the three power sector companies in the form of equity and loans since inception of these companies till 31 March 2019 is indicated in ***Appendix 4.2***. The consolidated position of the PV of the State Government investment relating to the three power sector companies since inception of these companies, till 31 March 2019 is indicated in table 4.9:

[15] The average rate of interest on Government borrowings was adopted from the Reports of the Comptroller and Auditor General of India on State Finances (Government of Himachal Pradesh) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

Table 4.9: Year-wise details of investment by the State Government and present value (PV) of Government funds from 2007-08 to 2018-19

(₹ in crore)

Year	Present value of total invest-ment at the begin-ning of the year	Equity infused by the State Govern-ment during the year	Net Interest free loans given by the State Govern-ment during the year	Interest free loans conver-ted into equity during the year	Grants/ subsidies given by State Government for operatio-nal and adminis-trative expendi-ture	Disinvest-ment by the State Govern-ment during the year at face value	Total invest-ment during the year (vii=ii+iii-iv+v-vi)	Total invest-ment at the end of the year (viii=i+vii)	Average rate of interest on Govern-ment borrowings (in %)	Present value of total invest-ment at the end of the year (x={viii*(1+ ix)/100})	Minimum expected return to recover cost of funds for the year xi={viii*ix/100}	Total earnings for the year[16]
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)
2007-08	-	79.71	-	-	-	-	79.71	79.71	9.09	86.96	7.25	-
2008-09	86.96	252.32	-	-	-	-	252.32	339.28	9.19	370.46	31.18	-
2009-10	370.46	186.31	-	-	-	-	186.31	556.77	8.59	604.59	47.83	-
2010-11	604.59	532.29	-	-	-	-	532.29	1,136.88	7.78	1,225.33	88.45	-152.62
2011-12	1,225.33	91.80	-	-	-	537.15	445.35	779.98	7.80	840.82	60.84	-152.62
2012-13	840.82	185.04	-	-	-	-	185.04	1,025.86	8.08	1,108.75	82.89	-315.94
2013-14	1,108.75	292.42	-	-	-	-	292.42	1,401.17	7.71	1,509.20	108.03	-512.76
2014-15	1,509.20	251.46	-	-	-	550.00	-298.54	1,210.66	7.91	1,306.42	95.72	-356.72
2015-16	1,306.42	142.79	-	-	-	-	142.79	1,449.21	7.95	1,564.42	115.17	-156.88
2016-17	1,930.60	229.81	-	-	-	-	229.81	1,794.23	7.60	1,930.60	136.32	-129.32
2017-18	1,564.42	219.64	-	-	-	-	219.64	2,150.24	7.71	2,316.02	165.73	-39.73
2018-19	2,316.02	250.00	-	-	-	-	250.00	2,566.02	8.32	2,779.51	213.49	-83.28
		1,626.44[17]										

Source: Statistical information received from PSUs and latest finalised accounts.

Note: No grant/ subsidy was received from the State Government for operational and administrative expenditure.

The balance of investment of the State Government in these three companies at the end of the year increased to ₹ 1,626.44 crore in 2018-19 from ₹ 79.71 crore in 2007-08 as the State Government made further investments in shape of equity (₹ 1,546.73 crore). The PV of investments of the State Government up to 31 March 2019 worked out to ₹ 2,779.51 crore. The rate of real return for the year 2018-19 was (-) 3*per cent*.

It could be seen that total earnings of the companies remained negative during 2010-11 to 2018-19, which indicates that instead of generating returns on the invested funds, these companies did not even recover the cost of funds.

Erosion of Net worth

4.13 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The accumulated losses of the four Power Sector Undertakings were ₹ 2,092.86 crore as against the capital investment of ₹ 2,910.63 crore resulting in net worth of ₹ 817.77 crore (***Appendix 4.1***). Of the four Power Sector Undertakings, the net worth was eroded completely in HPSEBL (₹ -1,390.57 crore).

[16] Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those three Power Sector PSUs where funds were infused by State government.

[17] After adjusting disinvestment of ₹ 1,087.15 crore made during 2011-12 and 2014-15.

The following table indicates paid up capital, accumulated profit / loss and net worth of the three Power Sector Undertakings during the period 2014-15 to 2018-19 where the State Government has made direct investment:

Table 4.10: Net worth of four Power Sector Undertakings during 2014-15 to 2017-18

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net worth
2014-15	1,810.01	-1,755.07	120.98	-66.04
2015-16	2,091.14	-1,920.33	116.20	287.01
2016-17	2,377.69	-2,049.65	115.53	212.51
2017-18	2,447.21	-2,064.03	-	383.18
2018-19	2,610.63	-2,092.86	-	517.77

Source: Information as per latest finalised accounts of PSUs.

The State Government continued to provide financial support to these three Power Sector companies by infusing equity during the period 2014-19 to improve their liquidity and for capital works. However, despite infusion of substantial capital, the accumulated losses of these power companies increased from ₹ 1,755.07 crore in 2014-15 to ₹ 2,092.86 crore in 2018-19.

Out of three PSUs, during 2014-15 to 2018-19, net worth of one[18] PSU was negative and two[19] PSUs showed positive net worth.

Dividend Payout

4.14 The State Government had decided (April 2011) that all profit making PSUs should pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government, subject to a ceiling of 50 *per cent* of the profit after tax. However, as per their latest finalised accounts received during the year 2018-19, none of the PSUs had earned profit.

Return on Equity

4.15 Return on Equity (ROE) is a measure of financial performance to assess how effectively the Management is using the Company's assets to create profits and is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities, while a negative shareholder equity means that liabilities exceed assets.

18 Himachal Pradesh State Electricity Board Limited.
19 Himachal Pradesh Power Corporation Limited, Himachal Pradesh Power Transmission Corporation Limited.

Return on Equity has been computed in respect of four power sector undertakings. The details of shareholders fund and ROE relating to these four Power Sector undertakings, during the period from 2014-15 to 2018-19, are given in table 4.11:

Table 4.11: Return on Equity relating to four Power Sector Undertakings

Year	Net Income/ total Earnings for the year[20] (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2014-15	-356.72	-356.72	-
2015-16	-156.88	-156.88	-
2016-17	-129.32	512.51	-
2017-18	-39.73	683.18	-
2018-19	-83.28	817.77	-

Source: Information as per latest finalised accounts of PSUs.

As can be seen from the above table, the Net Income was negative during 2014-15 to 2018-19. Since the Net Income for all the years were negative, ROE in respect of these PSUs could not be worked out.

Return on Capital Employed

4.16 Return on Capital Employed (ROCE) is a ratio that measures a Company's profitability and the efficiency with which its capital is employed.

ROCE is calculated by dividing a Company's earnings before interest and taxes (EBIT) by the Capital Employed[21]. The details of ROCE of all the four power sector undertakings during the period from 2014-15 to 2018-19 are given in table 4.12:

Table 4.12: Return on Capital Employed

Year	EBIT	Capital Employed	ROCE
	(₹ in crore)		(In per cent)
2014-15	-356.72	6,045.75	-5.90
2015-16	-156.88	7,348.83	-2.13
2016-17	-128.29	6,341.71	-2.02
2017-18	-39.73	7,174.49	-0.55
2018-19	-84.58	9,184.81	-0.92

Source: Information as per latest finalised accounts of PSUs.

The ROCE of the Power Sector Undertakings ranged between -0.55 *per cent* and -5.90 *per cent* during the period 2014-15 to 2018-19.

Analysis of Long term loans of the Companies

4.17 The analysis of the long term loans of the Companies during 2014-15 to 2018-19 was carried out to assess the ability of the companies to service the debt owed by the Companies to Government, Banks and other financial institutions. This is assessed through the Interest Coverage Ratio (ICR) and Debt Turnover Ratio.

20 As per the latest finalised annual accounts.

21 Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest finalised accounts

Interest Coverage Ratio

4.18 Interest Coverage Ratio is used to determine the ability of a Company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the Company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those Power Sector Companies which had interest burden during the period from 2014-15 to 2018-19, are given in table 4.13:

Table 4.13: Interest coverage ratio

Year	Interest	Earnings before interest and tax (EBIT)	PSUs having liability of loans from Government and Banks and other financial institutions	Companies having interest coverage ratio more than 1	Companies having interest coverage ratio less than 1
	(₹ in crore)		(In numbers)		
2014-15	455.37	-356.72	4	-	4
2015-16	573.38	-156.88	4	-	4
2016-17	535.52	-128.29	4	-	4
2017-18	518.55	-39.73	4	-	4
2018-19	503.35	-84.58	4	-	4

Source: Information as per latest finalised accounts of PSUs.

It was observed that none of Power Sector Companies had Interest Coverage Ratio of more than one during 2014-15 to 2018-19.

Debt-Turnover Ratio

4.19 During the last five years, the turnover of power sector undertakings recorded compounded annual growth of 10.58 *per cent* and compounded annual growth of debt was 7.95 *per cent* due to which the Debt-Turnover Ratio improved from 1.46 in 2014-15 to 1.32 in 2018-19, as given in table 4.14:

Table 4.14: Debt Turnover ratio relating to the Power Sector undertakings

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	6,160.88	4,957.69	5,829.20	6,491.31	8,367.04
Turnover	4,230.44	5,093.79	5,599.56	5,993.79	6,325.56
Debt-Turnover Ratio	1.46:1	0.97:1	1.04:1	1.08:1	1.32:1

Source: Compiled based on latest finalised accounts during the year.

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

4.20 The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). As per the provisions of the Scheme, the participating States were required to undertake measures for achieving operational and financial turnaround of DISCOMs:

Measures for financial turnaround

(A) The State was required to take over 75 *per cent* of DISCOMs debt by 2016-17. The scheme for financial turnaround, *inter alia*, provided that:

- State will issue *Non Statutory Liquidity Ratio* (non-SLR) bonds and the proceeds realised from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount of Banks / Financial Institutions (FIs) debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal upto five years.
- Debt of DISCOM will be taken over in the priority of debt already due, followed by debt with higher cost.
- The transfer of proceeds to the DISCOM by the State in 2016-17 will be as a loan which will be converted into 75 *per cent* grant and 25 *per cent* equity during 2020-21, subject to achievement of certain targets by the State DISCOM.

Measures for improving operational efficiency

(B) The participating States were required to undertake various targeted activities like compulsory feeder and distribution transformer (DT) metering, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) by providing LED for domestic and other category consumers, undertaking consumer awareness programs for optimum utilization of resources and replace at least 10 *per cent* of existing agriculture pumps with energy efficient pumps. The timeline prescribed for these targeted activities were also required to be followed, so as to ensure achievement of the targeted benefits *viz.* ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimize outages, reduce power theft and enhance public participation for reducing theft, reduce peak load and energy consumption *etc.* The outcomes of operational improvements were to be measured through indicators *viz.* reduction of AT and C loss to12.75 *per cent* in 2018-19 as per loss reduction trajectory finalised by the MoP and States, reduction in gap between average cost of supply and average revenue realised to zero by 2018-19.

Implementation of UDAY Scheme

4.20.1 The status of implementation of the UDAY Scheme is detailed below:

A. Financial Turnaround

The Government of Himachal Pradesh (GoHP) conveyed (18 August 2016) its *'in principle'* consent to the MoP, GoI to take benefit of the UDAY Scheme. Thereafter, tripartite Memorandum of Understanding (MoU) was signed on 8 December 2016 between the MoP, the GoHP and State DISCOM (HPSEBL). As per provisions of UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 3,854 crore) pertaining to the State DISCOM as on 15 September 2015, the GoHP took over total debt of ₹ 2,890.50 crore during 2016-17 by taking over the loan as detailed in table 4.15:

Table 4.15: Implementation of UDAY Scheme

(₹ in crore)

Year	Equity Investment	Loan	Subsidy	Total
2015-16	--	--	--	--
2016-17	--	2,890.50	--	2,890.50
Total	**--**	**2,890.50**	**--**	**2,890.50**
2017-18	--	--	--	--
Position as on 31-03-2019	**--**	**2,890.50**	**--**	**2,890.50**

Source: Statistical information received from PSUs.

The amount of ₹ 2,890.50 crore which was provided by way of interest bearing loans under UDAY Scheme, is to be converted into 75 *per cent* grant and 25 *per cent* equity during 2020-21.

B. Achievement of operational parameters

The achievements *vis-a-vis* targets under UDAY Scheme regarding different operational parameters relating to the State DISCOM is given in table 4.16:

Table 4.16: Parameter wise achievements *vis-a-vis* targets of operational performance upto 30 September 2019

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in %)
Feeder metering (in Nos.)	Meters already installed		
Metering at Distribution Transformers (in Nos.)	-	-	-
Urban	Meters already installed		
Rural	12,499	865	6.92
Rural Feeder Audit (in Nos.)	Energy Audit already being done		
Electricity to unconnected household (in lakh Nos.)	0.18	0.69	383
Distribution of LED UJALA (in lakh Nos.)	Already distributed		
AT and C Losses (in %)	12.75	11.59	100
ACS-ARR[22] Gap (₹ per unit)	-0.05	-0.01	100

Source: State Health Card under UDAY Scheme as per website of the MoP, GoI.

The performance of the State has been excellent in energy audit of rural feeders, electricity to unconnected households and in most important target of reduction in AT and C losses and reduction in ACS-ARR gap but it performed poorly in metering of DTs in rural areas.

The DISCOM paid interest of ₹ 474.54 crore, for the period February 2017 to March 2019, on the loans given by the GoHP under UDAY Scheme to discharge the loan liability due to other financial institutions and banks. The loans were extended by the GoHP at rates of interest ranging between 7.49 and 8.19 *per cent per annum.*

Comments on Accounts of Power Sector Undertakings

4.21 Four Power Sector Companies forwarded their audited accounts to the Principal Accountant General (Audit), Himachal Pradesh during the period from 1 October 2018 to 30 September 2019. All the accounts were subjected to supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the Comptroller and Auditor General of India indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the Comptroller and Auditor General of India, for the accounts are as follows:

Table 4.17: Impact of audit comments on Power Sector Companies

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	3.27	-	-	-	-
2.	Increase in profit	-	-	-	-	-	
3.	Increase in loss	2	21.16	2	24.98	3	19.64
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts (Nos.)	-	-	-	-	3	4

Source: Compiled from comments of the Statutory Auditors/ Comptroller and Auditor General of India.

During the year 2018-19, the Statutory Auditors had issued qualified certificates on three accounts and disclaimer on one account. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out four instances of non-compliance to the Accounting Standards in one accounts.

[22] Average Cost of Supply (ACS)- Average Revenue Realised (ARR).

Compliance Audit Paragraphs

4.22 For Chapter-4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2019, four compliance audit paragraphs relating to Power Sector undertakings were issued to the Principal Secretary of Energy Department, GoHP between August 2019 and May 2020 with request to furnish replies within two weeks. The replies received have been suitably incorporated in this Report. The total financial impact of the audit paragraphs is ₹ 421.69 crore.

Follow up action on Audit Reports

4.23 The Report of the Comptroller and Auditor General of India is the product of audit oversight. It is, therefore, necessary that these elicit appropriate and timely response from the executive. The Finance Department, Government of Himachal Pradesh issued (February 1994) instructions to all Administrative Departments to submit replies / explanatory notes to paragraphs / performance audits included in the Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The Department of Energy, GoHP has forwarded all the explanatory notes for the paragraphs contained in the Audit Reports.

Discussion of Audit Reports by the Committee on Public Undertakings

4.24 The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) by the Committee on Public Undertakings as on 30 September 2019 is mentioned in table 4.18.

Table 4.18: Performance Audits/Paragraphs of Power Sector appeared in Audit Reports vis-a-vis discussed as on 30 September 2019

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2011-12	1	5	1	1
2012-13	2	5	1	3
2013-14	1	5	1	5
2014-15	1	9	-	1
2015-16	-	9	-	2
2016-17	1	9	-	2
2017-18	1	4	-	-

Source: Compiled based on the discussions of COPU on the Audit Reports.

The discussion on Audit Reports (PSUs) up to 2010-11 has been completed.

Compliance to Reports of the Committee on Public Undertakings

4.25 Action Taken Notes (ATNs) on four reports of the Committee on Public Undertakings presented to the State Legislature in March 2018 and February 2019 had not been received (31 March 2020) relating to the State PSUs (other than Power Sector) as indicated in table 4.19:

Table 4.19: Compliance to COPU Reports

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2014-15	7	42	39
2015-16	4	17	13
2016-17	3	50	50
2017-18	3	60	60
2018-19	4	32	32

Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoHP.

The ATN in respect of recommendations of the Committee on Public Undertakings shown above had not been received, till March 2020.

Compliance Audit Paragraphs

This section has four compliance audit paragraphs having a financial implication of ₹ 421.69 crore.

Himachal Pradesh State Electricity Board Limited

4.26 "Operation, Maintenance and Repair of Hydro Electric Projects"

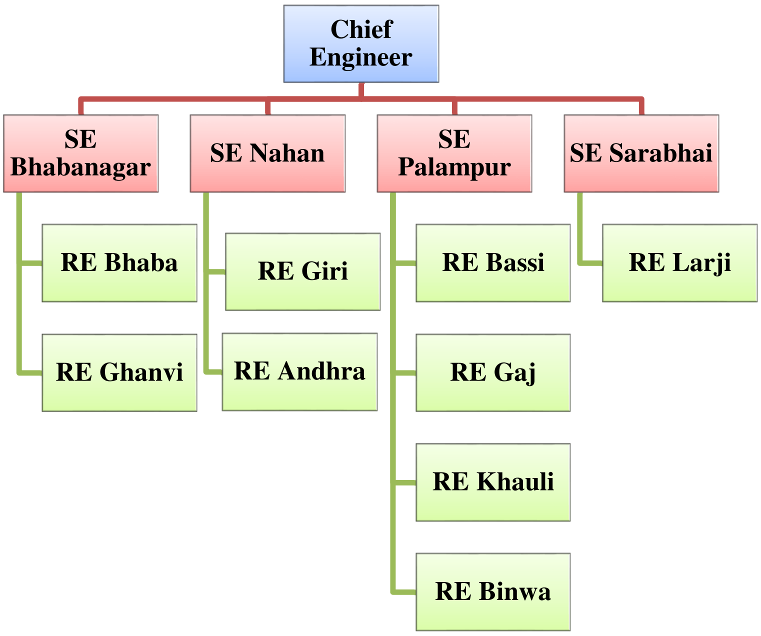
4.26.1 Introduction

The Himachal Pradesh State Electricity Board was constituted in 1971 in accordance with the Electricity (Supply) Act, 1948. It was reorganised as Himachal Pradesh State Electricity Board Limited (Company) in 2010.

As on 31 March 2019, the Company had 22 Hydro Electric Projects (HEPs) with total installed capacity of 487.45 MW (***Appendix 4.3***). Power Generation from these projects during 2016-19 is shown in the table alongside.

Table-4.20: Power Generation

Year	Power Generation (Million Units (MUs))
2016-17	1,598.01
2017-18	1,941.32
2018-19	2,060.16



SE : Superintending Enginner, RE : Resident Engineer

The HEPs are maintained by the Generation wing which is entrusted with their Planning, renovation / modernisation, and operation and maintenance. The wing is headed by the Chief Engineer (Generation) with a team at field level as shown in the organisational chart.

An audit was undertaken to assess the effectiveness of processes in the Company of operation, execution and monitoring of the maintenance and repair of the projects and to assess whether the Company was able to optimize generation with available resources. The audit covered the activities of the period from April 2016 to March 2019. Based on utilisation of water for generation, HEPs can be broadly categorised as Reservoir based projects and run of the river projects[23]

[23] (i) Run of the river project: A power station utilizing the run of the river flows for generation of power, (ii) Reservoir based projects: The water is stored through a hydroelectric dam and released for generation of electricity.

In the audit exercise, out of the 22 HEPs of the Company, seven[24] projects (Giri with reservoir and rest are run of the river projects) were selected, using Stratified Random Sampling Method, which constitute three mega, two small and two mini hydel projects. These seven projects constitute 69 *per cent* of total installed capacity and generated between 65 to 73 *per cent* of the total electricity produced by all the HEPs during 2016-17 to 2018-19. Besides the HEPs, the offices of the Chief Engineer (Generation), three[25] Generation Circles and offices of five[26] Resident Engineers (RE), looking after the selected HEPs were also covered in audit.

4.26.2 Importance of Operation and maintenance:

Good operation, maintenance and repair (O and M) practices are essential to ensure optimal performance and uninterrupted running of HEPs, failing which losses in production (direct and indirect) and higher needs for rehabilitation and equipment replacement is triggered.

The performance of the Hydroelectric power (HEP) plants has been assessed against the following benchmarks:

Indicator	Explanation	Benchmark
Generation achieved versus theoretical output (using actual hydrology)	Theoretical output is calculated keeping in view the available water and the height from which the water is received in the power house.	Should be maximum possible
Plant availability factor	The availability factor of a power plant is the amount of time that it is able to produce electricity over a certain period, divided by the amount of the time in the period.	95 *per cent*
Plant Load Factor	Plant Load Factor is a percentage of energy generated by the power plant corresponding to installed capacity/energy which it can produce in that period.	60 *per cent*
Auxiliary Consumption	The Auxiliary consumption in a HEP is the power required for operations of pumps for cooling compressors and maintenance of pressure in the power house.	0.2 *per cent*- 0.7 *per cent*
Transformation losses	Transformer losses are produced by the electrical current flowing in the coils and the magnetic field alternating in the core because of the transformer winding resistance.	0.5 *per cent*
Optimal use of water	In hydel power projects, especially in case of run of the river projects, available water should be used for generation to the optimal level. As the water running in the stream, if not utilised for generation, will go waste.	Utilised to the maximum possible.
Amount of water spilled (cubic meters or *per cent* of average plant inflow)	As per Notifications issued by the State Government, during the lean season[27] 15 *per cent* of minimum inflow observed (of the main river water body whose water is being harnessed by the HEP) shall be maintained in the downstream.	15 *per cent*
Maintenance	Timely preventive Maintenance Schedules covering all vital areas and plants, the detailed Daily, Weekly, Monthly, Quarterly, Annually and Capital Maintenance Sheets should be maintained properly. Annual maintenance should be carried out during lean season.	As per Schedule

Source: Norms of Central Electricity Authority and Central Electricity Regulatory Commission

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[24] Mega**:** Larji (126 MW), Bhaba (120 MW), Giri (60 MW), Small**:** Ghanvi-I (22.50 MW), Gumma (3MW), Mini**:** Rongtong (2 MW) and Rukti (1.5 MW).

[25] Bhabanagar, Nahan and Larji at Sarabhai.

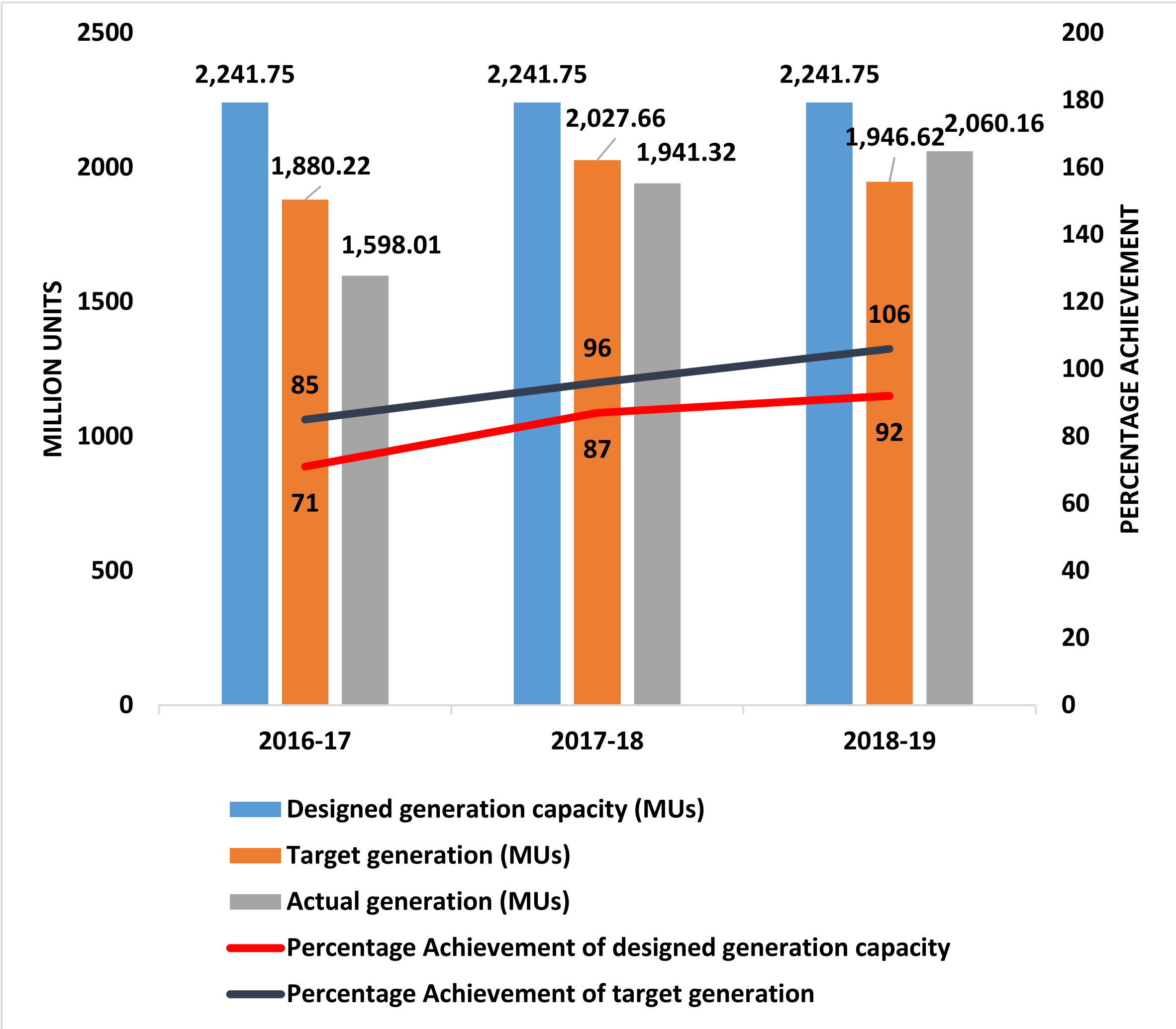
[26] Bhabanagar, Ghanvi, Giri, Andhra and Larji.

[27] The period in a year when the water availability is minimum (15 October to 15 March).

4.26.3 Performance of all HEPs at a glance

Designed capacity of all the projects of the Company was 2,241 MUs. The chart 4.5 shows year-wise actual generation against the designed capacity of 2,241 MUs and year wise targets during the period 2016-19.

Chart-4.5: Generation Data for 2016-17 to 2018-19



Source: Information supplied by the Company

There was no record available for the basis for fixation of targets for generation and the Company has not been able to achieve designed capacity in any of the years covered in audit. The less generation in the test checked projects was mainly attributable to the following:

- Lower plant availability factor *(paragraph 4.26.5);*
- Frequent shutdown of Bhaba plant due to grid failures *{paragraph 4.26.5 (iv)};*
- Non-procurement of Trash Rack Cleaning Machine for Larji Power House (PH)*{paragraph 4.26.5 (v)};*and
- Release of excess water than the statutory provisions in Larji and Rukti HEPs *{paragraph 4.26.6 (ii)}.*

The difference between the designed capacity of HEPs and the actual generation was 1,125.76 MUs. Similarly difference between targets and the actual generation was 255.01 MUs as shown in the table 4.21:

Table 4.21: Generation Data for 2016-17 to 2018-19

Year	Designed capacity (MUs)	Targets (MUs)	Actual generation (MUs)	Difference in targets and actual (MUs)	Achievement of targets in percentage	Difference in designed and actual (MUs)
	I	ii	iii	iv = ii-iii	v	vi = i - iii
2016-17	2,241.75	1,880.22	1,598.01	282.21	84.99	643.74
2017-18	2,241.75	2,027.66	1,941.32	86.34	95.74	300.43
2018-19	2,241.75	1,946.62	2,060.16	(+) 113.54	105.83	181.59
Total	**6,725.25**	**5,854.50**	**5,599.49**	**255.01**		**1,125.76**

Source: Information supplied by the Company

4.26.4 Audit Findings

The details of expenditure incurred by the Company for operation, maintenance and repair of the HEPs during 2016-19 is given in table 4.22.

Table 4.22: Detail of O and M expenditure during the last three years

(₹ in crore)

Year	2016-17	2017-18	2018-19	Total
Operation and Maintenance (O and M) expenses	75.61	98.10	92.23	**265.94**

Even after spending ₹ 265.94 crore on O and M during the period 2016-19, avoidable lapses in the operation of the seven test checked HEPs by the Company, had resulted in generation loss of 715.64 MUs equivalent to ₹ 393.97 [28] crores as discussed in subsequent sub paragraphs.

4.26.5 Plant availability factor[29] (PAF) and plant load factor[30](PLF)

The Review of Performance of Hydro Power Stations for 2017-18 published (November 2018) by Central Electricity Authority showed, All India Average PAF of hydroelectric power generating units during 2016-19 remained above 90 *percent*. The comparative plant availability factor of the seven test checked projects of HPSEBL is given in the table 4.23.

Table-4.23: PAF and PLF of test-checked Project

Name of Power House	PAF	PLF
126 MW Larji	92	54
120 MW SVP Bhaba	61	40
60 MW Giri	91	33
22.50 MW Ghanvi-I	89	42
3 MW Gumma	62	44
2 MW Rongtong	10	06
1.5 MW Rukti	57	15

The Plant Availability Factor of four (out of seven) projects, was very low (between 10 and 62 *per cent*) as compared to All India Average, This is significant for Bhaba project in view of its installed capacity of 120 MW. Moreover, Plant Availability Factor is of utmost importance in case of run of the river projects, as the water running in the river at the time of non-availability of Plant spills without generating power.

[28] Paragraph No. 4.26.5 (i) to (vii), 4.26.6 (i) to (iii), 4.26.7 (i) to (iii) and 4.26.8 (i) to (ii).

[29] The availability factor of a power plant is the amount of time that it is able to produce electricity over a certain period, divided by the amount of the time in the period.

[30] Percentage of energy sent out by the power plant corresponding to installed capacity in that period.

Similarly, the Plant Load Factor (PLF) of the seven test checked HEPs, was also below the 60 *per cent* benchmark fixed by the Central Electricity Authority. The low PLF (33 *per cent*) for the Giri project is also significant considering its installed capacity of 60 MW.

The Government stated (October 2020) that instructions have been conveyed for minimising the outages.

The low PAF and PLF was mainly due to frequent forced shutdowns at the selected HEPs due to the issues listed in table 4.24:

Table 4.24: Reasons for low PAF and PLF

Capacity/Name of the PH	Major Reasons	Para reference
126 MW (42 x3) Larji	Avoidable loss due to non-purchase of new TRCM, Annual maintenance and excess release of water.	4.26.5(v), 4.26.5(vi) and 4.26.6 (ii)
120 MW (40 x 3) SVP Bhaba	Delay in providing civil fronts for rehabilitation work, loss due to negligence of the operation and maintenance staff and grid failure.	4.26.5(i), 4.26.5(ii) 4.26.5(iv) and 4.26.6 (ii)
60 MW (30 x 2) Giri	Loss due to excessive silt and modified runner.	4.26.6(iii) and 4.26.7(iii)
22.50 MW (11.25x2) Ghanvi-I	Removal of silt, delay in award of repair work and sub optimal performance.	4.26.5(iii), 4.26.5(vii) and 4.26.6 (i)
3 MW (1.5x2) Gumma	Avoidable loss due to non-solving the problem of high speed and thrust bearing of the machines.	4.26.7(ii)
2 MW (0.5x4) Rongtong	Persisting problem even after renovation.	4.26.7(i)
1.5 MW (0.375x4) Rukti	Persisting problem even after renovation.	4.26.7 (i)

Source: Compiled from the information supplied by the Company

Shutdowns due to avoidable reasons and non initiation of timely action to undertake repair and annual maintenance activities so as to keep the production losses to the minimum, were observed in the following instances:

(i) Rehabilitation work of 120 MW Bhaba HEP

For rehabilitation of Bhaba HEP (after damage in fire in January 2015), a contract for Electro-mechanical work[31] was awarded (June 2015) to a contractor with scheduled completion period of 9 Months and 15 days. The Company was to provide a 5 Ton EOT (Electric Overhead Travelling) crane on 30 June 2015 and hand over the civil fronts to the contractor on 8 September 2015 to enable them to undertake their work.

The Company failed to provide the EOT crane and civil fronts to the contractor as per agreed schedule. The delay was due to non-coordination between civil and electrical wings of the Company. The contractor also delayed their part of work. There was overall delay of

[31] Consisting of supply and erection of 220 KV Gas Insulated Switch Gear, control and relay panels, 22 KV indoor switchgear, 415 V LT panels, 220 KV EHT cables, 22 KV HT cables, control and power cables and other associated equipment.

242 days in completion of the work, out of which 181 days' delay was on the part of the Company mainly due to delay in providing EOT crane (27 days) and handing over civil fronts (141 days) to the contractor. Sixty one days' delay was on the part of the contractor, as analysed by the Company. For the delay attributed to the contractor an amount of ₹ 92.47 lakh was recovered from the contractor as liquidated damages. Out of the total delay on the part of the Company, delay of 168 days was only due to delay in providing EOT crane and civil fronts.

The work was completed during November 2016. Due to the delay, the Company had to sustain avoidable generation loss of 398.91 MUs equivalent to ₹ 217.40 crore[32] (taking into consideration the plant load factor of the concerned months).

The Government stated (October 2020) that the civil works were delayed due to delay in award of works and delay in completion by the civil contractor.

(ii) Non-fixing of responsibility for damage of Unit-I of Bhaba HEP

In September 2016, Unit-I (40 MW) of Sanjay Vidyut Pariyojna (SVP), Bhaba, got damaged due to non-handling of the operational fault timely by the staff on duty. Investigation committee formed by the State Government to find out the cause, reported ignorance/ negligence of the maintenance staff to be the main reason.

In order to restore the Unit-I, an expenditure of ₹ 10.18 crore was incurred which was a direct loss to the Company. No responsibility was fixed despite the investigation report clearly pointing out negligence.

Thus, due to negligence of the operation and maintenance staff, SVP, Bhaba had to suffer financial loss of ₹ 10.18 crore on account of restoration cost and loss of generation of 175.68 MUs (considering only peak period generation from April 2017 to September 2017) valued at ₹ 97.50 crore[33] for which responsibility had not been fixed.

The Government stated (October 2020) that now the Company has recruited qualified helpers and posted them at Bhaba.

(iii) Award and execution of work for removal of silt at Ghanvi II HEP

With the passage of time silt accumulates in the reservoir, gradually reducing the capacity of the reservoir. To avoid generation loss, work for removal of silt from the reservoir of Ghanvi-II HEP should have been planned and executed during the lean season. Audit noticed that the award of work was delayed due to which the reservoir was filled with the silt completely even before awarding the work and power house remained under complete shutdown w.e.f. 3 August 2017 for 19 days, which resulted in generation loss of 4.56 MUs.

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[32] 398.91 MUs x ₹ 5.45 per unit = ₹ 217.40 crore.

[33] 175.68 MU x ₹ 5.55 per unit = ₹ 97.50 crore.

The timelines of the work is given in table 4.25:

Table 4.25: Reasons for delay in award of work

Sl. No.	Event	Date of occurrence	Time taken (days)
1	Submission of estimate by RE	05-07-2016	-
2	Administrative approval and Expenditure sanction by CE	23-11-2016	141
3	Technical sanction by Circle office	08.12.2016	14
4	Tenders floated	10-03-2017	91
5	Submitted to CE	02.05.2017	33
6	Approved by CE	22.08.2017	111
7	Work completed	17.10.2017	-
		Total	**390**

- Though the fact of heavy accumulation of silt and consequent loss of generation was in the knowledge of the Company (July 2016), however, it took 390 days in completing the tendering process, which shows improper planning and inefficient approach.
- Had the tender been processed timely, generation loss for 19 days (before award of work), due to filling of reservoir with silt, could have been avoided.
- Further, due to delay in completion of tendering process, the work required to be done during lean seasons, was actually done during peak season, resultantly, Company had to suffer avoidable generation loss of 11.74 MUs.

Thus, due to delay in awarding the work, Company had to suffer generation loss of 16.30 MUs valued at ₹ 9.05 crore (16.30 MUs x ₹ 5.55 per unit).

In addition, the work was awarded without specifying the time for completion of each job separately. In the approved estimate (December 2016), provision for shutdown was kept for only 15 days, however, the work was completed by availing shutdown of 53 days. It is pertinent to mention here that as per sanctioned estimate 7,628.72 cubic-metre silt was to be removed in 15 days and actually 9,432.58 cubic-metre silt was removed for which only 19 day's shutdown was required. Thus, by non-specifying the time for each job separately in the award, the Company suffered generation loss of11.04 MUs valued at ₹ 6.13 crore (11.04 MUs x ₹ 5.55 per unit).

The Government stated (October 2020) that the delay in award was due to completion of all the codal formalities and attending to the various observations at different levels. The reply was not acceptable as the Company should have completed the codal formalities to ensure the execution of work during lean season and avoided generation loss.

(iv) Lack of capacity to Black Start at Bhabha and Rukti PH

Black Start capability is required to restart Hydro Electric Power station to operate in case of grid failure, without relying on external source for initial electric power. During grid failure, off-site power from the grid is not available, in such cases black start capacity is used for providing initial current to start the HEP and to bootstrap the grid into operation.

As per Indian Electricity Grid Code (IEGC), different sub-systems are required to be capable of Black Start. In this regard State Load Dispatch Society, Shimla had also intimated (28 March 2018) the Chief Engineer (CE) Generation, HPSEBL that machines of Larji and

Bhaba HEPs should be compliant to Black Start. The CE further directed the concerned Circles that whatever changes in the design or other parameters are required, may be carried out immediately for running these machines in isolation mode to make them capable of black start and for catering to the demand of local area even during grid failures. For compliance, the matter was to be taken up with the Original Equipment Manufacturer (OEM) i.e. BHEL regarding the required changes in the design or other parameters of the machines, for running these machines in isolation mode. However, any further action taken by the concerned authorities was not found on record till the date of audit (June 2019).

It was further observed that, Bhaba Power House (PH) remained under forced shut down for a total period of 205 Machine hours and Rukti PH remained under forced shut down for 23,955 Machine hours[34] on different occasions due to grid failure. During grid failure, Rukti PH was being run on lower load to cater to the local demand. But, Bhaba PH was not being run in isolation, although earlier there was a system existing for running the project in isolation mode, for which 10 MVA Station Transformer had been installed. The 10 MVA station transformer at Bhaba was installed to cater to the local demand in addition to the power requirement of 4 MVA for auxiliary[35], but due to non-maintenance of that system and damage of 10 MVA transformer during 1992, the project could not be run in isolation mode, due to absence of black start capabilities, for catering to the local demand. Since the frequency of grid failure remains very high due to which plant remained under forced shut down for above mentioned periods, matter should have been taken up with the concerned authorities for doing the needful and make the local distribution system functional in isolation mode. Frequent grid failures and lack of capability to black start the project, resulted into loss of generation of 17.19 MUs valued at ₹ 9.64 crore[36] to the Company.

The Government stated (October 2020) that to make the Bhaba project black start compliant, the governing and excitation system of Unit-II have been installed and commissioning process is in progress. The reply may be seen in the light of the fact that the project functioned without Black Start capability for over 27 years despite having a system in place. For making the Bhaba project black start compliant, process is not completed yet and may still be adding to the period of shutdown and consequent loss.

(v) Procurement of new Trash Rack Cleaning Machine at Larji HEP

Trash Rack Cleaning Machine (TRCM) is required at intake sites of Hydro Electric Projects for removal of trash being encountered at the intake site. Otherwise trash present in the water damages the generating machines. General Mechanical Works (GMW) make TRCM installed at Barrage site of 126 MW Larji HEP was being used for removal of trash from the intake site to regulate the water for generation. During June 2015 onwards, TRCM started giving trouble.

34 Number of hours the machine runs to generate power.

35 Auxiliary consumption means a quantum of energy consumed by the equipment of Power House used for operation including switchyard of the Power House.

36 4.542 MUs x ₹ 5.45 + 8.381 MUs x ₹ 5.55 + 4.262 MUs x ₹ 5.88 = ₹ 9.64 crore.

In order to procure a new TRCM, the Project Authorities submitted (17 February 2016) estimate to the Generation Circle, Sarabai for technical sanction and budget provision of ₹ 4.50 crore was also made in the annual working Programme for the year 2016-17.

It was further observed that regarding maintenance of existing TRCM, M/s GMW Private Limited (OEM) apprised (31 May 2016) the Project Authorities that it was not possible to operate the machine any more, as further operation in its present condition would lead to repeated breakdowns and it might cause accidents. However, the proposal for purchase was not accepted (July 2016) by the Chief Engineer (Planning and Monitoring) as the machine had not covered its useful life.

Further, scrutiny showed that the new machine was not purchased as of March 2019 and the Company even after incurring ₹ 34.59 lakh on repair and maintenance of the old machine, had to suffer generation loss of 15.68 MUs valued at ₹ 8.90 crore[37] during 2016-19 due to frequent breakdown of TRCM. Had the Company incurred ₹ 4.91 crore (including installation cost) on installation of TRCM, the above loss could have been avoided.

The Government stated (October 2020) that tenders for the procurement of new TRCM have now been floated and were under process. The reply may be seen in the light of the fact that due to delay in procurement of TRCM, the Company had to suffer generation loss of ₹ 8.90 crore and further the procurement process is still underway.

(vi) Non-adherence of Annual Maintenance Schedule at Larji HEP

To run PH smoothly, its annual maintenance should be carried out regularly and to avoid generation loss, it should only be planned during the lean season.

The Resident Engineers, Larji started the maintenance of Larji PH during late lean season without considering the time required for the same. Resultantly, the same was completed after end of lean season[38] (as per DPR) for 2016-17 and 2017-18. Audit observed that had the annual maintenance of the PH started timely at the time of beginning of the lean season and completed well before the end of lean period, Company could have avoided the generation loss for 13 days valued at ₹ 2.25 crore[39] (4.04 MUs).

In addition, annual maintenance of the Ghanvi-I PH for 2018-19 was also not planned and carried out during the lean season and was actually carried out during April 2018 to May 2018, resulting into generation loss of 7.37 MUs valued at ₹ 4.33 crore[40] (taking into consideration the plant load factor of concerned months). In other test checked projects, the annual maintenance was carried out during the lean season, for the period covered under audit.

Thus, due to not carrying out maintenance during the lean season, the Company had to sustain avoidable generation loss of 11.41 MUs valued at ₹ 6.58 crore.

The Government, while admitting, stated (October 2020) that there was delay in starting the maintenance of first Unit.

37 5.33 MUs x ₹ 5.45 + 2.87 MUs x ₹ 5.55 + 7.48 MUs x ₹ 5.88 = ₹ 8.90 crore.
38 20 October to 20 March.
39 3.75 MU x ₹ 5.55 per unit + 0.29 MUs x ₹ 5.88 per unit = ₹ 2.25 crore.
40 7.37 MUs x ₹ 5.88 per unit = ₹ 4.33 crore.

(vii) Award of repair work at Ghanvi HEP

During scrutiny of records relating to shut down data in respect of Ghanvi-I HEP (2 X 11.25 MW) for 2016-19, it was observed that PH remained under planned shut down as per details given in table 4.26:

Table 4.26: Detail of planned shutdown of Ghanvi-I during peak season

Period	Planned shutdown duration		Total Machine Hours
	Unit-I (Machine Hours)	Unit-II (Machine Hours)	
April 2017	450.50	720.00	1,170.50
May 2017	630.30	472.20	1,102.50
June 2017	168.25	143.40	312.05
April 2018	0	720.00	720.00
May 2018	0	399.00	399.00
Total	**1,249.05**	**2,454.60**	**3,704.05**

From table 4.26, it can be seen that Unit-I and Unit-II remained under planned maintenance for 3,704.45 hrs during the peak season.

Main Inlet Valve (MIV) of both the units (Unit-I and Unit-II), turbine shaft, nozzles and governor of Unit-II were giving frequent trouble and required servicing/overhauling. Estimates were prepared during September 2016 for these works. Being original manufacturer of the machines, matter regarding replacement of turbine shaft and overhauling of nozzles and governor of Unit-II was taken up with BHEL, who submitted its offer on 14 September 2016. On enquiry, BHEL clarified (29 September 2016) that their scope would be limited to supervision / expert guidance and advisory work at site and completion period would depend on number of variable factors and inputs under the control of the Company. Thereafter, the Company took three months in awarding (28 December 2016) the work to BHEL, and the related repairing jobs were awarded by the Company to other contractors during March 2017**.** As per award, the tentative completion period of 40 days was envisaged. The work at site was started on 4 January 2017 and it took 155 days to get the work completed (7 June 2017).

Knowing that the BHEL was the original manufacturer of the machine and the work was to be done under the supervision of BHEL, the work should have been awarded more promptly. Had the Company not taken three months in awarding the work which was awarded in December 2016, the same could have been completed during first week of April 2017 (considering 155 days of actual completion) i.e. before onset of the peak season, and generation loss of 9.80 MUs (after considering the plant load factor of concerned months and lean period generation) valued at ₹ 5.44 crore[41] during 2017-18 could have been avoided.

The Government stated (October 2020) that the delay in award was due to search for the appropriate agency to execute the job. The reply is not acceptable as it was decided in September 2016 that, BHEL being the original manufacturer, should carry out the work. The Company should have expedited the award, so that the work could have been executed during the lean season and generation loss avoided.

[41] 9.80 MU x ₹ 5.55 per unit = ₹ 5.44 crore.

4.26.6 Sub optimal performance and use of available water

In HEPs, water is used for generation of power. In case HEP was being run through reservoir, the water is stored up to the capacity of the reservoir but, in case of run of the river HEPs, water once spilled without utilising the same for generation, would go waste. Keeping in view the nature of the Hydro Power, operation of the HEPs by utilising the water to the optimum is of utmost importance. Keeping reservoirs silt free is also important so that ample storage is available and generation is not affected.

Instances of non-utilisation of available water optimally have been discussed in the following paragraphs:

(i) Sub optimal performance of Ghanvi-I PH

Scrutiny of discharge data of the intake of Ghanvi-I PH showed that during the lean period (December to March), when the availability of water was less, the machines were not generating power in proportion to their designed rated capacity which was required to be generated with the quantum of available water. To generate power at its full capacity, the machines consumed more water than the rated discharge. Generation did not suffer in peak season due to availability of enough water but, in lean period during 2016-19, 38.84 MUs were required to be generated (calculated on the basis of available water and designed capacity) against which only 28.77 MUs generation was achieved. This resulted in generation loss of 10.07 MUs valued at ₹ 5.49 crore (10.07 MUs x ₹ 5.45). The Company had not analysed the reasons for less generation.

The Government had accepted (October 2020) the observation.

(ii) Excess release of water at Bhabha and Larji HEPs

As per Notifications[42] issued by the State Government, during the lean season 15 *per cent* of minimum inflow observed (of the main river water body whose water is being harnessed by the HEP) shall be maintained in the downstream.

Scrutiny of discharge data of 126 MW Larji and 120 MW SVP Bhaba, revealed that water was being released in excess of these provisions. Resultantly, the Company had to suffer generation loss of 14.60 MUs valued at ₹ 8.13 crore[43].

The Government stated (October 2020) that in Bhaba, no excessive water was discharged and in Larji the radial gate at Barrage has least reading of one cm corresponding to one cusecs (cubic meter per second) of water and exact required release is not possible. The reply of Bhaba unit was not based on the facts as the unit is not considering the release of 15 *per cent* water already released from the Bhaba Augmentation Project before taking the water from its tailrace. As regards to Larji, the Company should fix the problem of excess release of water.

(iii) Reduction in Storage capacity at Giri HEP

As per the Detailed Project Report, Giri project had live storage capacity of 16,34,000 cubic meters at Maximum level of 615.65 meter and usable live storage capacity for the operation of the plant was 9,07,800 cum. Due to deposition of silt, usable live storage capacity of the

[42] Notification No. PC-F(2)-1/2005 dated 16 July 2005 and 9 September 2005.

[43] Larji 2.84 MU x ₹ 5.45 (2016-17) + 2.85MU x ₹ 5.55 (2017-18) + 2.79 MU x ₹ 5.88 (2018-19) +Bhaba 3.40 MU x ₹ 5.45 (2016-17) + 2.72 MU x ₹ 5.55 (2017-18) = ₹ 8.13 crore.

reservoir had decreased to 2,26,920 cum. Since, the water discharge becomes low in the river during the lean season, therefore, live storage capacity of reservoir plays an important role for obtaining maximum generation during the lean season. The Company had not taken any action for removal of silt from the reservoir and increase its storage.

It was observed in audit that had there been no sedimentation in the reservoir area, then 50,23,158 cum additional water could have been used for generation. Had the company planned and removed sedimentation from the reservoir area, the company could have avoided generation loss of 1.79 MUs and potential revenue of ₹ 1.01 crore (1.79 MUs x ₹ 5.62 average rate).

4.26.7 Infructuous expenditure and lack of monitoring for repair contracts

(i) Infructuous expenditure on Repair and Maintenance (R and M) of Rongtong and Rukti HEPs

To end the problems related to power supply being faced by the people living in extremely difficult conditions in the border blocks (Spiti in Lahul and Spiti district and Pooh and Kalpa in Kinnaur district) of Himachal Pradesh, the 13th Finance Commission sanctioned grant of ₹ 25 crore under Border Area Development Programme (BADP), for the improvement of electricity infrastructure. The grant was available in four equal annual instalments amounting to ₹ 6.25 crore each from 2011-12 to 2014-15.

The work, for R and M of Electro mechanical equipments of Rongtong PH, was awarded (23 July 2012) to a firm at a cost of ₹ 4.32 crore. Similarly, the work of R and M of Electro Mechanical equipments of Rukti PH was also awarded (5 December 2012) to the same firm, at a cost of ₹ 4.29 crore including taxes and duties. As per the terms of the agreement, firm was to complete the work within 20 months from the effective date i.e. by August 2014, however, barring some issues, the work was completed during June 2018 (Rukti) and August 2018 (Rongtong) i.e. with a delay of 46 months and 53 months, respectively.

It was observed that the firm not only failed to complete the work in time but, the quality/standard of work was also not up to the mark, as major repair issues could not be successfully resolved. Thus, due to poor quality of work by the firm, even after incurring an expenditure of ₹ 8.20 crore (payment released to the firm), envisaged objective of scheme regarding improvement in efficiency of the P.Hs to deliver un-interrupted and quality power to the people of border blocks of Himachal Pradesh could not be achieved. Execution of poor quality of work by the firm was a result of poor monitoring on the part of the Company, which rendered expenditure incurred under above scheme, as infructuous.

The Government stated (October 2020) that now the proposal to rescind the work has been initiated and the pending work shall be carried out at the risk and cost of the contractor.

In addition, during the execution of work of Rongtong Project, a component (sluice valve) supplied by the firm broke during mechanical run (15 June 2015). This accident led to fatal accident causing loss of three lives and unwarranted delay in execution of work. During investigation, tests for assessing the quality of the material of the component was got conducted and it was found that the manufacturing material was not fit for the envisaged pressure of water and climatic conditions at site of work. This showed that the same was not properly tested during inspection by the inspecting officer deputed for inspection. The lapse of the inspecting officer led to such an unfortunate incident. However, no action had been taken (June 2019) against the firm or officer for supply of sub-standard material.

The Government stated (October 2020) that the failure in valve was due to casting defects and stress developed in that area, which was not observed during inspection at manufacturers works. The reply was not tenable as the inspecting officer should have checked the quality of material used for manufacturing of valve.

(ii) Lack of improvement after repairs at Gumma HEP

Both the machines of the Gumma PH were often facing problems of high temperature of thrust bearing pads of main shaft of turbine, over speeding of machines, tripping and water leakage etc. since long back (2003).

The root cause of the problem was assessed as high speed (1,500 rpm) of the runners. To overcome this problem, work for repair / rehabilitation and installation of Hydraulic Braking System of Unit-I and Unit-II was awarded to the original equipment manufacturer at a cost of ₹ 1.11 crore each, on 16 April 2015 and 21 December 2015, respectively. As per award, the agency had to carry out the work of Repair/Rehabilitation, Erection, Testing and Commissioning of units along with defect liability for six months. However, even after repairs, the problem was not solved and machines remained under breakdowns/shutdowns for 28,338 hrs leading to generation loss of 19.08 MUs with consequent revenue loss of ₹ 10.68 crore[44]. This showed lack of monitoring on the part of the Company.

(iii) Decreased generation after repair

For its Giri project, the Company purchased (1992) three modified runners[45] and three sets of stationery labyrinth from BHEL (Bharat Heavy Electrical Limited) at a cost of ₹ 3.70 crore. With the old runner, the machine could operate at 33 MW and the project with both machines had generated energy at more than 60 MW. After installation of modified runner in Unit-II, generation in the power house came down to 58.5 MW (Unit-I with old profile runner could operate at 30 MW and Unit-II with modified runner could operate at 28.5 MW only) even at full discharge level. Since, the generation was showing downward trend, therefore, new runner was got re-modified (1997) and was installed in the Generator-II. Even after re-modification, there was no improvement in generation, which showed that modified/re-modified runners were not suitably designed and there were inherent design deficiencies in these new runners. In the light of these facts it was observed that decision of the Management to procure three new modified runners in one go without testing/ensuring their efficiency was not in the interest of the Company. Besides, the corrective measure has not been taken till date resulting into avoidable expenditure on procurement of modified runners which had also resulted in generation loss. By using modified runners, the Company had to sustain generation loss of 3.86 MUs valued at ₹ 2.22 crore[46].

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[44] 7.86 MUs x ₹ 5.45 (2016-17) + 5.79 MUs x ₹ 5.55 (2017-18) + 5.43 MUs x ₹ 5.88 (2018-19) = ₹ 10.68 crore.

[45] Rotating part of the turbine machine which converts rotational energy for turbine for further generating the kinetic energy.

[46] O.886 MUs x ₹ 5.45 + 0.204 MUs x ₹ 5.55 + 2.766 MUs x ₹ 5.88 = ₹ 2.22 crore.

4.26.8 Other issues

Other issues relating to the projects have been discussed below:

(i) Loss due to transformation losses beyond norms

The Central Electricity Regulatory Commission, has prescribed norms for transformation losses[47] at 0.5 *per cent* of Energy generated. An analysis of data regarding Transformation Losses for the period 2016 to 2019 in respect of five of the seven selected HEPs (except Rongtong and Rukti due to non-provision of meters) revealed that transformation losses were in excess to prescribed norms (of 0.5 *per cent*) during 2016-19 by 8.81 MUs. Excess transformation losses deprived the Company of additional units of power which otherwise would have been available for sale, resulting in loss of potential revenue to the tune of ₹ five crore[48]. These losses are recurring and will continue until remedial action is taken by the Company. Moreover, in Ghanvi-I HEP, the transformation losses were ranging between 1.47 and 1.83 *per cent* against the limit of technical losses of 0.41 *per cent* guaranteed by the supplier resulting in excess loss of 3.05 MUs. This shows that the performance of transformers purchased by the Company was not as guaranteed by the suppliers and the Company had not taken any action against the suppliers.

The Government stated (October 2020) that the detailed analysis is being done to work out the actual transformation loss. The reply was not tenable as the losses had been worked out on the basis of meters installed at power house and the same were calibrated from time to time. Thus, the calculations for the losses that have occurred are already available.

(ii) Excess auxiliary consumption

Auxiliary consumption of a power project is vital for its operations. The Auxiliary consumption in a hydro-electric PH is the power required for operations of pumps for cooling compressors and maintenance of pressure in the power house. The Central Electricity Regulatory Commission has recommended the following norms of auxiliary consumption:

(a) Surface PH with rotating exciters- 0.2% of energy generated.

(b) Surface PH with static excitation- 0.5% of energy generated.

(c) Underground PH with rotating exciters- 0.4% of energy generated.

(d) Underground PH with static excitation - 0.7% of energy generated

An analysis of generation and auxiliary data pertaining to seven selected projects for the period 2016-19, revealed that auxiliary consumption in respect of Giri, Gumma, Rukti and Rongtong PHs was in excess of the above norms by 1.42 MUs, which resulted in loss of potential revenue amounting to ₹ 79.91 lakh as detailed in ***Appendix 4.4***.

(iii) Lack of technically qualified manpower

Qualified and trained manpower is the foremost requirement in efficient and effective operations of any HEP. Following table depicts the position of technically unqualified staff in

47 Difference of input and output energy in the transformer.
48 2.15 MUs x ₹ 5.45 + 2.65 MUs x ₹ 5.55 + 4.01 MUs x ₹ 5.88 = ₹ 5.00 crore.

the seven selected power houses:

Table 4.27: Detail of posting of technically unqualified staff in Power Houses

Sr. No.	Name of Power House	Staff Posted	Technically unqualified	Percentage of technically unqualified
1	126 MW Larji	65	29	45
2	120 MW SVP Bhaba	58	24	41
3	60 MW Giri	44	9	20
4	22.50 MW Ghanvi-I	48	24	50
5	3 MW Gumma	28	19	68
6	2 MW Rongtong	27	25	93
7	1.5 MW Rukti	17	6	35
	Total	**287**	**136**	**47**

From the above table it can be seen that out of 287 operational and maintenance staff deployed in the seven HEPs, 136 (i.e. 47 *per cent*) were not technically qualified as they did not have any diploma in electrical / mechanical field. Since, the nature of jobs in PH is of technical nature, therefore deployment of unqualified staff impacts the operational efficiency of the plant. The document of CEA on Best Practices (2004), provides to arrange training to Operations and Maintenance staff to refresh their knowledge and to give advanced technical information, to improve work quality and quantity. However, it was observed that no such training program was arranged regularly for Operations and Maintenance staff during the period 2016-19. The Management should engage technically qualified staff and arrange training program/refresher course for them from time to time, to enable them perform their duties in an efficient manner. The impact of deploying unqualified staff had also been discussed in the Paragraph 4.26.5 (i).

It is pertinent to mention here that the Supervisory Control and Data Acquisition (SCADA) system was installed in Larji and Ghanvi-I HEP for efficient and safe operation of different equipment. However, SCADA in both the HEPs was not being operated due to non-availability of trained staff.

The Government stated (October 2020) that now the Company is recruiting qualified staff.

(iv) Non-provisioning of adequate number of spare runners

Runner[49] is one of the vital components / equipment of Hydro Electric Plant. Therefore, availability of a healthy runner is the foremost requirement for efficient generation of power in hydroelectric plant.

The Company had not fixed any norms regarding useful life of runners. However, as per International Electro Technical Commission publication 609 for cavitation pitting evaluation in hydro turbines, the useful life of Pelton runners was 8,000 hours.

Audit noticed that in Bhaba Project there were three Pelton type Runners in operation, out of which one runner (installed in 2008 in Unit-II) had completed 42,334 hours and other two runners covered 13,582 and 16,237 hours (June 2019). In addition, three spare runners had completed 25,210 to 41,414 hours. Out of these, one was beyond repair, and other two required repairs. Thus, the PH had no functional spare runner available with it, especially when out of three runners in operation, one had completed 42,334 hrs. In case of Rukti

[49] A water turbine runner is a rotary machine that converts kinetic energy and potential energy of water into mechanical work.

Power Plant, it was observed that plant had four units of 375 KW each and was operating with same runners which were installed at the time of commissioning of the plant (1980) and did not have any spare runner.

Similarly, scrutiny of record relating to runners in 2x11.25 MW Ghanvi HEP, showed that there were three runners, out of which, two in use had covered 18,918 and 29,648 hours and one spare runner (26,688 hrs), which was removed from the Machine (16 July 2018), required major repairs (March 2019).

Non-availability of functional spare runner has put the operation of PH at risk, which may consequently result into loss of generation in case fault develops in any operative runner. The Company had not evolved any mechanism to ensure timely availability of adequate spare runners.

The Government stated (October 2020) that the scheme for procurement of additional / spare runners for Ghanvi-I has been framed and was under consideration of the Management. The reply was silent about the other HEPs. The reply may be seen in light of the fact that the HEPs are still running without adequate spare runners and no concrete action has yet been taken.

Conclusions

Significant and avoidable loss of generation occurred due to inordinate delays in awarding of contracts for rehabilitation/repair, removal of silt and procurement of equipment. On several occasions, the Company could not ensure that annual maintenance was carried out during the lean season to minimize generation loss.

The company was especially deficient in ensuring that appropriate repair was carried out by the contractors as the repaired/modified parts did not function properly even after the repairs. No action was initiated for these problems, despite faulty equipment leading to three fatalities in one instance.

Specifically, one large project i.e. Bhaba Project has been poorly managed by negligent staff resulting in damage to its machinery and poor coordination, thereby delaying the rehabilitation work leading to a high generation and corresponding revenue loss. In the Rongtong and Rukti projects, frequent breakdowns and low generation due to aging equipments**,** deprived the beneficiaries of border areas of the intended benefits of quality and uninterrupted power. In the Giri HEP, lack of silt removal has significantly reduced the storage capacity of the reservoir and affected its generation capacity.

Recommendations

The Company may consider:

- Scheduling the annual maintenance during the lean season to avoid generation loss,
- Ensuring proper contract management for timely repairs and maintenance to avoid lengthy shutdowns,
- Posting of technically qualified staff at the projects, and
- Factoring in timely replacement of aging equipment and take corrective actions to avoid generation loss.

4.27 Unauthorised use of Power

Non-levy of charges of ₹3.80 crore on a consumer for unauthorised use of power.

(A) Section 126 (1) of the Indian Electricity Act (IEA), 2003, as amended from time to time provides that, if after inspection of records maintained by any person, the assessing officer comes to the conclusion that such person is indulging in unauthorized use of electricity, he shall, provisionally assess, to the best of his judgement, the electricity charges payable by such person or by any other person benefited by such use. Further, sub-section (6) of Section 126 of the Act, *ibid*, provides that the assessment under this section shall be made at a rate equal to twice the tariff rates applicable for the relevant category.

A large supply[50] industrial consumer[51] under Electrical Sub-division, Parwanoo was sanctioned (June 1993) load of 1,248.3 KW to carry out manufacturing activities. However, in the year 2004, the consumer rented out portion of the plot by entering into an agreement with M/s Reckitt Benckiser (India) Ltd., which was not related to the original consumer, to operate and manage its activities set up at Plot no. 1 sector-3 Parwanoo, for manufacturing their products. That the matter was known by the Company is evident from a provisional notice issued during 2011 and August 2016 to the consumer by the Company under Section 126 of the Indian Electricity Act, 2003, but no further action was initiated.

Audit noticed (March 2016) that the power connection (LS-81) was still in the name of the original consumer and a part of the sanctioned load was being used for manufacturing activities by the tenant, without the permission of the competent authority, which was unauthorised. As per IEA[52] the distribution / sale of power is allowed only to the authorised licensee and any other person / body is not allowed resale of power. Thus, a separate meter / connection was required to be taken by M/s Reckitt Benckiser.

It was confirmed from the website of M/s Reckitt Benckiser, that it has registered its unit at Parwanoo, which is situated in Plot No. 1 (A) Sector-3 Parwanoo, rented out by the consumer M/s Shivalik Agro Poly Products Ltd., w.e.f. 1 October 2004. Commercial operations in the above mentioned premises were started by M/s Reckitt Benckiser w.e.f. 7 December 2004, without obtaining any separate power connection.

This act of the consumer qualifies as resale of power for which the consumer was liable to pay enhanced energy charges under Section 126 of Indian Electricity Act, 2003 to the extent of ₹ 3.13 crore during the period from April 2008 to March 2016. As against the total sanctioned and connected load of 1,031.299 KW, a load of 448.499 KW was being used by M/s Reckitt Benckiser for their activities.

The Government stated (September 2020) that there was nothing on record to indicate the consumer had exceeded the sanctioned load and there was no financial loss. The reply is not tenable as it does not address the issue of resale of power to another consumer, which was a violation of the provisions of the Section 126 of the Indian Electricity Act, 2003, under which

[50] Industrial consumer having sanctioned load above 100 KW.
[51] M/s Shivalik Agro Poly Product Ltd.
[52] Section-14.

the consumer was liable to be subjected to additional levy of ₹ 3.13 crore. Had this not been a loss, the Company would not have issued second provisional assessment notice to the consumer in August 2016 i.e. after being pointed out by the audit.

(B) One industrial consumer under Electrical Sub Division (ESD), Baddi and two consumers under Operation Circle, Shimla had drawn load above the sanctioned connected load during August 2012 to March 2016. All three consumers had indulged in unauthorised use of power through extended load, as was evident from their recorded monthly consumptions, but no action was initiated to charge the consumers under Section 126 of the Indian Electricity Act, 2003, resulting in undue favour granted to the consumers by not-levying penalty of ₹ 0.67 crore, as detailed in the ***Appendix 4.5***.

The Government stated (September 2020) that the notice for recovery from two consumers relating to Shimla circle has been issued and amount has not been recovered. With regard to consumer of ESD Baddi, it was stated that although the load of only 56.648 KW was released, but the sanctioned load of the consumer was 399.250 KW, hence Section 126 cannot be applied. The reply is not tenable as the consumer had drown load in excess of the authorised (released) load for which Section 126 was to be applied.

The non-recovery against two consumers of Operation Circle, Shimla has been admitted. The reply is not acceptable regarding consumer of ESD Baddi, as merely sanction of load does not empower the consumer to draw the load till it is formally released after receipt and verification of Test Report from the consumer, as such, the consumer was authorised only to use released load of 56.648 KW and drawl of excess load was unauthorised for which penalty under Section 126 was required to be levied.

The Company may issue instructions to its field units to review similar cases and ensure compliance of the Act, to protect its financial interests.

4.28 Non-recovery of fixed demand charges

Due to non-adherence to the provisions of supply code, the Company lost its right to initiate action for levy of fixed charges resulting in revenue loss of ₹3.76 crore.

The Himachal Pradesh Electricity Supply Code, 2009[53] as approved by the Himachal Pradesh Electricity Regulatory Commission (HPERC) stipulates that in case of HT[54]/EHT[55] supply, where the licensee has completed the required work for supply of electricity to an applicant, but the applicant is not ready or delays to receive supply of electricity or does not avail the full sanctioned contract demand, the licensee shall, after a notice of sixty days, charge on *pro rata* basis, fixed demand charges on the sanctioned contract demand as per the relevant Tariff Order. Further, HPERC's Regulation 17 of the expenditure regulation, 2012 provided that in case the applicant opts for execution of works through own resources, all the requisite clearances under various laws shall be obtained by the applicant.

[53] Clause 3.9 of Chapter 3.
[54] High Tension (up to 66 Kilo Volt).
[55] Extra High Tension (132 Kilo Volt and above).

During August 2010, Himachal Pradesh State Electricity Board Limited (Company) sanctioned 6,000 KW load with contract demand (CD) of 2,500 KVA at 66 KV in favour of an industrial consumer[56], to be supplied from 220/66 KV sub-station Nalagarh. The Consumer opted (April 2011) for self-execution of 66 KV dedicated feeder and could not complete the same until January 2016. The Chief Engineer (Commercial), vide his letter dated 01 February 2016 while conveying the approval to release 600 KW load with CD of 600 KVA at 11 KV as an interim arrangement, directed the field unit to clarify the applicability of fixed demand charges under clause 3.9 of Supply Code to settle the issue before releasing the interim load. The field unit in its reply (April 2017) ruled out the applicability of clause 3.9 on the plea that readiness could not be ascertained until the completion of 66 KV line works. The load was released to the consumer on 2 June 2017, without levy of any fixed demand charges.

Audit noticed (December 2017) that consumer had opted for self-execution (August 2011) by depositing the mandatory charges (₹ 1.07 crore) calculated in the sanctioned estimate and the completion period for execution of work was two months. Accordingly, it was the responsibility of the consumer to obtain all the clearances and the delay of 65 months (November 2011 to March 2017) was on the part of consumer. However, during this period, no notice was served to the consumer in accordance with the provisions of the Supply Code.

From the above, it is evident that due to non-adherence to provisions of the Supply Code, the field unit had lost its right to initiate action for levy of fixed charges by not issuing the notice of sixty days, resulting in revenue loss of ₹ 3.76 crore to the Company as detailed in table 4.28.

Table 4.28: Revenue loss due to non levy of fixed demand charges as per Supply Code

Sl. No.	Period	Chargeable CD per month (KVA)	Rate per KVA per month (₹)	Amount (₹)
1	1/12 to 3/12	2,250	240	16,20,000
2	4/12 to 3/13	2,250	300	81,00,000
3	4/13 to 7/14	2,250	350	1,26,00,000
4	8/14 to 5/17	1,125	400	1,53,00,000
			Total	**3,76,20,000**

Thus, the Company extended undue favour to the consumer in direct contravention of the Supply Code 2009 by not charging fixed demand charges of ₹ 3.76 crore.

The Government in its reply stated (August 2020) that during July 2018 an amendment was made in paragraph 3.9 of the Supply Code, keeping in view the difficulties being faced by the consumers for extension of time period in availing the connection. The reply was not tenable as the instant case belongs to period prior to July 2018 and the amendment was applicable from the date of its publication in the Gazette hence, not applicable in this case.

The case is based on test check, the Company may check other such cases across its all field units.

[56] M/s Sunnox International.

Recommendation: The Company needs to review the operation of its field units and ensure compliance to the Act.

4.29 Undue favour to consumers

Failure of the Company to apply the tariff orders issued by the Himachal Pradesh Electricity Regulatory Commission, resulted in short recovery of ₹1.78 crore during the period April 2013 to August 2016.

The tariff order issued (April 2013) by the Himachal Pradesh Electricity Regulatory Commission (HPERC) specifies that the consumers for whom two part tariff [57] is applicable shall be entitled to revise the Contract Demand (CD) twice in a financial year without surrendering their *lien* of total sanctioned CD subject to the condition: (a) the CD shall not be reduced to less than 50 *per cent* of the total sanctioned contract demand. (b) the provision under (a) shall come into force from 1 July 2013 in cases where any consumer has got his CD reduced to less than 50 *per cent* of the total CD temporarily under the existing mechanism. In such cases, the financial year shall be construed from 1 July 2013 for the purpose of number of revisions in a financial year. In the intervening period (April to July 2013), the Himachal Pradesh State Electricity Board Limited (Company) and the consumers were required to take suitable action either to bring the CD minimum to 50 *per cent* of the total sanctioned CD or reduce the CD permanently by observing the required codal formalities. Further, in case the consumer gets his CD reduced permanently, the limit under clause (a) and (b) shall be considered to such reduced CD. Further, from August 2014 the lower limit was to be restricted to the lowest limit of applicable category.

Scrutiny of records of one [58] consumer of large industrial supply category showed (March 2018) that the consumer had reduced his CD (400 KVA), much below the 50 *per cent* limit of his original sanctioned CD (1,050 KVA), before the implementation of HPERC orders, *ibid,* with the prior approval of the Company. However, neither the Company insisted nor the consumer applied for increase in CD as required under the revised Tariff Order (April 2013) in order to bring it up to the minimum prescribed limit of 50 *per cent* of sanctioned CD. The Company continued to levy demand charges on the basis of reduced CD (instead of levying the demand charges as per provision of tariff order i.e. 90 *per cent* of CD or recorded demand whichever is higher) in violation of the HPERC orders. Thus, failure to levy and recover demand charges on 50 *per cent* of the original sanctioned CD w.e.f. July 2013 and lowest limit of 1,001 KVA w.e.f. August 2014, resulted in revenue loss of ₹ 1.03 crore (as detailed in ***Appendix 4.6***) to the Company during April 2013 to February 2018. Non-levy / non-recovery of demand charges were mainly due to non-review of consumer cases in the light of HPERC's orders of April 2013 and August 2014. Further, the Company continues to incur the loss as no corrective action has been taken, so far (April 2020).

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[57] Two part tariff consists fixed charges based on contract demand and variable charges based on consumption of electricity.

[58] M/S KK Non Woven Kala Amb.

Similarly, another[59] consumer was categorised under HT-1 based on reduced contract demand instead of HT-2 on the basis of original sanctioned CD. Failure to levy and recover demand charges on applicable category, resulted in revenue loss of ₹ 74.70 lakh. Thus, failure of the sub-division to apply the tariff order had resulted in undue favour to consumers and revenue loss of ₹ 1.78 crore.

The Government stated (September 2020) that the reduction in CD by the consumers, prior to implementation of the said tariff order, had been considered as permanent reduction.

The reply is not acceptable as the consumers had reduced their CD prior to April 2013 temporarily, without surrendering their lien. The Company and the consumers were required to take suitable action where CD was less than 50 *per cent* of sanctioned contract demand during the interim period (April 2013 to June 2013). Moreover, the Chief Engineer (Commercial) has also clarified (August 2015) that for permanent reduction of CD, the consumer has to furnish an undertaking to that effect, which was not furnished by the consumers in these cases.

The observation is based on test check and all other similar cases may be checked by the Company.

Recommendation: The Management should ensure that after any change in the tariff order, affecting the billing, all consumer cases should be reviewed so as to avoid any revenue loss.

[59] M/s Nahan Ferro, Kala Amb.

Chapter-5
Functioning of State Public Sector Undertakings
(Other than Power Sector)

CHAPTER-5

FUNCTIONING OF STATE PUBLIC SECTOR UNDERTAKINGS (OTHER THAN POWER SECTOR)

Introduction

5.1 There were 23 State Public Sector Undertakings (PSUs) as on 31 March 2019 which were related to sectors other than Power Sector. These State PSUs were incorporated during the period 1967-68 and 2018-19 and included 21 Government Companies and two Statutory Corporations *i.e.* Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation. Out of 21 Government Companies three[60] companies are inactive. During the year 2018-19, two PSU[61]were incorporated.

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 23 State PSUs, the State Government invested funds only in 18 State PSUs[62].

Contribution to Economy of the State

5.2 A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The table below provides the details of turnover of State PSUs and GSDP of Himachal Pradesh at current prices for a period of five years ending March 2019:

Table 5.1: Details of turnover of State PSUs *vis-a-vis* GSDP of Himachal Pradesh

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	2,305.90	2,471.95	2,743.10	2,821.02	3,400.40
GSDP of Himachal Pradesh (at actual current prices)	1,03,772	1,14,239	1,25,634	1,38,351	1,53,845
Percentage of Turnover to GSDP of Himachal Pradesh	2.22	2.16	2.18	2.04	2.21

Source: Compiled based on Turnover figures of working PSUs and GSDP figures from Budget Analysis 2018-19 of Government of Himachal Pradesh.

The turnover of these PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 2.84 *per cent* and 20.54 *per cent* during the period 2014-19, whereas increase in GSDP of the State ranged between 9.97 *per cent* and 11.20 *per cent* during the same period. The compounded annual growth of GSDP was 10.34 *per cent* during last five years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 10.34 *per cent* of the GSDP, the turnover of other than power sector undertakings recorded lower compounded annual growth of 10.20 *per cent* during the last five years. This resulted in marginal decrease in share of turnover of these PSUs to the GSDP from 2.22 *per cent* in 2014-15 to 2.21 *per cent* in 2018-19.

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60 Agro Industrial Packaging India Limited, Himachal Worsted Mills Limited and Himachal Pradesh Beverages Limited which ceased to carry out their operations.

61 Shimla Jal Prabandhan Nigam Limited and Shimla Smart City Limited.

62 No investment made by the GoHP in Dharamshala Smart City Limited, Shimla Smart City Limited, Himachal Consultancy Organisation Limited, Shimla Jal Prabhandan Limited and Himachal Worsted Mills Limited.

Investment in the State PSUs

5.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with the private sector undertakings. The position of these State PSUs has therefore been analysed under five major sectors *viz.,* those in the Agriculture and Allied sector, Financing sector, Infrastructure sector, Manufacturing sector and in Service sector. Details of investment made in these 23 State PSUs in shape of equity and long term loans upto 31 March 2019 are detailed in ***Appendix 5.1***.

5.4 The sector-wise summary of investment in these State PSUs as on 31 March 2019 is given below:

Table 5.2: Sector-wise investment in State PSUs

Sector	No. of PSUs	Investment (₹ in crore)						
		Equity		Long term loans		Grants/Subsidy by GoHP	Total	
		GoHP	Others	GoHP	Others		GoHP	Others
Agriculture and Allied	4	76.55	10.50	127.82	1.49	69.17	273.54	11.99
Financing	4	131.41	6.69	77.88	34.08	5.31	214.60	40.77
Infrastructure	4	55.82	-	-	-	1,914.00	1,969.82	-
Manufacture	2	7.04	1.04	2.97	-	-	10.01	1.04
Service	9	793.82	15.65	0.55	132.87	3,203.10	3,997.47	148.52
Total	**23**	**1,064.64**	**33.88**	**209.22**	**168.44**	**5,191.58**	**6,465.44**	**202.32**

Source: Compiled based on information received from PSUs. Grants only by GoHP considered.

As on 31 March 2019, the total investment (equity, long term loans and grants/subsidy) in these 23 PSUs was ₹ 6,667.76 crore. The investment consisted of 16.48 *per cent* towards equity, 5.66 *per cent* in long-term loans and 77.86 *per cent* in grants/subsidy. The Long term loans advanced by the State Government constituted 55.40 *per cent* (₹ 209.22 crore) of the total long term loans, whereas 44.60 *per cent* (₹ 168.44 crore) of the total long term loans were availed from other financial institutions.

The investment has grown by 83.86*per cent* from ₹ 3,626.53 crore in 2014-15 to ₹ 6,667.76 crore in 2018-19. The investment increased due to addition of ₹ 204.79 crore, ₹ 71.50 crore, ₹ 2,764.94 crore towards equity, long term loans and grants/subsidy, respectively during 2014-15 to 2018-19.

Disinvestment, restructuring and privatisation of State PSUs

5.5 During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in State PSUs.

Budgetary Support to State PSUs

5.6 The Government of Himachal Pradesh (GoHP) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last three years ending March 2019 are given in table 5.3:

Table 5.3: Details regarding budgetary support to State PSUs

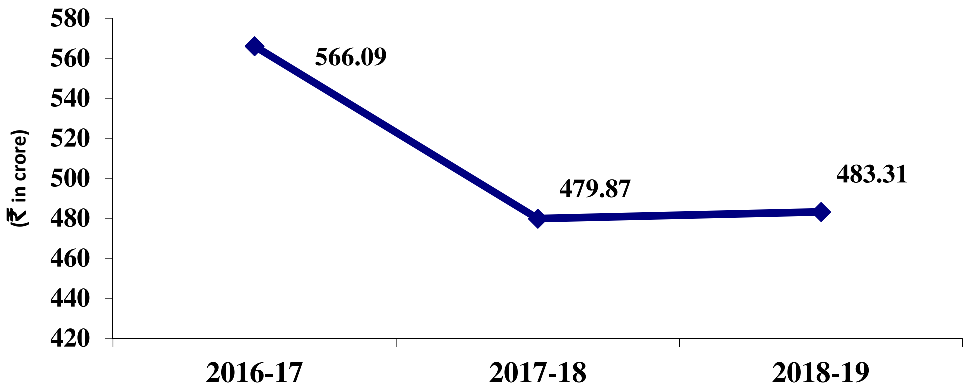
(₹ in crore)

Particulars[63]	2016-17		2017-18		2018-19	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Equity Capital outgo (i)	3	46.50	2	50.80	3	62.85
Loans given (ii)	1	13.06	1	5.44	1	4.10
Grants/Subsidy[64] provided (iii)	5	506.53	6	423.63	9	416.36
Total Outgo (i+ii+iii)		**566.09**		**479.87**		**483.31**
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	5	284.35	5	192.65	5	115.60
Guarantee Commitment	4	230.92	5	277.98	1	0.60

Source: Compiled based on information received from PSUs.

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last three years ending March 2019 are given in chart 5.1:

Chart-5.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The budgetary assistance of ₹ 483.31 crore given as equity, loans and grants/ subsidy was primarily for free / concessional travel to the public, skill development and equity.

In order to enable PSUs to obtain financial assistance from Banks and financial institutions, the GoHP provides guarantee for PSUs and levies guarantee fee upto one *per cent* on loans availed by these PSUs. During the year 2018-19, guarantee fee of ₹ 0.01 crore was paid by one[65] PSU,

Reconciliation with the Finance Accounts of the Government of Himachal Pradesh

5.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Himachal Pradesh. In case the figures do not agree, the concerned PSUs and

[63] Amount represents outgo from State Budget only.

[64] Grant to Himachal Road Transport Corporation for reimbursement of cost of free/concessional travel allowed by the State Government.

[65] Himachal Pradesh State Handicrafts and Handloom Corporation Limited.

the Finance Department should carry out reconciliation of the accounts. The position in this regard, as on 31 March 2019, is stated in table 5.4:

Table 5.4: Equity, loans, guarantees outstanding as per the Finance Accounts of the Government of Himachal Pradesh vis-à-vis records of the State PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	103.18	174.75	71.57
Loans	34.10	184.64	150.54
Guarantees	226.08	216.84	9.24

Source: Compiled based on information received from PSUs and Finance Accounts (Statement numbers 18, 19 and 20)

Audit observed that out of 23 State PSUs, such differences occurred in respect of 12 PSUs as shown in ***Appendix 5.2***. The differences between the figures are persisting for the last many years. The issue of reconciliation of differences was also taken up by the Principal Accountant General (Audit), Himachal Pradesh with the PSUs and the Departments from time to time. Major difference in balances was observed in Himachal Pradesh Financial Corporation.

It is recommended that the State Government and the respective PSUs should reconcile the differences in the accounts in a time-bound manner.

Submission of accounts by State PSUs

5.8 Of the total 23 State PSUs, there were 20 working PSUs *i.e.* 18Government Companies and two Statutory Corporations and three inactive PSUs. The status of timelines followed by the State PSUs in preparation of accounts is detailed under:

Timeliness in preparation of accounts by the working State PSUs

5.8.1 Accounts for the year 2018-19 were required to be submitted by all the working PSUs by 30 September 2019. However, only one[66] Government Company submitted its accounts for the year 2018-19 for audit by the Comptroller and Auditor General of India on or before 30 September 2019.

The Comptroller and Auditor General of India is the sole auditor in one Statutory Corporation (Himachal Road Transport Corporation) and supplementary auditor in another Statutory Corporation (Himachal Pradesh Financial Corporation). The accounts of the Statutory Corporations for the year 2018-19 were awaited as of 30 September 2019.

Details of arrears in submission of accounts of working PSUs as on 30 September 2019, are given in table 5.5:

Table 5.5: Position relating to submission of accounts by the working State PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	15	16	17	19	20
2.	Number of accounts submitted during current year	13	15	17	11	14
3.	Number of working PSUs which finalised accounts for the current year	1	2	3	1	1
4.	Number of previous year accounts finalised during the current year	12	13	14	10	13
5.	Number of working PSUs with arrears in accounts	14	14	13	18	19
6.	Number of accounts in arrears	21	22	22	30	36
7.	Extent of arrears	One to three years	One to three years	One to three years	One to four years	One to five years

Source: Compiled based on accounts of PSUs received during the period October 2018 to September 2019.

[66] Himachal Pradesh Road and Other Infrastructure Development Corporation Limited.

Of these 20 working State PSUs, 13 PSUs had finalised 14 annual accounts during the period 1 October 2018 to 30 September 2019, which included one annual accounts for the year 2018-19 and 13 annual accounts for the previous years. Further, 36 annual accounts were in arrears which pertain to 19 PSUs as detailed in ***Appendix 5.3***. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period.

The concerned Departments were informed quarterly by the Principal Accountant General (Audit), Himachal Pradesh regarding arrears in finalisation of accounts.

The GoHP had provided ₹ 413.17 crore (Loan ₹ 8.99 crore and subsidy ₹ 404.18 crore) to seven of the 19 working PSUs, accounts of which for the year 2018-19 had not been finalised by 30 September 2019. PSU wise details of investment made by GoHP during the years, for which accounts are in arrears are shown in ***Appendix 5.3***.

Timeliness in preparation of accounts by inactive State PSUs

5.8.2 Of the three inactive PSUs, Himachal Worsted Mills Limited was in the process of liquidation since 2000-01 and its accounts were finalised up to that period. There were arrears in finalisation of accounts by three inactive PSUs, details of which are as given in table 5.6:

Table-5.6: Position relating to arrears of accounts in respect of inactive PSUs

S. No.	Name of the inactive companies	Period for which accounts were in arrears
1.	Himachal Worsted Mills Limited	2001-02 to 2018-19
2.	Agro Industrial Packaging India Limited	2014-15 to 2018-19
3.	Himachal Pradesh Beverages Limited	2017-18 to 2018-19

Source: Compiled based on accounts of PSUs received during the period October 2018 to September 2019.

Placement of Separate Audit Reports of the Statutory Corporations

5.9 No Corporation had forwarded their accounts of 2018-19 by 30 September 2019.

Separate Audit Reports (SARs) are audit reports of the Comptroller and Auditor General of India on the accounts of the Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The status of annual accounts of the Statutory Corporations and placement of their SARs in legislature is detailed in table 5.7:

Table 5.7: Status of placement of SAR of the Statutory Corporations

Name of the Corporation	Year of Accounts	Month of placement of SAR
Himachal Road Transport Corporation	2017-18	27 August 2019
Himachal Pradesh Financial Corporation	2017-18	11 December 2018

Source: Compiled based on information available on the website of Himachal Pradesh Legislative Assembly.

Impact of non-finalisation of accounts of State PSUs

5.10 As pointed in Paragraph 5.8, the delay in finalisation of accounts is a violation of the provisions of the relevant Statutes, and it has multiple consequences such as (i) Actual contribution of the PSUs to State GDP for the year 2018-19 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature, (ii) It may result in fraud and leakage of public money apart from violation of the provisions of the relevant statutes, (iii) In absence of finalization of accounts and their subsequent audits, oversight by the Statutory Auditors appointed by the Comptroller and Auditor General of India and supplementary audit by the Comptroller and Auditor General of India could not be exercised, (iv) It could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved besides being a violation of the provisions of the relevant Statutes.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

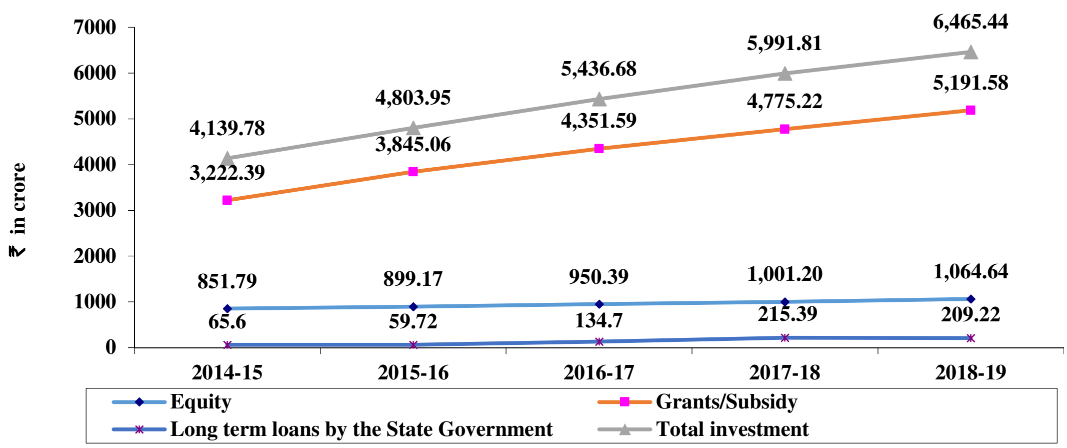
Performance of State PSUs

5.11 The financial position and working results of the 23 State PSUs as per their latest finalised accounts as of 30 September 2018, are detailed in ***Appendix 5.4***.

The Public Sector Undertakings are expected to yield reasonable return on investment made by the Government in these undertakings. The total investment in the PSUs was ₹ 6,667.76 crore consisting of equity of ₹ 1,098.52 crore, long term loans of ₹ 377.66 crore and grants/subsidy of ₹ 5,191.58 crore. Out of this, the Government of Himachal Pradesh has investment of ₹ 1,273.86 crore in the 18 PSUs, consisting of equity of ₹ 1,064.64 crore and long term loans of ₹ 209.22 crore apart from grants/subsidy of ₹ 5,191.58 crore.

The year wise of investment of the GoHP in the PSUs during the period 2014-15 to 2018-19 is given in chart 5.2:

Chart 5.2: Total investment of the GoHP in PSUs



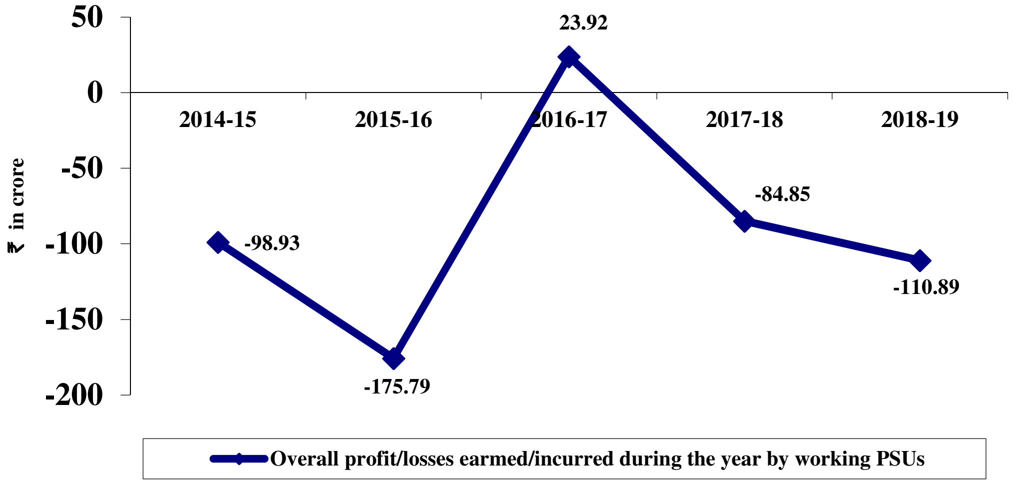
The total investment of the GoHP in the PSUs increased 1.56 times during the period from 2014-15 to 2018-19, as shown in the chart 5.2.

5.12 The financial performance and profitability of a company is traditionally assessed through Return on Investment (ROI), Return on Equity (ROE) and Return on Capital Employed (ROCE), as discussed in following paragraphs.

Return on Investment

5.13 (a) The Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses[67] earned / incurred by the 16 working State PSUs during 2014-15 to 2018-19, where the State Government has made investment, is depicted below in a chart:

Chart 5.3: Profit/Losses earned/incurred by 16 working PSUs



The financial results of other than power sector PSUs for the latest year for which accounts were finalised have been summarised in ***Appendix 5.4***.

Of the 20total working PSUs as on 31 March 2019, position of working PSUs which earned/incurred profit/loss during 2014-15 to 2018-19 is given below:

Table 5.8:Details of working Public Sector Undertakings which earned/ incurred profit/loss during 2014-15 to 2018-19 as per their latest finalised accounts

Financial year	Total number of PSUs	Number of PSUs which earned profits	Number of PSUs which incurred loss	Number of PSUs which had not prepared their first accounts or running on no profit no loss basis
2014-15	15	6	8	1
2015-16	16	9	5	2
2016-17	17	12	3	2
2017-18	19	11	5	3
2018-19	20	11	5	4[68]

Source: Information as per latest finalised accounts received from PSUs.

(b) Return on Investment related to listed Government Companies

There was one Company[69] listed on the Delhi Stock Exchange (DSE) however, on the request of the Company (1994) and recommendation of DSE the Security and Exchange Board of India accorded (September 2002) consent for delisting the Company. Hence, the performance of the company is not evaluated separately.

[67] Figures are as per the latest finalised accounts of the respective years.

[68] Dharamshala Smart City Limited, Shimla Smart City Limited and Shimla Jal Prabhandhan Nigam Limited had not prepared their first final accounts and Himachal Pradesh Road and Other Infrastructure Development Corporation Limited finalised their account on no profit no loss.

[69] Himachal Pradesh General Industries Corporation Limited.

Return on investment is a performance indicator designed to evaluate the efficiency of investment over time in comparison to alternate investment opportunities or a benchmark investment opportunity.

Return on Investment on the basis of historical cost of investment

5.14 Out of 23 Public Sector Undertakings, the State Government infused funds in the form of equity, long term loans and grants / subsidies in 18 PSUs only. The Government has invested ₹ 1,273.86 crore in these 18 PSUs, including equity of ₹ 1,064.64 crore and long term loans of ₹ 209.22 crore.

The Return on Investment has been calculated on the investment made by the GoHP in the form of equity, loans and grants/subsidy. In the case of loans, only interest free loans are considered as investment, since the Government does not receive any interest on such loans and are therefore in the nature of equity investment by the Government except that the loans are liable to be repaid as per terms and conditions of repayment. Out of long term loans of ₹ 209.22 crore, ₹ 63.45 crore were interest free loans. Thus, the total investment of the State Government in these 18 PSUs on the basis of historical cost was ₹ 1,128.59 crore (equity ₹ 1,064.64 crore and interest free loans ₹ 63.95 crore) as detailed in Table 5.9.

The return on investment on the basis of historical cost of investment for the period 2014-15 to 2018-19 is as given in table 5.9:

Table 5.9: Return on State Government Funds on the basis of historical cost of investment

Year	Total Earnings (₹ in crore)	Investment by the GoHP in form of Equity and Interest Free Loans on the basis of historical cost (₹ in crore)	Return on State Government on the basis of historical cost (%)
2014-15	-98.93	881.38	-11.22
2015-16	-175.79	939.19	-18.72
2016-17	23.87	996.32	2.39
2017-18	-84.08	1,055.15	-7.97
2018-19	- 100.71	1,128.59	- 8.92

Source: Information as per latest finalised accounts as per PSUs.

The return on the State Government investment is worked out by dividing the total earnings[70] of these PSUs by the cost of the State Government investments. The return earned on the State Government investment ranged between -18.72 *per cent* and 2.39 *per cent* during the period 2014-15 to 2018-19. The return on the State Government investment deteriorated during 2017-19 in comparison to that for the period 2016-17, mainly due to increase in losses of Himachal Road Transport Corporation.

(a) Present Value of Investment

5.15 Analysis of the earnings *vis-a-vis* investments in respect of those 18 State PSUs where funds had been infused by the State Government was carried out to assess the profitability of

[70] This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government.

these PSUs. Traditional calculation of ROI is based only on the basis of historical cost of investment which may not be a correct indicator of the adequacy of the return on the investment, since such calculations ignore the present value (PV) of money. Therefore, in addition, Rate of Real Return (RORR) is calculated considering the Present Value (PV) of historical cost of investment. Subsidies / grants were not considered as those were primarily released to provide free / concessional travel to the public, interest subsidy to marginal society, for assets creation and skill development.

The present value (PV) of the State Government investment in these undertakings was computed on the following assumptions:

- Interest free loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period. The funds made available in the form of grant / subsidy have not been reckoned as investment, since these do not qualify to be considered as investment, as indicated by the nature of subsidy indicated above.

The average rate of interest on Government borrowings for the concerned financial year[71] was adopted as discount rate for arriving at present value since they represent the cost incurred by the Government towards investment of funds for the year.

The present value of the Government investment has been computed to assess the rate of return on the present value of investment of the GoHP in the State PSUs as compared to historical value of the investment. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2019, the past investment/year-wise funds infused by the GoHP in the State PSUs have been compounded at the year-wise average rate of interest on Government borrowings, which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, the Present Value (PV) of the State Government investment was computed in respect of those 18 State PSUs where funds had been infused by the State Government in the shape of equity, interest free loans (no grant/subsidies for operational and administrative expenditure received from State Government) since inception of these companies till 31 March 2019.

For the years 2014-15, 2015-16, 2017-18 and 2018-19 when these 18 companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the company is commented upon in Paragraph 5.17.

Rate of Real Return (RORR) on the basis of Present Value of investment

5.16 PSU wise position of the State Government investment in these 18 State PSUs in the form of equity and loans on historical cost basis for the period from 1999-2000 to 2018-19 is indicated in ***Appendix 5.5***. Further, consolidated position of PV of the State Government

71 The average rate of interest on Government borrowings was adopted from the Reports of the Comptroller and Auditor General of India on State Finances (Government of Himachal Pradesh) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

investment relating to these PSUs for the same period is indicated in table 5.10.

Table 5.10: Year wise details of investment by the State Government and present value (Real Return) of Government investment for the period from 1999-2000 to 2018-19

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by the State Govern-ment during the year	Net Interest free loans given by the State Government during the year	Interest free loans converted into equity during the year	Grants/ subsidies given by State Government for operational and administrative expenditure	Disinvestment by the State Government during the year at face value	Total investment during the year	Total investment at the end of the year	Average rate of interest on Government borrowings (in *per cent*)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year
A	B	C	D	E	F	G	H	I	J	K	L	M
							H=C+D-E+F-G	I=B+H		K=I*(1+J/100)	L=I*J/100	
Upto 1999-2000	-	300.04	0.49	-	-	-	300.53	300.53	8.83	327.07	26.54	-
2000-01	327.07	32.48	1.51	-	-	-	33.99	361.06	10.15	397.71	36.65	-49.50
2001-02	397.71	13.01	-	-	-	-	13.01	410.72	11.06	456.14	45.43	-36.70
2002-03	456.14	12.43	-	-	-	-	12.43	468.57	10.37	517.16	48.59	-29.19
2003-04	517.16	28.60	-	-	-	-	28.60	545.76	10.98	605.69	59.92	-31.10
2004-05	605.69	16.06	-	-	-	-	16.06	621.75	10.60	687.65	65.91	-43.44
2005-06	687.65	13.59	0.15	-	-	-	13.74	701.39	9.20	765.92	64.53	-30.72
2006-07	765.92	14.30	-	-	-	-	14.30	780.22	9.40	853.56	73.34	-62.08
2007-08	853.56	38.31	2.25	-	-	-	40.56	894.12	9.09	975.40	81.28	-46.66
2008-09	975.40	53.97	-0.10	-	-	-	53.87	1,029.27	9.19	1,123.86	94.59	-33.88
2009-10	1,123.86	117.16	-	-	-	-	117.16	1,241.02	8.59	1,347.62	106.60	-55.92
2010-11	1,347.62	34.61	-	-	-	-	34.61	1,382.23	7.78	1,489.77	107.54	-38.15
2011-12	1,489.77	26.94	9.50	-	-	-	36.44	1,526.21	7.80	1,645.25	119.04	-72.06
2012-13	1,645.25	45.76	5.00	-	-	-	50.76	1,696.01	8.08	1,833.05	137.04	-88.46
2013-14	1,833.05	67.49	2.54	-	-	-	70.03	1,903.08	7.71	2,049.81	146.73	-112.41
2014-15	2,049.81	44.93	-	-	-	-	44.93	2,094.74	7.91	2,260.43	165.69	-98.97
2015-16	2,260.43	43.27	14.54	-	-	-	57.81	2,318.24	7.95	2,502.54	184.30	-175.83
2016-17	2,502.54	48.04	10.07	-	-	-	58.11	2,560.65	7.60	2,755.26	194.61	23.87
2017-18	2,755.26	50.80	8.00	-	-	-	58.80	2,814.06	7.71	3,031.03	216.96	-84.08
2018-19		62.85.	10.00	-	-	-	3,031.03	3,103.88	8.32	3,362.12	258.24	- 100.71
	Total:	**1064.64**	**63.95**									

Source: Statistical information received from PSUs and as per latest finalised accounts.
Note: No Grant/ subsidy was received from the State Government for operational and administrative expenditure.

During 1999-2000 to 2018-19, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs as two (Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation) of these PSUs incurred substantial losses during this period. Further, the profit earned by other PSUs during the entire period 1999-2019 were also set off towards the losses incurred by these two PSUs due to which the total earnings remained below the minimum expected return from all these PSUs.

Erosion of Net worth

5.17 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment and accumulated losses of these 23 State PSUs as per their latest finalised accounts were ₹ 1,039.51 crore and ₹ 1,556.99 crore, respectively resulting in net worth of ₹ (-) 517.48 crore as detailed in ***Appendix 5.4***.

The following table indicates total paid up capital, total accumulated profit / loss, and total net worth of the 18 companies where the State Government has made direct investment:

Table 5.11: Net worth of 18 PSUs during 2014-15 to 2018-19

(₹ in crore)

Year	Paid Capital at end of the year	Accumulated Profit (+) Loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
2014-15	844.63	-1,190.75	-	-346.12
2015-16	885.27	-1,366.15	-	-480.88
2016-17	930.73	-1,187.79	-	-257.06
2017-18	976.46	-1,445.90	-	-469.44
2018-19	1,038.41	-1,553.07	-	-514.66

Source: Information as per latest finalised accounts received from PSUs.

Out of 18 PSUs, 11 PSUs[72] showed positive net worth and seven PSUs[73] showed negative net worth during 2018-19.

Out of 23 PSUs, net worth of eight PSUs (Himachal Worsted Mills Limited in addition to the seven discussed above) was negative during 2018-19.

Dividend Payout

5.18 The State Government had decided (April 2011) that all profit making PSUs (except those in welfare and utility sector)should pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government, subject to a ceiling of 50 *per cent* of the profit after tax. As per their latest finalised accounts, seven PSUs earned an aggregate profit of ₹ 34.24 crore out of which only three[74] PSUs declared / paid a dividend of ₹ 2.25 crore during 2018-19.

It is recommended that the Government should ensure receipt of dividend from profit making PSUs as is required.

Return on Equity

5.19 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be

[72] Himachal Pradesh Agro Industries Corporation Limited, Himachal Backward Classes Finance and Development Corporation, Himachal Pradesh MahilaVikas Nigam, Himachal Pradesh Minorities Finance and Development Corporation, Himachal Pradesh Road and Other Infrastructure Development Corporation Limited, Himachal Pradesh State Industrial Development Corporation Limited, Himachal Pradesh General Industries Corporation Limited, Himachal Pradesh State Civil Supplies Corporation Limited, Himachal Pradesh State Electronics Development Corporation Limited, Himachal Pradesh Kaushal Vikas Nigam and Himachal Pradesh Beverages Limited.

[73] Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited, Himachal Pradesh State Forest Development Corporation Limited, Himachal Pradesh State Handicrafts and Handloom Corporation Limited, Himachal Pradesh Tourism Development Corporation Limited, Himachal Pradesh Financial Corporation, Himachal Road Transport Corporation and Agro Industrial Packaging India Limited.

[74] Himachal Pradesh State Civil Supply Corporation, Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh General Industries Corporation Limited.

left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed in respect of 18 public sector undertakings where funds had been infused by the State Government. The details of Shareholders fund and ROE relating to 18 PSUs during the period from 2014-15 to 2018-19 are given in table 5.12:

Table 5.12: Return on Equity relating to 18 PSUs where funds were infused by the GoHP

Year	Net Income	Shareholders' Fund (Net worth)	ROE
	(₹ in crore)		(%)
2014-15	-98.97	-346.12	-
2015-16	-175.83	-480.28	-
2016-17	23.87	-257.05	-
2017-18	-84.08	-469.43	-
2018-19	-100.71	-514.66	-

Source: Information as per latest finalised accounts received from PSUs.

Return on Capital Employed

5.20 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[75]. The details of total ROCE of all the State PSUs during the period from 2014-15 to 2018-19 is given in table 5.13:

Table 5.13: Return on Capital Employed

Year	EBIT	Capital Employed	ROCE
	(₹ in crore)		(%)
2014-15	-99.33	259.42	-38.29
2015-16	-177.91	-58.56	NA
2016-17	23.87	226.04	10.56
2017-18	-69.77	20.87	-334.31
2018-19	-84.69	-101.28	NA

Source: Information as per latest finalised accounts received from PSUs.

Four PSUs Himachal Road Transport Corporation (HRTC), Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (HPMC), Himachal Pradesh State Forest Development Corporation Limited (HPSFDC) and Himachal Pradesh Financial Corporation (HPFC) were continuously incurring losses. Of these, HRTC earned profit during 2016-17.Thus, the return on capital employed remained negative for four (except 2016-17) out of last five years.

Analysis of Long Term Loans of the PSUs

5.21 Analysis of the Long Term Loans of the PSUs during 2014-15 to 2018-19 was carried out to assess the ability of the Companies to service the debt owed by the companies to the Government, Banks and other financial institutions. This is assessed through the Interest Coverage Ratio (ICR) and debt turnover ratio.

75 Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

Interest Coverage Ratio

5.22 Interest Coverage Ratio is used to determine the ability of a PSU to pay interest on the outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period from 2014-15 to 2018-19 are given in table 5.14:

Table 5.14: Interest Coverage Ratio relating to State PSUs

Year	Interest	Earnings before interest and tax (EBIT)	PSUs having liability of loans from Government and Banks and other financial institutions	PSUs having interest coverage ratio more than 1	PSUs having interest coverage ratio less than 1
	(₹ in crore)		(In number)		
2014-15	18.45	-99.33	11	-	11
2015-16	40.35	-177.91	10	-	10
2016-17	36.00	23.87	12	-	12
2017-18	35.05	-69.77	12	-	12
2018-19	40.70	-84.69	12	-	12

Source: Information as per latest finalised accounts received from PSUs.

Debt Turnover Ratio

5.23 During the last five years, the turnover of these PSUs recorded compounded annual growth of 10.20*per cent* and compounded annual growth of debt was 1.87*per cent*, due to which the debt turnover ratio decreased from 0.18 in 2014-15 to 0.13 in 2018-19 as given in table 5.15*:*

Table 5.15: Debt Turnover Ratio relating to the State PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	407.23	426.84	395.84	492.30	438.52
Turnover	2,305.90	2,471.95	2,743.10	2,826.45	3,400.40
Debt-Turnover Ratio	0.18:1	0.17:1	0.14:1	0.17:1	0.13:1

Source: Information as per latest finalised accounts received from PSUs.

Winding up of inactive State PSUs

5.24 Three of the 23 State PSUs were inactive companies having a total investment of ₹ 79.79 crore (₹ 77.87 crore in Agro Industrial Packaging India Limited, ₹ 0.92 crore in Himachal Worsted Mills Limited and ₹ one crore in Himachal Pradesh Beverages Limited) as on 31 March 2019. The number of inactive PSUs at the end of each year, during last five years ended 31 March 2019, is given in table 5.16.

Table 5.16: Inactive State PSUs

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
No. of inactive companies	2	2	2	2	3

Source: Compiled from the information included in Audit Report (PSU), GoHP of respective years

The Himachal Worsted Mills Limited had been under liquidation since 2000-01 while the liquidation process in respect of Himachal Pradesh Agro Industrial Packaging India Ltd and

Himachal Pradesh Beverages Limited was yet to be start. The Government may take appropriate decision regarding these PSUs.

Comments on Accounts of State PSUs

5.25 Twelve working Companies forwarded 13 audited accounts to the Principal Accountant General (Audit), Himachal Pradesh during the period from 1 October 2018 to 30 September 2019. All these accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the Comptroller and Auditor General of India indicated that the quality of accounts needs to improve substantially. The details of aggregate money value of the comments of Statutory Auditors and the Comptroller and Auditor General of India, are as follows:

Table 5.17: Impact of audit comments on Working Companies

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	6	1.72	5	5.29	4	3.76
2.	Increase in profit	1	0.09	1	0.28	3	18.55
3.	Increase in loss	1	0.06	2	0.66	1	9.44
4.	Decrease in loss	2	0.70	-	-	1	0.19
5.	Non-disclosure of material facts	-	-	-	-	-	-
6.	Errors of classification	-	-	-	-	-	-

Source: Compiled from comments of the Statutory Auditors/ Comptroller and Auditor General of India in respect of Government Companies.

During the year 2018-19, the Statutory Auditors had issued qualified certificates on seven accounts and adverse certificate on five accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out five instances of non-compliance to the Accounting Standards in three accounts.

5.26 The State has two Statutory Corporations *i.e.* (i) Himachal Road Transport Corporation (HRTC) and (ii) Himachal Pradesh Financial Corporation (HPFC). The Comptroller and Auditor General of India is sole auditor in respect of HRTC.

Both working Statutory Corporations, did not forward annual accounts for the year 2018-19 during 1 October 2018 to 30 September 2019.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are as follows:

Table 5.18: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	2.50	-	-	-	-
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	-	-	1	34.90	1	18.99
4.	Decrease in loss	1	0.47	1	0.36	1	0.16
5.	Non-disclosure of material facts	-	-	-	-	-	-
6.	Errors of classification	-	-	-	-	-	-

Source: Compiled from comments of the Statutory Auditors/ Comptroller and Auditor General of India in respect of Statutory Corporations.

Compliance Audit Paragraphs

5.27 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2019, six compliance audit paragraphs related to Himachal Pradesh Beverages Limited, Himachal Pradesh State Forest Development Corporation Limited, Himachal Pradesh General Industries Corporation, Himachal Pradesh Road and Other Infrastructure Development Corporation and Himachal Road Transport Corporation were issued to the Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish replies. Replies on five of the compliance audit paragraphs have not been received from the State Government. The total financial impact of these compliance audit paragraphs is ₹ 15.48 crore.

Follow up action on Audit Reports

Replies outstanding

5.28 The Report of the Comptroller and Auditor General of India is the product of audit oversight. It is, therefore, necessary that these elicit appropriate and timely response from the executive. The Finance Department, Government of Himachal Pradesh had issued instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the Comptroller and Auditor General of India within a period of three months after its presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Table 5.19: Position of explanatory notes on Audit Reports related to PSUs (as on 30 September 2019)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Non Power Sector in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	Pas	Paragraphs
2017-18	14 December 2019	-	7	-	7

Source: Compiled based on explanatory notes received from respective Departments of GoHP.

Explanatory notes on the seven compliance audit paragraphs were awaited (October 2020).

Discussion of Audit Reports by the Committee on Public Undertakings

5.29 The status of discussion of Performance Audits and paragraphs related to PSUs that appeared in Audit Reports (PSUs) by the Committee on Public Undertakings as on 30 September 2019 was as follows:

Table 5.20: Performance Audits/Paragraphs of Non-Power Sector appeared in Audit Reports *vis-a-vis* discussed as on 30 September 2019

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2011-12	-	8	-	8
2012-13	-	7	-	7
2013-14	-	5	-	5
2014-15	1	3	1	3
2015-16	1	2	1	1
2016-17	-	4	-	1
2017-18	-	7	-	-

Source: Compiled based on the discussions of COPU on the Audit Reports.

The discussion on Audit Reports (PSUs) up to 2012-13 has been completed.

Compliance to the Reports of Committee on Public Undertakings

5.30 Action Taken Notes (ATNs) on four reports of the COPU relating to the State PSUs presented to the State Legislature in March 2018 and February 2019 had not been received (31March 2020) as indicated in table 5.21:

Table 5.21: Compliance to COPU Reports

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2014-15	4	23	-
2015-16	4	10	-
2016-17	4	8	8
2017-18	5	31	5
2018-19	-	-	-

Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoHP.

ATN in respect of recommendation of COPU shown above had not been received till March 2020.

Compliance Audit Paragraphs

This section has six compliance audit paragraphs having a total financial implication of ₹ 15.48 crore.

Himachal Pradesh Beverages Limited

5.31 Non-recovery due to system deficiency

Absence of mechanism for daily / monthly reconciliation of amounts deposited by the licensees and lifting of stock against these, led to sale of liquor (₹5.90 crore) on credit basis and lifting of liquor (₹ 3.79 crore) by using fake / tampered Unique Transaction References(UTRs), without depositing payment with the Company, resulting in non-recovery of ₹9.69 crore.

The Himachal Pradesh Beverages Limited (Company) was incorporated (April 2016) for regulating the wholesale trading of liquor in the State. The Company started its operations in July 2016. Para 4.1 of Liquor Sales Policy 2016-17 of the Company stipulates that "Issue of stock shall be against 'e' Payment through internet banking or direct credit in the account of the Company through challans/ Real Time Gross Settlement (RTGS) /National Electronics Funds Transfer (NEFT) into various bank branches authorized by the Company. Cash / Pay Order / Demand Draft / cheque was not to be accepted by the Depot and no credit sale was allowed". Accordingly, respective Depot Managers were required to sell liquor to retail licensees, only after receiving advance payments. To implement the policy, a process was put in place, which involved sending of the Bank Statement of amount deposited by the retail licensees on daily basis to all the Depot Managers through electronic mail. Stock was to be issued to the retail licensees after verifying from the Bank statement, that the retail licensees had deposited the requisite amount. Further, the licensees, were required to submit their respective Unique Transaction Reference (UTR) number generated by their banker in support of transfer of funds to the Company's account for issue of invoice.

Audit observed the following deviations and deficiencies with respect to the implementation of the liquor sales policy:

I. Although the Bank Statement (indicating the amount deposited by the licensees), was being sent to depots on daily basis, it was not indicated that from which depot the licensees will lift the material. Absence of this critical information enabled the licensees to lift stock from more than one depot against one UTR.
   - The Company, while reconciling the ledger account of the licensees, noticed (June 2017) that during August 2016 to March 2017, eight licensees used 84 UTRs of ₹ 3.38 crore for lifting stock from more than one depot and seven licensees submitted 42 fake / tampered UTRs for ₹ 1.43 crore.

II. No internal control/monitoring mechanism was put in place by the Accounts Wing of the Company for daily reconciliation of stock issued by the Depot Managers and payment received there against.
   - Twelve[76] Depot Managers issued stock to 19 retail licensees without ensuring the receipt of payment through daily Bank statements, which resulted in issuing of liquor stock valued at ₹ 6.76 crore on credit basis, during July 2016 to March 2017.

The Company could only recover ₹ 1.88 crore out of the total dues of ₹ 11.57 crore (₹ 3.38 crore + ₹ 1.43 crore + ₹ 6.76 crore) until June 2020, leaving a balance of ₹ 9.69 crore.

The Management in its reply stated (September 2018) that FIRs have been lodged against the Depot In-charge and defrauding licensees and process of filing of civil suits has been initiated. Due to insufficient staff and rush of work, the Depot Managers had issued stock on the basis of duplicate UTRs produced by the retailer licensees. It was further stated that Online Payment System has been put in place w.e.f. 16 November 2016, after that such cases have been reduced.

The reply is not tenable as out of 84 cases of using same UTR in more than one depot, 47 cases pertain to period after implementation of Online Payment System. Similarly, out of 42 cases relating to fake / tampered UTRs, 41 were after the implementation of Online Payment System.

The matter was reported to the Government (September 2019); their reply was awaited (June 2020).

Recommendation: The Department may put in place a system of daily reconciliation of amount received digitally with the stock sold by the field units.

[76] Baddi, Bhattakufar, Taradevi, Nagrota, Jalgram, Mussewal, Raja-Ka-Bagh, Deonghat, Solan, Theog, Sundernagar and Hamirpur.

Himachal Pradesh State Forest Development Corporation Limited

5.32 Excess contribution of Employees Provident Fund

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

The Employees' Provident Funds (EPF) and Miscellaneous Provisions (Amendment) Act, 1988, revised the rates of employer's contribution to provident fund from 8.33 *per cent* and 10 *per cent* of wages to 10 *per cent*[77]and 12 *per cent*[78]respectively, through Act 10 of 1998 effective from 22 September 1997. In terms of Government of India (GoI) notification[79] dated 9 April 1997, the increased rate was not applicable, *inter alia*, to an establishment for which at the end of any financial year, accumulated loss has exceeded its entire net worth[80] and has also suffered cash loss[81] in such financial year and in the immediate preceding financial year.

Audit noticed (March 2019) that accumulated loss of the Himachal Pradesh State Forest Development Corporation Limited (Company) had exceeded its net worth in March 2014. During the years 2012-13 to 2017-18, the accumulated losses of the Company continued to remain in excess of its net worth and the Company also suffered cash losses. Thus, the Company was required to make employer's contribution to the provident fund at the rate of 10 *per cent* instead of 12 *per cent*. The Company, however, continued to make contributions at the rate of 12 *per cent* which resulted in excess contribution of ₹ 2.87 crore during 2013-14 to 2017-18.

The Management stated (November 2019) that the Company is contributing employer share towards Provident Fund of its employees at the rate of 12 *per cent* on restricted wages instead of factual wages. The reply of the Management is not tenable, as according to the notification of Government of India dated 9 April 1997, the company was required to make employer's contribution on maximum wages as prescribed under EPF Act and that too at the concessional rate of 10 *per cent* only.

The matter was reported to the Government (August 2019); their reply was awaited (September 2020).

Recommendation: The Company should ensure availing benefit of the concessional rates of contribution towards EPF.

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77 As per Section 6 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Act), the lower rate of employer's contribution (viz. 10 *per cent*) was applicable in respect of all establishments other than those covered under the first proviso to Section 6.

78 The first proviso to Section 6 of the Act provided that the Central Government after making such enquiry as it deems fit, may by notification in the Official Gazette specify, that the rate of employer's contribution in respect of an establishment or class of establishments shall be 12 *per cent* instead of 10 *per cent*.

79 Notification no. SO 320 (E) dated 1 May 1997 of Government of India issued in exercise of the powers conferred by the first proviso to Section 6 of the Act.

80 Paid up capital plus free reserves and surplus less intangible assets.

81 Loss without providing for depreciation.

Himachal Pradesh General Industries Corporation Limited

5.33 Financial favour to employees

The Company paid ₹ 58.20 lakh as Bonus to its employees, against admissible amount of ₹ 12.76 lakh as per provisions of the Bonus Act.

As per the provisions[82] of the Payment of Bonus Act, 1965 (Act) as amended in 2015, applicable to every factory and other establishment in which twenty or more persons are employed on any day during the accounting year, every employer shall pay a minimum bonus of 8.33 *per cent* of the salary/ wage[83] to each of its employees in the accounting year. If the allocable surplus exceeds the amount of minimum bonus payable in any accounting year, the employer shall pay an amount in proportion to the salary/ wage of the employee subject to a maximum of 20 *per cent* of such salary or wage. In case, the salary/ wage of the employee exceeds ₹ 7,000 per month, the bonus would be calculated only on the basis of either ₹ 7,000 per month or minimum wages[84], whichever is higher. However, bonus is not payable to an employee, if his salary/ wage exceeds ₹ 21,000 per month.

Audit observed (July 2017) that the Company had not formulated separate policy for regulating incentive / bonus to its employees, hence, the provisions of the Payment of Bonus Act, 1965 (Act) as amended in 2015 were applicable to the Company. However, during 2015-17, the Company paid bonus to all the employees including its Managing Director[85] (MD), irrespective of the amount of salaries, with maximum ceiling of ₹ 25,000. The Company paid ₹ 58.20 lakh bonus to its all employees including MD, against the admissible amount of ₹ 12.76 lakh, as per provisions of the Bonus Act, despite the fact that the MD was holding additional charge of the Company and had not drawn salary from the Company even for a single month during 2015-17. This had resulted in extension of undue financial favour of ₹ 45.44 lakh to the employees.

The Management stated (September 2017) that the bonus was paid to the employees and workers as per the decision of the Board of Directors (BoD) in view of the profitability of the Company and also keeping in view the fact that majority of employees of the Company are outside the limit of Bonus Act. It was further stated that the payment has been restricted at the rate of 20 *per cent* of pay subject to maximum bonus of ₹ 25,000.

The reply is not tenable as the BoD is not competent to take the decision *ultra-vires* to the Bonus Act. The maximum ceiling under the Act is 20 *per cent* of ₹ 7,000/- per month or minimum wages[86], whichever is higher and only for employees drawing pay less than ₹ 21,000/- per month. Moreover, the Management has accepted the fact that to extend the favour to the employees outside the limit of Bonus Act, the decision was taken.

The matter was reported to the Government (June 2019); their reply was awaited (September 2020).

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[82] Clause 8, 9, 11 and 12.
[83] All remuneration and allowances except for overtime work.
[84] Minimum wages for the category fixed by the Government from time to time.
[85] MD had drawn salary of ₹ 74,683 only for 14 days during 2015-17 i.e. from 3 June 2015 to 16 June 2015.
[86] Minimum wages for Industrial workers was ₹ 6,300/- per month.

Himachal Pradesh Road and Other Infrastructure Development Corporation

5.34 Extra expenditure of ₹ 47.19 lakh

The Company incurred extra expenditure of ₹47.19 lakh on execution of 2,62,163 cubic metre excavation due to injudicious determination of the rate for increased quantity, by applying higher per hour rate for the excavator.

The Company awarded (October 2013) a work [87] for up-gradation (widening and strengthening) of Theog-Rohru road (National Highway) under the Himachal Pradesh State Roads Project (HPSRP) assisted by the International Bank for Reconstruction and Development (World Bank).

As per the terms and conditions of the contract, for the quantity executed beyond 125 *per cent* of Bill of Quantity (BoQ), the contractor was to be paid at the new rates quoted by him, subject to reasonability ascertained by the Company.

Audit observed that the Company, while approving the new rate for extra item-2 'Construction of sub-grade with approved material- boulder mix, obtained from roadway excavation' had considered the rate of hydraulic excavator as ₹ 1,518 per hour only. Whereas, while determining the new rate for payment of increased quantity beyond 125 *per cent* of the quantity provided in BoQ for roadway excavation and drainage (item 2.01), the Company in contradiction of it's own decision had provided the higher rate of ₹ 1,609 for the same hydraulic excavator for which a lower rate of ₹ 1,518 per hour was provided for another item-2 (Construction of sub-grade with approved material – boulder mix, obtained from roadway excavation) in the same contract.

Had the rate of hydraulic excavator been considered at ₹ 1,518 per hour, the rate of excavation would have been worked out to ₹ 329 per cubic metre against which the rate of ₹ 347 per cubic metre, at which the contractor was paid.

Thus, due to injudicious determination of the rate for increased quantity, by applying higher per hour rate for the hydraulic excavator, the Company incurred extra expenditure of ₹ 47.19 lakh[88] on 2,62,163 cubic metre excavation carried out, during the period between January 2017 and October 2017.

The Government stated (June 2020) that the six *per cent* increase in per hour rate of hydraulic excavator operating in hilly area was considered as an average increase for altitude of 2100 metre to 3000 metre. The reply is not justified as two sets of rates for same machinery in the same stretch and similar altitude are not acceptable.

Recommendation: The Company should put in place the internal control mechanism for analysis of rates of items uniformly.

[87] Under two separate packages (ICB 5-I: Theog- Khara Patthar and NCB-05-II: Khara Patthar to Rohru to C and C Constructions {contractor}).

[88] 2,62,163 cubic metres ₹ 18 (₹ 347-₹ 329) = ₹ 47,18,934 (i.e. ₹ 47.19 lakh).

Himachal Road Transport Corporation

5.35 Non affixing of FASTag–Non-availing of cash back

The Company could not avail cash back of ₹60.51 lakh on the toll fee paid by its buses, due to non-purchase and affixing of FASTags.

The National Highway Authority of India (NHAI) rolled out a program for electronic toll collection at toll plazas on national highways called FASTag[89] which was effective from 25 April 2016 and has the validity of five years. For availing this facility, FASTags were to be purchased at a cost of ₹ 500 each and affixed on each bus passing through the toll plazas. To promote the usage of FASTags, the Government offered cash back of 10 *per cent*, 7.5 *per cent* and five *per cent* for the financial years 2016-17, 2017-18 and 2018-19, respectively for all the transactions at all the National Highway Toll plazas, under the control of NHAI.

One time charges for purchase of one FASTag for a bus was ₹ 400 and with ₹ 100 as joining fee i.e. ₹ 500 per bus. Additionally, for operating the FASTags, minimum of ₹ 300 per bus was required to be maintained in the current account to be operated for the purpose.

The Himachal Road Transport Corporation (Company) was running buses on various routes passing through the National Highways. It was noticed that the Company did not purchase the FASTags for its buses and was making cash payment of toll tax at five[90] toll plazas. In the absence of FASTags, 20 Regional offices of the Corporation incurred an expenditure of ₹ 2.88 crore, ₹ 4.14 crore and ₹ 3.92 crore as toll fee at above mentioned toll plazas during 2016-17, 2017-18 and 2018-19 (upto 31 December 2018) respectively. Had the Company purchased and affixed the FASTags on its buses, it could have earned cash back of ₹ 79.46 lakh[91]. It is pertinent to mention here that other state transport corporations such as Haryana Roadways and Chandigarh Transport Undertaking had affixed the FASTags on their buses and were earning cash back on toll fee. Even after taking into consideration the onetime charges of ₹ 16.00 lakh[92] for the entire fleet and interest charges of ₹ 2.95 lakh[93] on minimum balance of ₹ 9.60 lakh for 3,200 buses to be maintained in the current account, the net benefit of ₹ 60.51 lakh would have been available.

Thus, due to non-purchase and affixing of FASTags on the buses, the Company could not avail cash back of ₹ 60.51 lakh, on the payment of toll fee paid during 2016-19.

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89 FASTag is an electronic toll collection system in India, operated by the National Highway Authority of India (NHAI). It employs Radio Frequency Identification (RFID) technology for making toll payments directly from the prepaid or savings account linked to it and lets you pass through the toll plaza without stopping for the cash transaction.

90 Kurali-Kiratpur, Chandi Mandir, Dappar, Panipat and Bhagan.

91 Toll paid ₹ 2.88 crore (2016-17) x 10 per cent + ₹ 4.14 crore x 7.5 per cent (2017-18) + ₹ 3.92 crore x 5 per cent = ₹ 79.46 lakh.

92 3200 x ₹ 500 = ₹ 16,00,000/-.

93 ₹ 9,60,000 x 10.25 *per cent* x 3 years.

The Management stated (October 2020) that the FASTags have been affixed after June 2019 on all the buses plying on interstate routes.

The matter was reported to the Government (January 2020); their reply was awaited (September 2020).

5.36 Non-availing of discount

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

The Himachal Road Transport Corporation (Company) entered into an agreement (September 2015) with M/s Indian Oil Corporation Limited (IOCL) for supply of High Speed Diesel (HSD) with discount of ₹ 1,050 per Kilo Litre (KL) on monthly basis for entire quantity of HSD supplied to the Company, during a month. Clause 12(d) of the agreement stipulated that in the event of any firm commitment from any other oil company to the Company for lesser rates of HSD than the seller, the Company shall call the authorized representative of the IOCL (seller) for negotiation for reducing the price of HSD to a competitive level. In case the seller fails to reduce the price of HSD at comparative level, the Company will be at liberty to terminate the agreement, after giving one month's notice to the seller. A similar Memorandum of Understanding (MoU) was signed by the Company with M/s Bharat Petroleum Corporation Ltd. (BPCL) on 7 November 2015 to supply HSD on same discount as offered by IOCL on supply of HSD to the Company. The MoU was effective from 1 October 2015.

Audit noticed that M/s BPCL allowed discount of ₹ 1,050 per KL to the buyer before levy of Value-Added Tax (VAT) at the rate of 16 *per cent* with effect from 1 October 2015. Thus, the effective discount was ₹ 1,218 (₹ 1,050 + 16 *per cent* VAT) per KL, whereas, M/s IOCL, up to 30 June 2017, had allowed discount after levy of VAT, resultantly the Company had to bear VAT of ₹ 168 per KL (₹ 1,218 - ₹ 1,050) on the discount allowed by M/S IOCL. The units of the Company did not notice it timely and consequentially the Management could not take up the matter with M/s IOCL for allowing discount before levy of VAT in their invoices from October 2015 to June 2017. The Company purchased 82,878.84 KL of HSD from M/s IOCL during this period and incurred excess expenditure of ₹ 1.39 crore (82,878.84 KL x ₹ 168 = ₹ 1,39,23,645) due to availing of amount of discount after levy of VAT instead of before VAT, as was being allowed by M/s BPCL. Thus, failure of the Management in monitoring the actual discount being provided by each oil company had resulted in excess expenditure of ₹ 1.39 crore.

The Management in its reply stated (October 2020) that no firm (including M/s BPCL) has committed any offer to supply HSD at lesser rates than M/s IOCL as such there was no failure on the part of the Management. The reply was not acceptable as in the MOU signed with M/s BPCL it was clearly mentioned that the discount will be allowed before VAT, thus, the effective rate of HSD was lesser than the rate of M/s IOCL. As such, the Management failed to negotiate the matter with M/s IOCL to allow discount before VAT in terms of clause 12(d) of the MOU.

The matter was reported to the Government (January 2020); their reply was awaited (September 2020).

Recommendation: The Company should ensure that comparison of costs across agencies is done to safeguard its financial interests.

Shimla
The 09 March 2021

(RITU DHILLON)
Pr. Accountant General (Audit),
Himachal Pradesh

Countersigned

New Delhi
The 23 March 2021

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Appendices

Appendix 1.1

(Referred to in paragraph 1.1 and 1.1.2)

Trend of revenue receipts

(₹ in crore)

Details of Share of net proceeds of divisible Union taxes and duties		
S. No.	**Major Receipt Head**	**Actual Amount**
1.	0005-901-Central Goods and Services Tax	1,340.15
2.	0008-901- Integrated Goods and Services Tax	107.00
3.	0020-901-Corporation Tax	1,888.31
4.	0021-901-Taxes on Income other than Corporation Tax	1,390.66
5.	0028-901-Other Taxes on Income and Expenditure	9.83
6.	0032-901-Taxes on Wealth	0.69
7.	0037-901-Customs	384.89
8.	0038-901-Union Excise Duties	255.78
9.	0044-901-Service Tax	49.66
	Grand Total	**5,426.97**

Appendix 1.2

(Referred to in paragraph 1.1 and 1.1.2)

Trend of revenue receipts

(₹ in crore)

Details of Other Non-Tax Revenue Receipts			
S. No.	**Major Receipt Head**	**Budget estimate**	**Actual Amount**
1.	0050-Dividends and Profit	116.62	181.92
2.	0051- Public Service Commission	11.60	13.86
3.	0056- Jail	0.26	0.29
4.	0057- Supplies and Disposals	0.04	0.11
5.	0058- Stationery and Printing	7.67	11.30
6.	0071-Contributions and Recoveries towards Pension and other	9.96	27.60
7.	0075-Miscellaneous general services	2.64	20.76
8.	0202-Education, Sports, Art and culture	232.88	214.59
9.	0210- Medical and public health	10.88	12.02
10.	0211- Family Welfare	0.04	0.03
11.	0215-Water supply and Sanitation	58.15	62.13
12.	0216-Housing	5.01	3.64
13.	0217-Urban Development	8.64	4.29
14.	0220-Information and Publicity	2.05	2.08
15.	0230-Labour and Employment	8.71	7.99
16.	0235-Social Security and Welfare	8.71	9.61
17.	0250- Other Social Services	0.04	0.01
18.	0401-Crop Husbandry	6.76	10.94
19.	0403-Animal Husbandry	1.06	1.18
20.	0405-Fisheries	3.96	3.38
21.	0407-Plantation	0.02	0.01
22.	0408-Food Storage and Warehousing	0.07	98.37
23.	0425-Co-operation	3.60	24.65
24.	0435-Other Agricultural Programmes	0.61	0.52
25.	0515-Other Rural Development Programmes	3.17	5.18
26.	0575-Other Social Areas Programmes	0.53	0.18
27.	0700-Major irrigation	0.64	0.12
28.	0701-Medium irrigation	0.49	0.07
29.	0702-Minor Irrigation	1.85	0.84
30.	0851-Village and Small Industries	0.52	0.93
31.	0852-Industries	3.60	8.69
32.	1054-Roads and Bridges	17.52	80.72
33.	1055-Road Transport	0.43	0.38
34.	1425-Other Scientific Research	0.01	0.00
35.	1452-Tourism	2.03	1.33
36.	1456-Civil Supplies	0.07	0.07
37.	1475-Other General Economic Services	6.73	8.51
	Grand Total	**537.57**	**818.30**

Appendix 1.3

(Referred to in paragraph 1.7.1)

Inspection Reports

Details of Other Non-Tax Revenue Receipts												
Year	**Opening Balance**			**Addition during the year**			**Clearance during the year**			**Closing balance during**		
	IRs	**Para**	**MV (₹ in crore)**	**IRs**	**Para**	**MV (₹ in crore)**	**IRs**	**Para**	**MV (₹ in crore)**	**IRs**	**Para**	**MV (₹ in crore)**
2009-10	619	1910	28.53	62	203	66.51	54	140	54.47	627	1973	40.57
2010-11	627	1973	0.57	55	214	30.97	15	101	23.55	667	2086	47.99
2011-12	667	2086	47.99	53	252	23.32	29	131	8.06	691	2207	63.25
2012-13	691	2207	63.25	39	206	32.88	51	164	26.52	679	2249	69.61
2013-14	679	2249	69.61	39	208	123.06	74	180	10.68	644	2277	181.99
2014-15	644	2277	181.99	36	176	57.65	50	62	1.11	630	2391	238.53
2015-16	630	2391	238.53	44	227	59.81	01	05	1.50	673	2613	296.84
2016-17	673	2613	296.84	30	221	29.16	34	286	48.60	669	2548	277.4
2017-18	669	2548	277.4	41	197	44.19	15	147	22.17	695	2598	299.42
2018-19	695	2598	299.42	40	291	51.80	13	195	38.93	722	2694	312.29

Note: IRs: Inspection Report; Para: Paragraph and MV: Money Value

Appendix 1.4

(Referred to in paragraph 1.7.2)

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 2019
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
2015-16	03	5.71	02	4.18	0.27	1.08
2016-17	02	28.05	02	28.05	0.90	0.94
2017-18	02	31.88	02	31.88	0.36	-
Total	**45**	**235.73**	**37**	**179.88**	**8.8**	**84.25**

* ATNs related to paras mentioned in Audit Report 2017-18 have not received (September 2020).

Appendix 2.1

(Referred to in paragraph 2.5.1)

Grants of concessions without statutory forms-C forms

(Amount in ₹)

Acceptance of invalid and defective statutory "C" forms								
Sr. No.	**Name of unit**	**Year of assessment/Date of assessment**	**Gross Turnover of the assesses**	**Amounts involved in Invalid 'C' forms**	**Tax short Levied**	**Interest leviable u/s 19 (i) of HP VAT Act upto March 2019**	**Total**	**Reasons for rejection of the forms**
1	AETC Baddi	2012-13/ 22.11.17	44,00,55,796	66,82,160	8,51,975	9,03,094	17,55,069	Two forms were not pertaining to assessment years
		2012-13/ 14.08.17	43,84,94,673	10,27,32,025	30,81,961	32,66,878	63,48,839	from online verification, 19 forms found invalid
		2013-14/ 27.12.17	4,30,01,105	70,55,976	8,64,357	7,60,634	16,24,991	one form was not in assessment year
2	AETC Solan	2011-12/ 29.09.17	95,56,860	4,49,652	57,331	71,090	1,28,421	one form was counterfoil
		2013-14/ 29.09.17	23,14,49,186	11,50,034	40,251	50,515	90,766	In three forms, cutting and overwriting found
				20,34,706	71,215	90,443	1,61,657	
				11,17,420	39,110	50,256	89,366	
3	AETC Una	2009-10/ 14.06.17	27,26,62,540	10,92,618	1,25,651	2,01,042	3,26,693	One form was for more than one quarter
		Total	**1,43,52,20,160**	**12,23,14,591**	**51,31,851**	**53,93,952**	**1,05,25,803**	

Appendix 2.2

(Referred to in paragraph 2.5.2)

Grants of concessions without statutory forms-F forms

(Amount in ₹)

Acceptance of invalid and defective statutory "F" forms								
Sr. No.	**Name of unit**	**Year of assessment/Date of assessment**	**Gross Turnover of the assesses**	**Sales made against forms F**	**Tax leviable**	**Interest leviable u/s 19 (i) of HP VAT Act**	**Total**	**Reasons for rejection of the forms**
1	AETC Solan	2014-15/ 30.10.17	20,51,41,29,109	1,12,902	5645	3,952	9,597	One form was for more than one calendar month
		2009-10/ 14.03.18	2,89,22,254	25,84,984	3,23,123	5,16,997	8,40120	One form was counterfoil
		2010-11/ 14.03.18	13,18,24,248	1,58,66,221	19,83,278	28,16,254	47,99,532	Four forms were counterfoil
				1,76,96,084	22,12,011	31,41,055	53,53,065	
				66,72,039	8,34,005	11,84,287	20,18,292	
				2,46,55,654	30,81,957	43,76,379	74,58,335	
Total			**20,67,48,75,611**	**6,75,87,884**	**84,40,018**	**1,20,38,923**	**2,04,78,941**	

Appendix 2.3

(Referred to in paragraph 2.23.4.1)

Non-claiming of royalty and interest on delayed payment of royalty-resin

(Amount in ₹)

1	Loss of revenue due to non/short realization of resin royalty and interest											
2	**Loss of revenue due to non/short realization of differential amount (on resin royalty) and interest**											
Sr. No.	**Name of division**	**Year**	**Total No of Blazes**	**Total royalty as per**		**Royalty**		**Interest on royalty due**	**Differential amount#**			**Interest on due differential amount***
				Tentative rates	**Final rates**	**Realised**	**Due**		**Differential amount#**	**Realised**	**Due**	
	A	*B*	*C*	*D*	*E*	*F*	*G*	*H*	*I*	*J*	*K*	*L*
1	**Bilaspur**	2014-2017	1,40,572	81,73,970	87,03,941	51,68,484	30,05,486	6,98,567	7,06,653	0	7,06,653	1,13,839
2	**Kotgarh**	2013-2016	31,316	17,68,258	19,43,250	10,03,795	7,64,463	1,60,631	2,18,182	2,18,182	0	11,828
3	**Mandi**	2014-2017	5,51,303	3,13,14,082	3,29,40,476	1,90,55,765	122,58,317	19,48,921	22,42,564	0	22,42,564	3,61,268
4	**Theog**	2014-2016	16,858	10,00,244	11,13,846	6,26,010	3,74,234	1,11,796	1,36,082	1,36,082	0	12,052
5	**Una**	2013-2016	97,374	52,82,700	59,76,100	26,41,185	26,41,515	3,91,149	7,97,700	7,97,702	0	42,722
Total			**8,37,423**	**4,75,39,254**	**5,06,77,613**	**2,84,95,239**	**1,90,44,015**	**33,11,064**	**41,01,181**	**11,51,966**	**29,49,217**	**5,41,709**

*Interest accrued on late payment of differential amount for Kotgarh, Theog and Una

#The differential amounts pertain to 2013-14 and 2014-15 only and the variation was due to final rate is lesser than tentative rates for 2016-17 and 2017-18

Tentative Rate	2013-14/45	2014-15/58	2015-16/65	2016-17/56	2017-18/51
Final Rate	2013-14/58.78	2014-15/75.30	2015-16/65	2016-17/51	2017-18/50

Royalty Payable	D+I	5,16,40,435
Royalty Paid	F+J	2,96,47,205
Royalty Due	G+K	2,19,93,232
Interest	H+L	38,52,773

Appendix 2.4

(Referred to in paragraph 2.23.4.2)

Non-claiming of royalty and interest on delayed payment of royalty-Timber

(Amount in ₹)

Loss of revenue due to non/short realisation of timber royalty and interest thereof							
Sr. No.	**Name of Division (DFO)**	**Year**	**Total no. of lots**	**Total royalty (Due)**	**Royalty received**	**Balance to be realized**	**Interest**
1	**Theog**	2014-15 to 2016-17	46	8,46,27,947	1,32,76,211	7,13,51,736	81,74,561
2	**Paonta Sahib**	2014-15 to 2016-17	63	5,44,84,121	63,98,331	4,80,85,790	77,14,057
3	**Una**	2016-17	43	50,97,515	25,19,090	25,78,425	1,98,649
4	**Ani at Luhri**	2015-18	28	76,12,663	32,31,552	43,81,111	7,61,294
5	**Bilaspur**	2016-18	86	1,23,61,161	67,10,025	56,51,136	18,25,054
6	**Churah at Salooni**	2017-18	20	1,18,03,120	20,29,094	97,74,026	14,42,184
7	**Kinnaur at ReckongPeo**	2015-18	06	31,82,013	2,05,676	29,76,337	7,00,138
8	**Kotgarh**	2015-18	34	78,01,969	3,95,331	74,06,638	13,25,894
9	**Kunihar**	2016-18	11	19,73,678	9,86,837	9,86,841	1,50,257
10	**Nalagarh**	2016-18	17	45,49,783	34,91,187	10,58,596	1,97,461
11	**Palampur**	2016-18	15	12,57,117	6,28,554	6,28,563	95,705
12	**Solan**	2016-18	13	25,25,115	3,01,471	22,23,644	208,971
Total			**382**	**19,72,76,202**	**4,01,73,359**	**15,71,02,843**	**2,27,94,225**

Appendix 3.1

(Referred to in paragraph 3.1.1 of Introduction)

Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest finalised financial statements

(Figures in column 5 to 12 are ₹ in crore)

Sl. No.	Sector/ Name of the company	Period of accounts	Year in which accounts finalised	Paid-up capital	Long term loans outstanding	Accumulated profit (+)/ Loss (-)	Turnover	Net Profit(+)/ Loss(-) before dividend, tax and interest	Net impact of audit comments[1]	Investment	Return on Investment	Manpower	Interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A. WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1	Himachal Pradesh Agro Industries Corporation Limited	2017-18	2018-19	18.85	12.98	- 14.25	58.64	3.06	0.97	31.83	0.10	52	0.08
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2017-18	2018-19	38.77	35.55	- 86.55	68.99	- 3.24	- 0.19	74.32	- 0.04	203	2.07
3	Himachal Pradesh State Forest Development Corporation Limited	2015-16	2018-19	11.71	-	- 63.02	149.70	- 10.27	- 9.44	11.71	- 0.88	1636	3.14
	Sector-wise Total:			**69.33**	**48.53**	**- 163.82**	**277.33**	**- 10.45**	**- 8.66**	**117.86**	**- 0.82**	**1891**	**5.29**
FINANCE													
4	Himachal Backward Classes Finance and Development Corporation	2013-14	2017-18	13.00	-	7.36	2.73	1.07	- 3.46	33.36	0.03	18	0.35
5	Himachal Pradesh MahilaVikas Nigam	2014-15	2017-18	12.51	-	1.50	0.67	0.28	- 0.08	9.94	0.03	5	-
6	Himachal Pradesh Minorities Finance and Development Corporation	2013-14	2016-17	13.02	-	- 4.77	0.68	0.42	0.09	20.58	0.02	9	0.39
	Sector-wise Total:			**38.53**	**-**	**4.09**	**4.08**	**1.77**	**- 3.45**	**63.88**	**0.08**	**32**	**0.74**
INFRASTRUCTURE													
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2018-19	2018-19	25.00	-	-	-	-	-	25.00	-	2	0.35
8	Himachal Pradesh State Industrial Development Corporation Limited	2017-18	2018-19	30.82	-	50.55	44.93	19.85	-	81.37	0.24	159	-
9	Dharamshala Smart City Limited	2016-17	2018-19	0.0003	-	-	-	-	-	0.0003	-	14	-
10	Shimla Smart City Limited	-	-	-	-	-	-	-	-	-	-	11	-
	Sector-wise Total:			**55.8203**	**-**	**50.55**	**44.93**	**19.85**	**-**	**106.37**	**0.24**	**186**	**0.35**
MANUFACTURE													
11	Himachal Pradesh General Industries Corporation Limited	2017-18	2018-19	7.16	5.04	26.11	51.88	9.33	- 1.02	33.27	0.28	111	0.21
	Sector-wise Total:			**7.16**	**5.04**	**26.11**	**51.88**	**9.33**	**- 1.02**	**33.27**	**0.28**	**111**	**0.21**
SERVICE													
12	Himachal Pradesh State Civil Supplies Corporation Limited	2017-18	2018-19	3.51	-	33.95	1245.96	1.99	14.83	37.46	0.05	801	0.12
13	Himachal Pradesh State Electronics Development Corporation Limited	2017-18	2018-19	3.72	0.55	6.25	51.47	0.80	-	10.52	0.08	44	-

(Figures in column 5 to 12 are ₹ in crore)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
14	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2017-18	2018-19	9.25	-	- 15.24	30.84	0.55	- 0.41	- 5.99	- 0.01	36	0.02
15	Himachal Pradesh Tourism Development Corporation Limited	2015-16	2016-17	12.30	-	- 22.08	90.89	2.05	0.09	- 9.78	- 0.21	1747	0.31
16	Himachal Pradesh Kaushal Vikas Nigam	2016-17	2017-18	0.07	-	0.12	-	0.09	- 0.01	0.13	0.71	30	-
17	Himachal Consultancy Organisation Limited	2017-18	2018-19	0.18	-	1.52	4.42	- 0.82	-	1.70	- 0.48	20	-
18	Shimla Jal Prabhandhan Nigam Limited	-	-	-	-	-	-	-	-	-	-	329	-
	Sector-wise Total:			**29.03**	**0.55**	**4.52**	**1423.58**	**4.66**	**14.50**	**34.04**	**0.14**	**3007**	**0.45**
	Total A (All sector-wise Working Government Companies)			**199.87**	**54.12**	**- 78.55**	**1801.80**	**25.16**	**1.37**	**355.42**	**- 0.18**	**5227**	**7.04**
	POWER												
1	Beas Valley Power Corporation Limited	2017-18	2018-19	300.00	1,153.20	-	-	-	-	1,453.20	-	142	-
2	Himachal Pradesh Power Corporation Limited	2016-17	2018-19	1,670.90	1,924.07	- 36.87	14.71	- 32.35	- 0.92	3,558.10	- 0.01	555	-
3	Himachal Pradesh Power Transmission Corporation Limited	2017-18	2018-19	286.45	728.13	- 12.14	19.31	- 8.02	- 1.45	1,002.44	- 0.01	195	-
4	Himachal Pradesh State Electricity Board Limited	2016-17	2018-19	653.28	4,561.64	- 2,043.85	6,291.54	-44.21	- 17.27	3,,171.17	- 0.01	19,911	503.35
	Sector-wise Total:			**2,910.63**	**8,367.04**	**- 2,092.86**	**6,325.56**	**- 84.58**	**- 19.64**	**9,184.91**	**- 0.03**	**20,803**	**503.35**
	Total A (All sector-wise including power Sector)			**3,110.50**	**8,421.16**	**- 2,171.41**	**8,127.36**	**- 59.42**	**- 18.27**	**9,540.33**	**- 0.21**	**26,030**	**510.39**
	B. STATUTORY CORPORATIONS												
	FINANCING												
1	Himachal Pradesh Financial Corporation	2017-18	2018-19	99.57	123.00	-166.56	2.55	- 5.50	0.36	222.57	- 0.01	38	7.62
	Sector-wise Total:			**99.57**	**123.00**	**-166.56**	**2.55**	**- 5.50**	**0.36**	**222.57**	**- 0.01**	**38**	**7.62**
	SERVICE												
2	Himachal Road Transport Corporation	2017-18	2018-19	720.49	201.25	-1,232.48	1,052.08	- 118.57	- 18.99	921.74	- 0.13	10,279	26.04
	Sector-wise Total:			**720.49**	**201.25**	**- 1,232.48**	**1,052.08**	**- 118.57**	**- 18.99**	**921.74**	**- 0.13**	**10,279**	**26.04**
	Total B (All sector-wise Working Statutory corporations)			**820.06**	**324.25**	**- 1,399.04**	**1,054.63**	**- 124.07**	**- 18.63**	**1144.31**	**- 0.14**	**10,317**	**33.66**
	Grand Total (A + B)			**3,930.56**	**8,745.41**	**- 3,570.45**	**9,181.99**	**- 183.49**	**- 36.90**	**10,684.64**	**- 0.35**	**36,347**	**544.05**
	C. INACTIVE GOVERNMENT COMPANIES												
	AGRICULTURE AND ALLIED												
1	Agro Industrial Packaging India Limited	2013-14	2014-15	17.72	60.15	- 78.23	-	- 0.04	- 5.58	77.87	- 0.04	1	-
	Sector-wise Total:			**17.72**	**60.15**	**- 78.23**	**-**	**- 0.04**	**- 5.58**	**77.87**	**- 0.04**	**1**	**-**
	MANUFACTURE												
2	Himachal Worsted Mills Limited	2000-01	2001-02	0.92	-	- 5.44	-	- 0.01	-	0.92	- 0.01	-	
	Sector-wise Total:			**0.92**	**-**	**- 5.44**	**-**	**- 0.01**	**-**	**0.92**	**- 0.01**	**-**	**-**
	SERVICE												
3	Himachal Pradesh Beverages Limited	2016-17	2018-19	1.00	-	-	543.97	14.27	- 13.89	1.00	14.27	15	-
	Total C (All sector-wise Inactive Government companies)			**19.64**	**60.15**	**- 83.67**	**543.97**	**14.22**	**- 19.47**	**79.79**	**14.22**	**16**	**-**
	Grand Total (A+B+C)			**3,950.20**	**8,805.56**	**- 3,654.12**	**9,725.96**	**- 169.27**	**- 56.37**	**10,764.43**	**13.87**	**36,363**	**544.05**

1. Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.
2. Investment represents paid up capital, free reserves and long term borrowings.
3. Return on Investment has been worked out by dividing net profit / loss before dividend, tax and interest by Investment.
4. Excess of expenditure over income is reimbursable by the State Government.
5. Beas Valley Power Corporation Limited at serial No. A-11 has not prepared its profit and loss account.

Appendix 4.1

(Referred to in paragraphs 4.8, 4.9 and 4.13)

Summarised financial results of Power Sector Undertakings for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Activity and Name of the Power Sector Undertaking	Period of accounts	Net profit/ loss before interest and tax	Net profit/ loss after interest and tax	Turn over	Paid up capital	Long term Loan	Capital Employed	Net Worth[1]	Accumulated Profit/ loss
A. Generation										
1	Himachal Pradesh Power Corporation Limited	2016-17	- 32.35	- 32.35	14.71	1,670.90	1,181.72	3,558.10	1,634.03	- 36.87
		Sub-Total	**- 32.35**	**- 32.35**	**14.71**	**1,670.90**	**1,181.72**	**3,558.10**	**1,634.03**	**- 36.87**
B. Transmission										
2	Himachal Pradesh Power Transmission Corporation Limited	2017-18	- 8.02	- 6.72	19.31	286.45	728.13	1,002.44	274.31	- 12.14
		Sub-Total	**- 8.02**	**- 6.72**	**19.31**	**286.45**	**728.13**	**1,002.44**	**274.31**	**- 12.14**
C. Distribution										
3	Himachal Pradesh State Electricity Board Limited	2016-17	- 44.21	- 44.21	6,291.54	653.28	4,561.64	3,171.07	- 1,390.57	- 2,043.85
		Sub-Total	**- 44.21**	**- 44.21**	**6,291.54**	**653.28**	**4,561.64**	**3,171.07**	**- 1,390.57**	**- 2,043.85**
D. Others										
4	Beas Valley Power Corporation Limited	2017-18	-	-	-	300.00	933.40	1453.20	300.00	-
		Sub-Total	**-**	**-**	**-**	**300.00**	**933.40**	**1453.20**	**300.00**	**-**
		Grand Total	**- 84.58**	**- 83.28**	**6,325.56**	**2,910.63**	**7,404.89**	**9,184.81**	**817.77**	**- 2,092.86**

[1] Net worth is the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure.

Appendix 4.2

(Referred to in paragraph 4.12)

Statement showing State Government funds infused in the power sector undertakings since inception till 31 March 2019

(₹ in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Himachal Pradesh Power Corporation Limited																			
Equity	-	-	-	-	-	-	79.71	241.32	140.61	75.76	41.80	129.26	252.67	150.50	60.00	160.30	174.66	160.00	**1666.59**
Disinvestment	-	-	-	-	-	-	-	-	-	-	-428.45	-	-	-550.00	-	-	-	-	**-978.45**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IFL converted into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Himachal Pradesh Power Transmission Corporation Limited																			
Equity	-	-	-	-	-	-	-	11.00	45.70	60.00	50.00	5.78	8.00	25.96	32.79	19.51	27.71	40.00	**326.45**
Disinvestment	-	-	-	-	-	-	-	-	-	-	-108.70	-	-	-	-	-	-	-	**-108.70**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IFL converted into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Himachal Pradesh State Electricity Board Limited																			
Equity	-	-	-	-	-	-	-	-	-	396.53	-	50.00	31.75	75.00	50.00	50.00	17.27	50.00	**720.55**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IFL converted into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**79.71**	**252.32**	**186.31**	**532.29**	**- 445.35**	**185.04**	**292.42**	**- 298.54**	**142.79**	**229.81**	**219.64**	**250.00**	**1,626.44**

* This shows net investment/ equity net of accumulated losses invested by GoHP

Appendix 4.3

(Referred to in paragraph 4.26.1)

Statement showing year of installation and installed capacity of 22 Hydro Generating Stations

(In megawatt)

Sl. No.	Project name	Year of installation	Installed capacity
Hydro Generating Stations			
1	Larji	2006-07	126.00
2	SVP, Bhaba	1989	120.00
3	Bassi	1970 and 81 uprated during 2012-13	66.00
4	Giri	1978	60.00
5	Ghanvi-I	2000	22.50
6	Andhra	1987	16.95
7	Baner	1996	12.00
8	Khauli	2007	12.00
9	Gaj	1996	10.50
10	Ghanvi-II	2014	10.00
11	Binwa	1984	6.00
12	Thirot	1995-96	4.50
13	Bhaba Aug. PH	2011	4.50
14	Gumma	2000	3.00
15	Nogli	1963, 1969-70 and 1974	2.50
16	Rongtong	1986 and 1987	2.00
17	Sal-II	1999	2.00
18	Chaba	1913 and 1919	1.75
19	Rukti	1979 and 1980	1.50
20	Buri Singh Power House	1938 and 1985	0.45
21	Killar	1995-96	0.30
22	Holi	2004	3.00
Grand Total			**487.45**

Appendix 4.4

(Referred to in paragraph 4.26.8(ii))

Statement showing excess auxiliary consumption

Statement showing excess auxiliary consumption																
Name of Project	**Installed Capacity**	**Category of plant**	**Norms (per cent)**	**Generation during the last three years (MUs)**			**Auxiliary(MUs)**			**Auxiliary during the last three years (in *per cent*)**			**Excess Auxiliary consumption (MUs)**			**Total**
				2016-17	**2017-18**	**2018-19**	**2016-17**	**2017-18**	**2018-19**	**2016-17**	**2017-18**	**2018-19**	**2016-17**	**2017-18**	**2018-19**	**2016-19**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**
BHABA	120.00	UG and SE	0.700	187.44	493.57	591.47	1.03	2.63	2.99	0.55	0.53	0.51				
GHANVI-I	22.50	UG and SE	0.700	85.13	78.39	85.12	0.24	0.23	0.27	0.28	0.29	0.32				
RUKTI	1.50	S and RE	0.200	1.08	2.42	2.62	0.03	0.05	0.05	2.78	2.06	1.91	0.027844	0.045156	0.044764	0.117764
LARJI	126.00	UG and SE	0.700	611.67	610.35	596.75	0.91	1.10	1.20	0.15	0.18	0.20				
GIRI	60.00	S and RE	0.200	140.59	169.86	215.18	0.717	0.737	0.795	0.51	0.43	0.37	0.435828	0.397272	0.36464	1.19774
GUMMA	3.00	S and RE	0.200	4.63	5.04	5.71	0.04	0.04	0.04	0.86	0.79	0.70	0.030742	0.029918	0.028572	0.089232
RONGTONG	2.00	S and SE	0.500	0.56	1.03	1.34	0.01	0.01	0.01	1.20	1.20	0.99	0.003903	0.0071615	0.0066105	0.017675
Total	**335.00**			**1,031.09**	**1,360.66**	**1,498.18**							**0.498317**	**0.4795075**	**0.4445865**	**1.422411**
Average realisation rate in ₹/unit													**5.45**	**5.55**	**5.88**	
Loss of revenue (in ₹)													**27,15,827.65**	**26,61,266.625**	**26,14,168.62**	**79,91,262.895**

Appendix 4.5

(Referred to in paragraph 4.27(B))

Statement showing unauthorised use of power by consumers

Sl. No.	Name of the unit	Name of the consumer / Account No.	Sanctioned / released load (KW)	Sanctioned load / Contract Demand in KVA	Period / month	Load drawn / MD in KVA	Overdrawl in KVA	Consumption	Energy charges paid (₹)	Proportionate consumption liable for penalty	Penalty Amount (₹)	Remarks
1	ESD Manpura	M/s Bhanu Healthcare Pvt. Ltd.	56.648	62.94	8/12 to 3/14	148	85.06	10,05,180	46,77,116	57.47 *per cent*	26,87,938	Although sanctioned load was 399.250 KW but, the released load was 56.647 KW and load drawn in excess of released load has been considered as unauthorised drawl.
2	ESD Kasumpti	APG University	40.10	40	4/14 to 3/16	42.9 to 130.97	2.9 to 90.97	7,81,785	46,90,710	4,51,121	23,33,189	Inclusive of Electricity Duty (₹ 1,08,269) minus amount (₹ 4,81,817) already excess charged for contract demand violation charges at three times instead of double.
3	ESD Dhalli	M/s Era Engineering Ltd.	19.4	21.55	2/14, 3/14, 6/14, 9/14, 11/14, 2/15, 3/15, 5/15, 8/15, 9/15, 11/15, 12/15 and 2/16	31 to 197	9 to 175	3,93,508	NA	NA	17,10,667	The short charges calculated on the basis of change in category i.e. single part tariff to two part tariff and includes charges on account of difference in Kvah and Kwh consumption (₹ 4,72,209) + penalty under 126 for overdrawl (₹ 18,69,102) + LVSS (₹ 1,82,882) less amount already charged (₹ 8,13,526).

Appendix 4.6

(Referred to in paragraph 4.29)

Statement showing failure to levy and recover demand charges of the original Contacted Demand

Name of the Consumer	Period	50 per cent of CD / lowest limit (in KVA)	CD Charged (in KVA)	Difference (in KVA)	90 per cent of CD (in KVA)	Rate (₹)	Amount (₹)
M/S K.K. Non-woven	July13 to July14	525	400	125	112.50	200	2,92,500
	Aug 14 to March 16	1,001	400	601	540.90	350	37,86,300
	April 16 to Feb 18	1,001	400	601	540.90	400	49,76,280
	Diff. in rates of demand charges for HT-1 and HT-2 category (i.e. 360 KVA x ₹ 150 x 43 months)						**23,22,000**
	Less difference in tariff rates 35,12,240 Kvah x 30 paise						**10,53,672**
						Total (A)	**1,03,23,408**
Name of the Consumer	**Period**	**Chargeable CD (in KVA)**	**CD Charged (in KVA)**	**Difference (in KVA)**	**90% of CD (in KVA)**	**Rate (₹)**	**Amount (₹)**
M/S Nahan Ferro	Aug 14 to March 16	1,100	800	300	270	350	18,90,000
	April 16 to Feb 18	1,100	800	300	270	400	24,84,000
	Diff. in rates of demand charges for HT-1 and HT-2 category (i.e. 720 KVA x ₹ 150 x 43 months)						**46,44,000**
	Less difference in tariff rates 51,59,572 Kvah x 30 paise						**15,47,871**
						Total (B)	**74,70,129**
						Grand Total	**1,77,93,537**

Appendix 5.1

(Referred to in paragraph 5.3)

Statement showing position of equity and outstanding loans relating to State PSUs (other than Power Sector) as on 31 March 2019

(₹in Crore)

Sl. No.	Sector and Name of the PSU	Name of the Department	Month and year of incorporation	Equity[1] at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				Go HP[2]	GoI[3]	Others	*Total*	Go HP	GoI	Others	*Total*
1	2	3	4	5 (a)	5 (b)	5 (c)	*5 (d)*	6 (a)	6 (b)	6 (c)	*6 (d)*
A. WORKING GOVERNMENT COMPANIES											
AGRICULTURE AND ALLIED											
1	Himachal Pradesh Agro Industries Corporation Limited	Horticulture	September, 1970	16.89	1.96	-	*18.85*	5.04	1.49	-	*6.53*
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June, 1974	31.20	1.50	6.07	*38.77*	62.63	-	-	*62.63*
3	Himachal Pradesh State Forest Development Corporation Limited	Forest	March, 1974	11.71	-	-	*11.71*	-	-	-	-
			Sector-wise Total:	**59.80**	**3.46**	**6.07**	***69.33***	**67.67**	**1.49**	**-**	***69.16***
FINANCE											
4	Himachal Backward Classes Finance and Development Corporation	Social Justice and Empowerment	January, 1994	13.00	-	-	*13.00*	-	-	-	-
5	Himachal Pradesh MahilaVikas Nigam	Social Justice and Empowerment	April, 1989	12.41	0.10	-	*12.51*	-	-	-	-
6	Himachal Pradesh Minorities Finance and Development Corporation	Social Justice and Empowerment	September, 1996	13.02	-	-	*13.02*	-	-	-	-
			Sector-wise Total:	**38.43**	**0.10**	**-**	***38.53***	-	-	-	-
INFRASTRUCTURE											
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Public works	June, 1999	25.00	-	-	*25.00*	-	-	-	-
8	Himachal Pradesh State Industrial Development Corporation Limited	Industries	November, 1966	30.82	-	-	*30.82*	-	-	-	-
9	Dharamshala Smart City Limited	Urban Development	August, 2016	-	0.0003	-	*0.0003*	-	-	-	-
10	Shimla Smart City Limited	Urban Development	June, 2018	-	-	-	-	-	-	-	-
			Sector-wise Total:	**55.82**	**0.0003**	**-**	***55.8203***	**-**	**-**	**-**	**-**

1 Equity includes share application money.
2 Government of Himachal Pradesh.
3 Government of India.

1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
MANUFACTURE											
11	Himachal Pradesh General Industries Corporation Limited	Industries	November, 1972	7.04	-	0.12	*7.16*	2.97	-	-	*2.97*
			Sector-wise Total:	**7.04**	**-**	**0.12**	***7.16***	**2.97**	**-**	**-**	***2.97***
SERVICE											
12	Himachal Pradesh State Civil Supplies Corporation Limited	Food and Civil Supplies	November, 1966	3.52	-	-	*3.52*	-	-	-	-
13	HP State Electronics Development corporation Limited	Information Technology	October, 1984	3.72	-	-	*3.72*	0.55	-	-	*0.55*
14	HP State Handicrafts and Handloom Corporation Limited	Industries	March, 1974	9.22	0.03	-	*9.25*	-	-	-	-
15	Himachal Pradesh Tourism Development Corporation Limited	Tourism and Civil Aviation	September, 1972	12.30	-	-	*12.30*	-	-	-	-
16	Himachal Pradesh Kaushal Vikas Nigam	Technical Education	September, 2015	0.007	-	-	*0.007*	-	-	-	-
17	Himachal Consultancy Organisation Limited		February, 1977	-	-	0.18	*0.18*	-	-	-	-
18	Shimla Jal Prabhandan Nigam Limited	Urban Development	June 2018	-	-	-	-	-	-	-	-
			Sector-wise Total:	**28.767**	**0.03**	**0.18**	***28.977***	**0.55**	**-**	**-**	***0.55***
			Total A (All Sector-wise Government Companies)	**189.857**	**3.5903**	**6.37**	***199.8173***	**71.19**	**1.49**	**-**	***72.68***
B. STATUTORY CORPORATIONS											
FINANCING											
1	Himachal Pradesh Financial Corporation	Industries	April, 1967	92.98	-	6.59	*99.57*	77.88	28.28	5.80	*111.96*
			Sector-wise Total:	**92.98**	**-**	**6.59**	***99.57***	**77.88**	**28.28**	**5.80**	***111.96***
SERVICE											
2	Himachal Road Transport Corporation	Transport	September, 1974	764.05	15.44	-	*779.49*	-	-	132.87	*132.87*
			Sector-wise Total:	**764.05**	**15.44**	**-**	***779.49***	**-**	**-**	**132.87**	***132.87***
			Total B (All Sector-wise Statutory Corporations)	**857.03**	**15.44**	**6.59**	***879.06***	**77.88**	**28.28**	**138.67**	***244.83***
C. INACTIVE GOVERNMENT COMPANIES											
AGRICULTURE and ALLIED											
1	Agro Industrial Packaging India Limited	Horticulture	February, 1987	16.75		0.97	*17.72*	60.15	-	-	*60.15*
			Sector-wise Total:	**16.75**		**0.97**	***17.72***	**60.15**	**-**	**-**	***60.15***
MANUFACTURE											
2	Himachal Worsted Mills Limited	Industries	October, 1974	-	-	0.92	*0.92*	-	-	-	-
			Sector-wise Total:	-	-	0.92	***0.92***	-	-	-	-
SERVICE											
3	Himachal Pradesh Beverages Limited	Excise and Taxation	April, 2016	1.00	-	-	*1.00*	-	-	-	-
			Total C (All Sector-wise Inactive Government Companies)	**17.75**	**-**	**1.89**	***19.64***	**60.15**	**-**	**-**	***60.15***
			Grand Total (A + B+ C)	**1,064.637**	**19.0303**	**14.85**	***1,098.5173***	**209.22**	**29.77**	**138.67**	***377.66***

Appendix 5.2

(Referred to in paragraph 5.7)

Statement showing difference between the Finance Accounts of the Government of Himachal Pradesh and Accounts of the State PSUs (other than Power Sector) in respect of balances of Equity, Loans and Guarantee as on 31 March 2019

(₹in Crore)

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Himachal Pradesh			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	Himachal Pradesh Agro Industries Corporation Limited	16.89	6.53	-	9.84	-	1.49	7.05	6.53	- 1.49
2	Himachal Backward Classes Finance and Development Corporation	13.00	-	21.59	15.87	-	8.83	- 2.87	-	12.76
3	Himachal Pradesh Minorities Finance and Development Corporation	13.02	-	5.00	11.27	-	14.50	1.75	-	- 9.50
4	Himachal Pradesh General Industries Corporation Limited	7.04	2.97	-	9.89	-	-	- 2.85	2.97	-
5	Himachal Pradesh Financial Corporation	92.98	111.96	-	21.98	4.10	5.80	71.00	107.86	- 5.80
6	Himachal Pradesh Kaushal Vikas Nigam	0.001	-	-	-	-	-	0.001	-	-
7	Himachal Pradesh Beverages Limited	1.00	-	-	-	-	-	1.00	-	-
8	Himachal Road Transport Corporation	-	-	187.30	-	-	187.29	-	-	0.01
9	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	-	62.63	2.53	-	30.00	8.00	-	32.63	- 5.47
10	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	-	-	0.42	-	-	0.17	-	-	0.25
11	Himachal Pradesh State Electronics Development Corporation Limited	-	0.55	-	-	-	-	-	0.55	-
12	Himachal Pradesh State Industrial Development Corporation	30.82	-	-	34.33	-	-	-3.51	-	-
	Total	**174.751**	**184.64**	**216.84**	**103.18**	**34.10**	**226.08**	**71.571**	**150.54**	**- 9.24**

Appendix 5.3

(Referred to in paragraph 5.8.1)

Statement showing position of State Government investment in working State PSUs (other than Power Sector), accounts of which are in arrears

(₹ in crore)

Sl. No.	Name of PSU	Period upto which accounts finalised	Period for which accounts are in arrears		Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears		
						Loans	Subsidy	Total
A. WORKING GOVERNMENT COMPANIES								
1	Himachal Backward Classes Finance and Development Corporation	2013-14	2014-15	5	13.00	-	-	-
			2015-16			-	-	-
			2016-17			-	-	-
			2017-18			-	-	-
			2018-19			-	-	-
2	Himachal Pradesh MahilaVikas Nigam	2014-15	2015-16	4	12.51	-	-	-
			2016-17			-	0.61	0.61
			2017-18			-	-	-
			2018-19			-	0.30	0.30
3	Himachal Pradesh Minorities Finance and Development Corporation	2013-14	2014-15	5	13.02	-	0.11	0.11
			2015-16			-	0.12	0.12
			2016-17			-	0.13	0.13
			2017-18			-	0.15	0.15
			2018-19			-	0.63	0.63
4	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2017-18	2018-19	1	9.25	-	4.32	4.32
5	Himachal Pradesh Kaushal Vikas Nigam	2016-17	2017-18	2	0.70	-	7.40	7.40
			2018-19			-	71.35	71.35
6	Himachal Pradesh Tourism Development Corporation Limited	2015-16	2016-17	3	12.30	-	0.60	0.60
			2017-18			-	1.72	1.72
			2018-19			-	5.74	5.74
7	Himachal Pradesh State Civil Supplies Corporation Limited	2017-18	2018-19	1	3.51	-	-	-
8	Himachal Pradesh State Industrial Development Corporation Limited	2017-18	2018-19	1	30.82	-	-	-
9	Himachal Pradesh General Industries Corporation Limited	2017-18	2018-19	1	7.15	-	-	-
10	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2017-18	2018-19	1	38.77	8.99	-	8.99
11	Himachal Pradesh State Electronics Development Corporation Limited	2017-18	2018-19	1	3.72	-	-	-
12	Dharamshala Smart City Limited	2016-17	2017-18	2	0.0003	-	-	-
			2018-19			-	6.00	6.00
13	Himachal Pradesh Agro Industries Corporation Limited	2017-18	2018-19	1	18.85	-	-	-
14	Himachal Pradesh State Forest Development Corporation Limited	2015-16	2016-17	3	11.71	-	-	-
			2017-18			-	-	-
			2018-19			-	-	-
15	Himachal Consultancy Organisation Limited	2017-18	2018-19	1	0.18	-	-	-
16	Shimla Smart City Limited		2018-19	1	-	-	-	-
17	Shimla Jal Prabhandan Nigam Limited		2018-19	1	-	-	-	-
	Total A (Working Government Companies)			**34**	**175.4903**	**8.99**	**99.18**	**108.17**
B. WORKING STATUTORY CORPORATIONS								
1	Himachal Road Transport Corporation	2017-18	2018-19	1	670.49	-	305.00	305.00
2	Himachal Pradesh Financial Corporation	2017-18	2018-19	1	99.57	-	-	-
	Total A (Working Statutory Corporations)			**2**	**769.06**	**-**	**305.00**	**305.00**
	Grand Total (A + B)			**36**	**945.5503**	**8.99**	**404.18**	**413.17**

Appendix 5.4

(Referred to in paragraphs 5.11. 5.13 and 5.17)

Summarised financial results of State PSUs (other than Power Sector) for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Sector and Name of the PSU	Year of account	Year in which finalised	Net profit/ loss before dividend, interest and tax	Net profit/ loss after dividend, interest and tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10	11
A	**Working Government Companies**									
AGRICULTURE AND ALLIED										
1	Himachal Pradesh Agro Industries Corporation Limited	2017-18	2018-19	3.06	3.05	58.64	18.85	17.58	4.60	- 14.25
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2017-18	2018-19	- 3.24	- 3.35	68.99	38.77	- 24.24	- 47.78	- 86.55
3	Himachal Pradesh State Forest Development Corporation Limited	2015-16	2018-19	- 10.27	- 10.27	149.70	11.71	- 51.31	- 51.31	- 63.02
			Sector-wise Total:	**- 10.45**	**- 10.57**	**277.33**	**69.33**	**- 57.97**	**- 94.49**	**- 163.82**
FINANCE										
4	Himachal Backward Classes Finance and Development Corporation	2013-14	2017-18	1.07	1.07	2.73	13.00	20.36	20.36	7.36
5	Himachal Pradesh MahilaVikas Nigam	2014-15	2017-18	0.28	0.28	0.67	12.51	14.01	14.01	1.50
6	Himachal Pradesh Minorities Finance and Development Corporation	2013-14	2016-17	0.42	0.03	0.68	13.02	8.25	8.25	- 4.77
			Sector-wise Total:	**1.77**	**1.38**	**4.08**	**38.53**	**42.62**	**42.62**	**4.09**
INFRASTRUCTURE										
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2018-19	2018-19	-	-	-	25.00	25.00	25.00	-
8	Himachal Pradesh State Industrial Development Corporation Limited	2017-18	2018-19	19.85	13.90	44.93	30.82	81.37	81.37	50.55
9	Dharamshala Smart City Limited	2016-17	2018-19	-	-	-	0 .0003	-	-	-
10	Shimla Smart City Limited	-	-	-	-	-	-	-	-	-
			Sector-wise Total:	**19.85**	**13.90**	**44.93**	**55.8203**	**106.37**	**106.37**	**50.55**
MANUFACTURE										
11	Himachal Pradesh General Industries Corporation Limited	2017-18	2018-19	9.33	5.65	51.88	7.16	33.27	28.05	20.89
			Sector-wise Total:	**9.33**	**5.65**	**51.88**	**7.16**	**33.27**	**28.05**	**20.89**

1	2	3	4	5	6	7	8	9	10	11
SERVICE										
12	Himachal Pradesh State Civil Supplies Corporation Limited	2017-18	2018-19	1.99	1.28	1245.96	3.51	37.46	37.46	33.95
13	Himachal Pradesh State Electronics Development corporation Limited	2017-18	2018-19	0.80	0.79	51.47	3.72	10.52	9.97	6.25
14	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2017-18	2017-18	0.55	0.08	30.84	9.25	- 5.99	- 5.99	- 15.24
15	Himachal Pradesh Tourism Development Corporation Limited	2015-16	2016-17	2.05	1.40	90.89	12.30	- 9.78	- 9.78	- 22.08
16	Himachal Pradesh Kaushal Vikas Nigam	2016-17	2017-18	0.09	0.09	-	0.01	0.13	0.13	0.12
17	Himachal Consultancy Organisation Limited	2017-18	2018-19	-0.82	-0.82	4.42	0.18	1.70	1.70	1.52
18	Shimla Jal Prabandhan Nigam Limited	-	-	-	-	-	-	-	-	-
Sector-wise Total:				**4.66**	**2.82**	**1423.58**	**28.97**	**33.49**	**33.49**	**4.52**
Total A (All Sector-wise Government Companies)				**25.16**	**13.18**	**1,801.80**	**199.8103**	**158.33**	**116.04**	**- 83.77**
B	**Statutory Corporations**									
FINANCING										
1	Himachal Pradesh Financial Corporation	2017-18	2018-19	-5.50	-5.50	2.55	99.57	56.01	- 66.99	- 166.56
Sector-wise Total:				**-5.50**	**-5.50**	**2.55**	**99.57**	**56.01**	**- 66.99**	**- 166.56**
SERVICE										
2	Himachal Road Transport Corporation	2017-18	2018-19	-118.57	- 118.57	1,052.08	720.49	- 310.74	- 511.99	- 1,232.48
Sector-wise Total:				**- 118.57**	**- 118.57**	**1,052.08**	**720.49**	**- 310.74**	**- 511.99**	**- 1,232.48**
Total B (All Sector-wise Statutory Corporations)				**- 124.07**	**- 124.07**	**1,054.63**	**820.06**	**- 254.73**	**- 578.98**	**- 1,399.04**
Total (A+B) (All Sector Wise Working Government Corporation)				**- 98.91**	**- 110.89**	**2,856.43**	**1019.8703**	**- 96.40**	**- 462.94**	**- 1,482.81**
C	**Inactive Government Companies**									
AGRICULTURE and ALLIED										
1	Agro Industrial Packaging India Limited	2013-14	2014-15	- 0.04	- 0.04	-	17.72	- 0.36	- 60.51	- 78.23
Sector-wise Total:				**- 0.04**	**- 0.04**	**-**	**17.72**	**- 0.36**	**- 60.51**	**- 78.23**
MANUFACTURE										
2	Himachal Worsted Mills Limited	2000-01	2001-02	- 0.01	0.01	-	0.92	- 4.52	- 4.52	- 5.44
Sector-wise Total:				**- 0.01**	**0.01**	**-**	**0.92**	**- 4.52**	**- 4.52**	**- 5.44**
SERVICE										
3	Himachal Pradesh Beverages Limited	2016-17	2018-19	14.27	9.49	543.97	1.00	-	10.49	9.49
Sector-wise Total:				**14.27**	**9.49**	**543.97**	**1.00**	**-**	**10.49**	**9.49**
Total C (All Sector-wise Inactive Government Companies)				**14.22**	**9.46**	**543.97**	**19.64**	**-4.88**	**- 65.03**	**- 74.18**
Grand Total (A + B+ C)				**- 84.69**	**- 101.43**	**3,400.40**	**1,039.5103**	**-101.28**	**- 517.48**	**- 1,556.99**

Appendix 5.5

(Referred to in paragraph 5.16)

Statement showing State Government funds infused in State PSUs (other than Power Sector) during the period from 1999-2000 to 2018-19

(₹ in crore)

	Upto 1999-2000	2000-2001	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	**2**		**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**
AGRICULTURE AND ALLIED																					
Himachal Pradesh Agro Industries Corporation Limited																					
Equity	9.841	-	-	-	-	-	-	-	-	-	-	-	-	-	7.05	-	-	-	-	-	**16.891**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	2.50	-	2.54	-	-	6.52	-	-	**11.56**
Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited																					
Equity	10.235	-	-	-	-	-	-	-	-	-	20.96	-	-	-	-	-	-	-	-	-	**31.195**
IFL	-	-	-	-	-	-	-	-	2.25	-	-	-	7.00	5.00	-	14.54	3.55	-	8.00	10.00	**50.34**
Himachal Pradesh State Forest Development Corporation Limited																					
Equity	11.71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**11.71**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Grand Total Agriculture and Allied																					**121.696**
FINANCING																					
Himachal Backward Classes Finance and Development Corporation																					
Equity	1.566	0.40	0.65	0.80	1.20	1.00	0.50	1.20	0.90	1.10	0.86	-	-	0.28	0.54	0.80	0.67	0.54	-	-	**13.006**
IFL	0.01	0.01	-	-	-	-	0.15	-	-	- 0.10	-	-	-	-	-	-	-	-	-	-	**0.07**
Himachal Pradesh MahilaVikas Nigam																					
Equity	1.252	-	0.10	0.2214	0.30	0.30	0.30	0.40	0.85	0.85	1.08	0.30	1.14	-	0.60	0.65	0.75	0.75	0.80	1.77	**12.4134**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Himachal Pradesh Minorities Finance and Development Corporation																					
Equity	0.75	0.17	0.25	0.40	0.40	0.40	0.49	0.40	0.46	1.02	1.08	1.16	0.50	0.64	1.30	0.53	0.64	0.75	-	1.68	**13.02**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Grand Total Financing																					**38.5094**
INFRASTRUCTURE																					
Himachal Pradesh Road and Other Infrastructure Development Corporation Limited																					
Equity	5.00	20.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**25.00**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Himachal Pradesh State Industrial Development Corporation Limited																					
Equity	29.59	-	-	-	-	-	-	-	-	-	-	1.23	-	-	-	-	-	-	-	-	**30.82**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Dharamshala Smart City Limited																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Grand Total Financing																					**55.82**
MANUFACTURE																					
Himachal Pradesh General Industries Corporation Limited																					
Equity	4.98	-	-	-	-	2.06	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**7.04**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Grand Total Manufacture																					**7.04**

1	2		3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
SERVICES																					
Himachal Pradesh State Civil Supplies Corporation Limited																					
Equity	3.52	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**3.52**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Himachal Pradesh State Electronics Development Corporation Limited																					
Equity	3.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**3.72**
IFL	0.48	1.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1.98**
Himachal Pradesh State Handicrafts and Handloom Corporation Limited																					
Equity	4.09	0.01	0.01	-	-	-	-	-	4.61	-	-	-	-	0.50	-	-	-	-	-	-	**9.22**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Himachal Pradesh Tourism Development Corporation Limited																					
Equity	12.30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**12.30**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Himachal Pradesh Kaushal Vikas Nigam																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.007	-	-	-	**0.007**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Himachal Consultancy Organisation Limited																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
																				Grand Total Services	**30.747**
STATUTORY CORPORATION FINANCING																					
Himachal Pradesh Financial Corporation																					
Equity	21.58	-	-	-	-	-	-	-	-	20.00	51.00	-	-	-	-	-	-	-	-	0.40	**92.98**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
																				Grand Total Financing	**92.98**
STATUTORY CORPORATION SERVICE																					
Himachal Road Transport Corporation																					
Equity	163.16	11.90	12.00	11.01	26.70	12.30	12.30	12.30	31.49	31.00	42.18	31.92	25.30	44.34	58.00	42.95	41.20	45.00	50.00	59.00	**764.05**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
																				Grand Total Service	**764.05**
INACTIVE: AGRICULTURE AND ALLIED																					
Agro Industrial Packaging India Limited																					
Equity	16.75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**16.75**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Himachal Pradesh Beverages Limited																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.00	-	-	**1.00**
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
																				Grand Total Agriculture and Allied	**17.75**
Total Equity	**300.044**	**32.48**	**13.01**	**12.4314**	**28.60**	**16.06**	**13.59**	**14.30**	**38.31**	**53.97**	**117.16**	**34.61**	**26.94**	**45.76**	**67.49**	**44.93**	**43.267**	**48.04**	**50.80**	**62.85**	**1,064.6424**
Total IFL	**0.490**	**1.51**	**0.00**	**0.0000**	**0.00**	**0.00**	**0.15**	**0.00**	**2.25**	**- 0.10**	**0.00**	**0.00**	**9.50**	**5.00**	**2.54**	**14.54**	**3.550**	**6.52**	**8.00**	**10.00**	**63.9500**
Grand Total	**300.534**	**33.99**	**13.01**	**12.4314**	**28.60**	**16.06**	**13.74**	**14.30**	**40.56**	**53.87**	**117.16**	**34.61**	**36.44**	**50.76**	**70.03**	**59.47**	**46.817**	**54.56**	**58.80**	**72.85**	**1,128.5924**

Glossary of Abbreviations

PART-'A'	
Glossary of Abbreviations	
AAs	Assessing Authorities
ACF	Assistant Conservator of Forest
AD	Additional demand
AETCs	Assistant Excise and Taxation Commissioners
ALR	Arrears of Land Revenue
ATN	Action taken notes
BBMB	Bhakra Beas Management Board
BBN	Baddi, Barotiwala and Nalagarh
BEs	Budget Estimates
BWH	Bonded Ware House
CL	Country Liquor
CS	Country Spirit
CST	Central Sales Tax
CZ	Central Zone
DC	Deputy Commissioner
DCR	Demand and Collection Register
DETC	Deputy Excise and Taxation Commissioner
DFOs	Divisional Forest Officers
DPROs	District Public Relation Officers
EA	Excise Announcement
ED	Electricity Duty
ENA	Extra Neutral Alcohol
ETC	Excise and Taxation Commissioner
ETD	Excise and Taxation Department
ETI	Excise and Taxation Inspector
ETOs	Excise and Taxation Officers
FCA	Forest Conservation Act
FS	Flying Squad
GOI	Government of India
GST	Goods and Service Tax
GTO	Gross Turn Over
HIMTAS	Himachal Pradesh Tax Administration System
HoD	Head of the Department
HP	Himachal Pradesh
HPLR	Himachal Pradesh Lease Rules
HPGST	Himachal Pradesh General Sales Tax
HPVAT	Himachal Pradesh Value Added Tax
HPMVR	Himachal Pradesh Motor Vehicle Rules
HPMVT	Himachal Pradesh Motor Vehicles Taxation
HPPGT	Himachal Pradesh Passengers and Goods Taxation
HPPGTR	Himachal Pradesh Passengers and Goods Tax Rules
HPPWD	Himachal Pradesh Public Works Department
HPSEBL	Himachal Pradesh State Electricity Board Ltd.
HPSFDCL	Himachal Pradesh State Forest Development Corporation Limited
HPTDC	Himachal Pradesh Tourism Development Corporation
HRTC	Himachal Road Transport Corporation
IAW	Internal Audit Wing

ICDP	Integrated Co-operative Development Projects
IFA	Indian Forest Act
IGR	Inspector General of Registration
IMFL	Indian Made Foreign Liquor
IR Act	Indian Registration Act
IRs	Inspection Reports
IS Act	Indian Stamp Act
ISS	Inter State Sales
IT	Information and Technology
ITC	Input Tax Credit
LRA	Land Revenue Act
MGQ	Minimum Guaranteed Quota
MPP and Power	Multi-Purpose Projects and Power
MT	Metric Tonne
MVT	Motor Vehicles Tax
NH	National Highway
NOC	No Objection Certificate
NZ	North Zone
OR	Other Road
OTD	Other Taxes and Duties
PA	Performance Audit
PAG	Principal Accountant General
PAC	Public Accounts Committee
PC	Pricing Committee
PCCF	Principal Chief Conservator of Forest
PDR	Punjab Distillery Rules
PGT	Passenger and Goods Tax
PLs	Proof Liters
PSCs	Private Stage Carriages
RC	Registration Certificate
RF	Registration Fee
RLAs	Registering and Licensing Authorities
RR	Rural Road
RRA	Revenue Recovery Act
RS	Rectified Spirit
R and T	Registration and Turnover
RTOs	Regional Transport Officers
SD	Stamp Duty
SED	State Excise Duty
SH	State Highway
SRs	Sub Registrars
SRT	Special Road Tax
STA	State Transport Authority
SZ	South Zone
TDN	Tax Demand Notice
TEGLA	Tax on Entry of Goods into Local Area
TTO	Taxable Turn Over
VAT	Value Added Tax

PART 'B'	
Glossary of Abbreviations	
ACD	Advance Consumption Deposit
ADB	Asian Development Bank
AIPIL	Agro Industrial Packaging India Limited
ATN	Action Taken Notes
BGs	Bank Guarantees
BoD	Board of Directors
BOQ	Bill of Quantities
CAG	Comptroller and Auditor General of India
CD	Contract Demand / Custom Duty
CE	Chief Engineer
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
COPU	Committee on Public Undertakings
CST	Central Sales Tax
DG	Diesel Generating
DPR	Detailed Project Report
ED	Electricity Duty
ESD	Electrical Sub Division
EPF	Employee Provident Fund
E and M	Electro-mechanical
GCC	General Conditions of Contract
GDP	Gross Domestic Product
GoI	Government of India
GoHP	Government of Himachal Pradesh
HEP	Hydro Electric Projects
HPERC	Himachal Pradesh Electricity Regulatory Commission
HPFC	Himachal Pradesh Financial Corporation
HPGIC	Himachal Pradesh General Industries Corporation Limited
HPKVN	Himachal Pradesh Kaushal Vikas Nigam
HPMC	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited
HPMVN	Himachal Pradesh MahilaVikas Nigam
HPPCL	Himachal Pradesh Power Corporation Limited
HPPTCL	Himachal Pradesh Power Transmission Corporation Limited
HPSCSCL	Himachal Pradesh State Civil Supplies Corporation Limited
HPSEBL	Himachal Pradesh State Electricity Board Limited
HPSFDC	Himachal Pradesh State Forest Development Corporation Limited
HIMFED	Himachal Pradesh State Co-operative Marketing and Consumers Federation Limited
HPRIDC	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited
HPTDCL	Himachal Pradesh Tourism Development Corporation Limited
HRTC	Himachal Road Transport Corporation

HT/EHT	High Tension / Extra High Tension
HSD	High Speed Diesel
HPPWD	Himachal Pradesh Public Works Department
HPVAT	Himachal Pradesh Value Added Tax
IEX	Indian Energy Exchange
IT	Information Technology
Kgs	Kilograms
KM	Kilometre
KV	Kilovolt
KVA	Kilovolt Ampere
KW	Kilo watt
LD	Liquidated Damages
LOA	Letter of Award
LVSS	Low Voltage Supply Surcharge
MD	Managing Director / Maximum Demand
MoU	Memorandum of Understanding
MT	Metric Tonne
MUs	Million Units
MW	Mega Watt
NIT	Notice Inviting Tender
NOC	No Objection Certificate
O and M	Operation and Maintenance
PAG	Principal Accountant General
PCC	Particular conditions of contract
PDCO	Permanent Disconnection Order
PGCIL	Power Grid Corporation of India Limited
PO	Purchase Order
PSUs	Public Sector Undertakings
PV	Present Value
SA	Supplementary Agreement
SAR	Separate Audit Report
SCADA	Supervisory Control and Data Acquisition
SFC	State Finance Corporation
SJVNL	Satluj Jal Vidyut Nigam limited
SLC	State Level Committee
TCS	Tax Collected at source
TEC	Techno- Economic Clearance
USD	United States Dollar
VAT	Value Added Tax
WPI	Wholesale Price Index

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