

## CHAPTER I

### GENERAL

#### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by Government of Maharashtra during the year 2015-16, the State's share of divisible Union taxes and duties assigned to the State and Grants-in-aid received from Government of India (GoI) during the year and the corresponding figures for the preceding four years are mentioned in **Table 1.1.1**.

**Table 1.1.1**

(₹ in crore)						
Sr. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Revenue raised by the State Government					
	Tax revenue <sup>1</sup>	87,608.46	1,03,448.58	1,08,597.96	1,15,063.32	1,26,608.10
	Non-tax revenue <sup>2</sup>	8,150.10 (8,167.70)	9,977.74 (9,984.40)	11,279.81 (11,351.97)	12,447.26 (12,580.89)	13,307.53 (13,423.01)
	<b>Total</b>	<b>95,758.56</b> <b>(95,776.16)</b>	<b>1,13,426.32</b> <b>(1,13,432.98)</b>	<b>1,19,877.77</b> <b>(1,19,949.93)</b>	<b>1,27,510.58</b> <b>(1,27,644.21)</b>	<b>1,39,915.63</b> <b>(1,40,031.11)</b>
2	Receipts from the Government of India					
	Share of net proceeds of divisible Union Taxes and duties	13,343.34	15,191.92	16,630.43	17,630.03	28,105.95
	Grants-in-aid	12,166.64	14,322.33	13,241.44	20,140.64	16,898.61
	<b>Total</b>	<b>25,509.98</b>	<b>29,514.25</b>	<b>29,871.87</b>	<b>37,770.67</b>	<b>45,004.56</b>
3	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>1,21,268.54</b> <b>(1,21,286.14)</b>	<b>1,42,940.57</b> <b>(1,42,947.23)</b>	<b>1,49,749.64</b> <b>(1,49,821.80)</b>	<b>1,65,281.25</b> <b>(1,65,414.88)</b>	<b>1,84,920.19</b> <b>(1,85,035.67)</b>
4	<b>Percentage of 1 to 3</b>	<b>79</b>	<b>79</b>	<b>80</b>	<b>77</b>	<b>76</b>

Source: Finance Accounts

The above table indicates that during the year 2015-16, the revenue raised by the State Government (₹ 1,39,915.63 crore) was 76 per cent of the total revenue receipts against 77 per cent in the preceding year. The balance 24 per cent of the receipts during 2015-16 was from the Government of India.

<sup>1</sup> For details – refer statement no. 14 – Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Maharashtra for the year 2015-16. Figures under the head 0020- Corporation Tax, 0021- Taxes on income other than corporation tax, 0022- Taxes on agricultural income, 0032-Taxes on wealth, 0037-Customs, 0038-Union Excise Duties, 0044 Service Tax – share of net proceeds assigned to State booked in the Finance Accounts under A- Tax revenue have been excluded from the revenue raised by the State and included in the State's Share of divisible Union Taxes in this statement.

<sup>2</sup> Figures in brackets indicate gross receipts, the details of which are available in Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Maharashtra for the year 2015-16. The figures above those in brackets are lower because of netting of expenditure on prize winning tickets from Lottery receipts.

**1.1.2** The details of the tax revenue raised during the period 2011-12 to 2015-16 are given in **Table 1.1.2**.

**Table 1.1.2**

								(₹ in crore)
Sr. No.	Head of revenue		2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+)/ decrease (-) in 2015-16 over 2014-15
1	Taxes on Sales, Trade etc.	BE <sup>3</sup>	42,074.24	48,773.70	57,973.50	64,442.69	74,616.77	
		Actual	46,796.91	55,855.27	57,760.74	61,797.71	63,848.50	(+) 3.32
	Central Sales Tax	BE	3,925.76	4,587.98	4,449.00	4,646.91	4,729.81	
		Actual	3,799.45	4,224.45	4,769.30	5,668.58	5,812.32	(+) 2.54
2	State Excise	BE	8,500.00	9,450.00	10,535.00	11,500.00	13,500.00	
		Actual	8,605.47	9,297.11	10,101.12	11,397.08	12,469.56	(+) 9.41
3	Stamp Duty and Registration Fee	BE	15,677.14	15,730.00	17,403.08	19,426.00	21,000.00	
		Actual	14,407.49	17,548.25	18,675.98	19,959.29	21,766.99	(+) 9.06
4	Taxes and Duties on Electricity	BE	4,400.00	4,809.93	5,830.00	6,501.00	7,150.00	
		Actual	4,831.09	5,895.68	6,083.90	4,350.45	8,506.37	(+) 95.53
5	Taxes on Vehicles	BE	4,000.00	4,200.00	4,750.00	5,250.00	5,693.67	
		Actual	4,137.42	5,027.42	5,095.92	5,404.97	6,017.19	(+) 11.33
6	Taxes on Goods and Passengers	BE	812.43	893.67	998.00	1,097.80	1,150.00	
		Actual	574.25	690.74	1,240.68	586.56	1,582.13	(+) 169.73
7	Other taxes on Income and Expenditure- Taxes on Professions, Trades, Callings and Employments	BE	1,700.00	1,870.00	1,944.00	2,138.40	2,309.47	
		Actual	1,829.94	1,961.10	2,165.48	2,174.12	2,192.56	(+) 0.85
8	Other Taxes and Duties on Commodities and Services	BE	1,099.36	1,378.67	1,642.38	1,770.34	2,014.66	
		Actual	1,662.63	1,874.34	1,614.82	2,452.01	2,664.17	(+) 8.65
9	Land Revenue	BE	1,497.13	1,600.86	1,760.39	1,867.29	3,200.15	
		Actual	963.81	1,074.02	1,088.85	1,272.38	1,748.31	(+) 37.40
10	Others <sup>4</sup>	BE	0.00	0.00	0.00	0.00	0.00	
		Actual	0.00	0.20	1.17	0.17	0.00	(-) 100.00
<b>Total</b>		<b>BE</b>	<b>83,686.06</b>	<b>93,294.81</b>	<b>1,07,285.35</b>	<b>1,18,640.43</b>	<b>1,35,364.53</b>	
		<b>Actual</b>	<b>87,608.46</b>	<b>1,03,448.58</b>	<b>1,08,597.96</b>	<b>1,15,063.32</b>	<b>1,26,608.10</b>	<b>(+) 10.03</b>

Source: Finance Accounts

It would be seen from the above that -

- there has been a continuous increase in the revenue during the last five years.

<sup>3</sup> BE – Budget Estimates.

<sup>4</sup> Includes receipts misclassified under Union Excise Duties and Service Tax.

- The sharp increase of 95.53 *per cent* in receipts under the head “Taxes and Duties on electricity” during 2015-16 over 2014-15 was attributable to the increase in rates of both Electricity Duty and Tax on Sale of Electricity as stated by the Energy Department.
- The reasons for sharp increase of 169.73 *per cent* in receipts under the head “Taxes on Goods and Passengers” though called for (October 2016), were not furnished by the concerned Department. As per Finance Accounts, the increase was mainly due to increase (171 *per cent*) in the collection of tax under the head “Tax on entry of goods into Local Area”.

**1.1.3** The details of the non-tax revenue raised during the period 2011-12 to 2015-16 are indicated in **Table 1.1.3**.

**Table 1.1.3**

								(₹ in crore)
Sr. No.	Head of revenue		2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+)/ decrease(-) in 2015-16 over 2014-15
1	Interest Receipts	BE	1,156.31	1,325.79	1,338.80	2,973.70	2,973.70	
		Actual	1,358.94	2,464.41	3,933.81	3,351.46	3,079.45	(-) 8.12
2	Non-ferrous mining and Metallurgical Industries	BE	2,280.50	2,405.71	2,632.82	2,767.00	3,000.00	
		Actual	2,045.47	2,037.76	2,141.17	2,335.85	3,064.05	(+) 31.17
3	Miscellaneous General Services <sup>5</sup>	BE	317.43	396.14	393.19	413.97	2,434.42	
		Actual	556.29	311.52	155.69	316.25	361.90	(+) 14.43
4	Power	BE	763.26	780.10	780.00	850.00	828.00	
		Actual	725.01	451.41	617.50	523.77	676.85	(+) 29.23
5	Major and Medium Irrigation	BE	1,041.15	909.21	1,117.97	798.53	938.90	
		Actual	583.05	531.89	496.91	657.93	624.68	(-) 5.05
6	Other Administrative Services	BE	146.41	547.45	608.92	322.26	338.37	
		Actual	171.19	242.52	250.48	440.33	626.94	(+) 42.38
7	Others <sup>6</sup>	BE	4,023.72	4,494.79	5,121.96	5,383.56	10,151.48	
		Actual	2,710.15	3,938.23	3,684.25	4,821.67	4,873.66	(+) 1.08
<b>Total</b>		<b>BE</b>	<b>9,730.83</b>	<b>10,886.17</b>	<b>11,993.66</b>	<b>13,509.02</b>	<b>20,664.87</b>	
		<b>Actual</b>	<b>8,150.10</b>	<b>9,977.74</b>	<b>11,279.81</b>	<b>12,447.26</b>	<b>13,307.53</b>	<b>(+) 6.91</b>

Source: Finance Accounts

It would be seen from the above table that

- there has been a continuous increase in the revenue during the last five years.

<sup>5</sup> Includes net lottery receipts after adjustment of prize money paid.

<sup>6</sup> Dairy Development, Forestry and Wild life, Medical and Public Health, Co-operation, Public Works, Police and other non-tax receipts.

- The actual receipts from 2011-12 to 2015-16 have always been less than the budget estimates of the respective years.

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2016 under major heads of revenue amounted to ₹ 1,09,306.77 crore of which ₹ 27,821.76 crore was outstanding for more than five years, as detailed in **Table 1.2**.

**Table 1.2**

(₹ in crore)			
Head of revenue	Total amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016	Action by the Department
Taxes on Sales, Trade etc.	1,07,503.25	26,172.02	Out of ₹ 1,07,503.25 crore, an amount of ₹ 43,207.94 crore were locked up in Departmental appeals, ₹ 28,117.12 crore was in arrears on account of cases pending with Court, Official Liquidator, Debt Recovery Tribunal, non-traceable dealers, etc. and the remaining ₹ 36,178.19 crore was in different stages of recovery.
Stamp Duty and Registration Fee	126.28	126.28	Revenue Recovery Certificates (RRC) were issued by the Department in all cases.
Taxes on vehicles	1,156.63	1,006.77	The Department stated (January 2017) that the demand notices in these cases were under issue.
Taxes and Duties on Electricity	510.80	507.41	The Department stated that the pendency was on account of RRC and Court cases.
State Excise Duty	9.81	9.28	The Department stated that action under Maharashtra Land Revenue Code has been initiated except in those cases which were <i>sub-judice</i> .
<b>Total</b>	<b>1,09,306.77</b>	<b>27,821.76</b>	

Compiled on the basis of information furnished by respective State Departments

The Departments may take appropriate steps to reduce the pendency of arrears, especially those more than five years before the possibility of recovery thereof becomes remote.

## 1.3 Arrears in assessments

The Value Added Tax (VAT) system relies on self-assessment and envisages Departmental audit of returns filed by the dealer, with the necessity of assessment arising only in case of the audit findings being disputed by the dealers. As per Section 20 of Maharashtra Value Added Tax Act, 2002, (MVAT Act) every registered dealer having a turnover of ₹ ten lakh per annum (₹ five lakh per annum till 26<sup>th</sup> June 2014) has to file correct, complete and self-consistent returns. Dealers having annual tax liability exceeding

₹ 10 lakh or claiming refunds exceeding ₹ one crore are required to file monthly returns, dealers having tax liability between ₹ one lakh and ₹ 10 lakh or claiming refunds between ₹ 10 lakh and ₹ one crore are required to file quarterly returns and all other dealers are required to file six-monthly returns. These returns are scrutinized by Maharashtra Vikrikar Automation System (MAHAVIKAS), which is the IT system of the Department and follow up action is taken by the return branch. The registered dealer who fails to file the return within the prescribed period has to pay a late fee before filing the return. The non-filers are either unilaterally assessed or prosecuted. The dealers who pay tax less than the tax payable declared in their return are treated as short-filers. The cases of short filers are closed after recovery of tax dues.

The system of audit or assessment under MVAT Act is of cases selected on the basis of risk analysis. When the findings of the Departmental audit under Section 22 of the Act are accepted by the dealer and he files revised returns and pays up the dues, if any, arising out of such audit, the case is treated as closed. The necessity of assessment under Section 23 of the Act arises in case of the audit findings being disputed by the dealers. The dealers' returns will be deemed assessed if no assessment is conducted within time limit prescribed in the Act, which is four years from the end of the year for which the returns were filed.

The cases are audited /assessed by the Large Taxpayers unit Branch, Business Audit Branch, Refund and Refund Audit Branch. Further, with effect from March 2012, a new concept called Issue Based Audit (IBA) was introduced, with a view to recover the taxes which were obvious and did not require much verification. From 2013-14, refund cases up to ₹ five lakh were also brought under the scope of IBA.

The number of returns<sup>7</sup> filed by the dealers during the period from 2013-14 to 2015-16, and the Departments action on thereon is shown in **Table 1.3 (A)**.

**Table 1.3 (A)**

Year	No. of returns filed by dealers	No. of returns short filed	No. of dealers selected for Issue based Audit	No. of dealers selected for Computerized Desk Audit
1	2	3	4	5
2013-14	10,26,495	45,814	47,389	1,16,447
2014-15	11,00,794	49,603	35,831	<i>Not furnished</i>
2015-16	11,47,437	71,611	<i>Not furnished</i>	<i>Not furnished</i>

Source: Information furnished by the Department

The pendency of cases under the Large Taxpayers Units, Business Audit and Refund and Refund Audit branches of the Sales Tax Department is shown in the following tables:

<sup>7</sup> Includes returns filed under Central Sales Tax Act, 1956 as follows : 2013-14 – 2,96,143; 2014-15 – 3,45,361; 2015-16 – 3,72,460.

**Table 1.3(B) - Large Taxpayers Unit**

Period	Cases selected	Cases closed	Cases pending	Percentage of column 4 to 2
1	2	3	4	5
2013-14	18,721	8,483	10,238	55
2014-15	18,589	7,537	11,052	59
2015-16	19,341	6,053	13,288	69

Source: Information furnished by the Department

As seen from the above table the percentage of pending cases increased from 55 per cent in 2013-14 to 69 per cent in 2015-16.

**Table 1.3(C) - Business Audit**

Period	Cases selected	Cases closed	Cases pending	Percentage of column 4 to 2
1	2	3	4	5
2013-14	50,785	28,503	22,282	44
2014-15	50,104	39,885	10,219	20
2015-16	77,537	19,839	57,698	74

Source: Information furnished by the Department

As seen from the above table the percentage of pendency of cases allotted for business audit increased from 44 per cent in 2013-14 to 74 per cent in 2015-16.

**Table 1.3(D) - Refund and Refund Audit**

(₹ in crore)					
Period	Cases selected	Cases closed	Cases pending	Amount	Percentage of column 4 to 2
1	2	3	4	5	6
2013-14	92,827	47,028	45,799	5,370.38	49
2014-15	80,441	47,356	33,085	4,201.61	41
2015-16	72,599	49,192	23,407	2,969.25	32

Source: Information furnished by the Department

As seen from the above table the percentage of pendency of cases allotted for refund and refund audit decreased from 49 per cent in 2013-14 to 32 per cent in 2015-16.

The Department may draw up an Action Plan to complete the business audit cases and expedite the pending refund cases as well as set benchmarks and time frames for sanctioning of refunds.

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Sales Tax Department in respect of sales tax, motor spirit tax, luxury tax and tax on works contracts are shown in the following **Table 1.3(E)**.

**Table 1.3(E) – Cases under the erstwhile BST Act and allied Acts**

Head of revenue	Opening balance	New cases due for assessment during 2015-16	Cases due for assessment	Cases disposed of during 2015-16	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Sales Tax	26,354	87,990	1,14,344	41,924	72,420	36.66
Motor Spirit Tax	321	36	357	184	173	51.54
Purchase Tax on sugarcane	174	31	205	31	174	15.12
Entry Tax	23	81	104	77	27	74.04
Lease Tax	359	136	495	252	243	50.91
Luxury tax	773	1,649	2,422	1,001	1,421	41.33
Tax on works contracts	5,879	365	6,244	1,757	4,487	28.14
<b>Total</b>	<b>33,883</b>	<b>90,288</b>	<b>1,24,171</b>	<b>45,226</b>	<b>78,945</b>	<b>36.42</b>

Source: Information furnished by the Department.

Thus, it would be seen from the above that

- 78,945 cases remained unassessed as on 31 March 2016. Of these, 72,420 cases pertained to Bombay Sales Tax Act (BST Act). Thus, 63 *per cent* of the BST cases continued to be un-assessed despite the fact that the BST Act has been repealed since ten years.
- The percentage of disposal under other heads of revenue ranged from 15 to 74 *per cent*.

The Government may instruct the Department for early finalisation of all these cases in a time bound manner as with the passage of time the chances of recovery of dues involved in the cases would become bleak.

#### **1.4 Evasion of tax detected by the Department**

The details of cases of evasion of tax detected under major heads of revenue, cases finalised and demands for additional tax raised as reported by the concerned Departments are given in **Table 1.4**.

**Table 1.4**

Head of revenue	Number of cases					
	pending as on 31 March 2015	detected during 2015-16	Total	investigation completed	additional demand with penalty etc. raised (₹ in crore)	pending for finalisation as on 31 March 2016
Taxes on Sales, Trade etc.	4,638	3,995	8,633	5,191	8,739.22	3,442
Taxes on vehicles	31	79	110	36	0.03	74
State Excise	4	1	5	0	133.13	5
Stamp Duty and Registration Fee	5,636	9,023	14,659	8,463	53.77	6,196
<b>Total</b>	<b>10,309</b>	<b>13,098</b>	<b>23,407</b>	<b>13,690</b>	<b>8,926.15</b>	<b>9,717</b>

Source: Information furnished by the Department.

As seen from the above table that investigation in 13,690 cases (58 per cent of total cases) was completed and additional demand with penalty etc. of ₹ 8,926.15 crore was raised.

### **1.5 Response of the Government/Departments towards audit**

The Principal Accountant General (Audit)-I, Mumbai (PAG) and the Accountant General (Audit)-II, Nagpur (AG) conduct periodical inspections of the Government Departments to test check transaction of the tax and non-tax receipts and verify the maintenance of important accounting and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG/AG within one month from the date of issue of the IRs. The offices of the PAG/AG report serious financial irregularities to the heads of the Department and the Government. Half yearly reports are sent to the Secretaries of the concerned Departments in respect of the pending IRs to facilitate the monitoring of audit observations.

Scrutiny of IRs issued up to December 2015 disclosed that 12,650 audit observations involving ₹ 3,967.76 crore relating to 5,385 IRs remained outstanding at the end of June 2016 along with the corresponding figures for the preceding two years are mentioned in **Table 1.5**.



**Table 1.5**

Particulars	June 2014	June 2015	June 2016
Number of IRs pending for settlement	4,977	5,430	5,385
Number of outstanding audit observations	11,241	12,611	12,650
Amount of revenue involved (₹ in crore)	4,274.03	4,767.06	3,967.76

**1.5.1** The department-wise details of the IRs issued up to 31 December 2015 and audit observations outstanding as on 30 June 2016 and the amounts involved are mentioned in **Table 1.5.1**.

**Table 1.5.1**

(₹ in crore)					
Sr. No.	Name of the Department	Nature of receipts	Number of out-standing IRs	Number of out-standing audit obser-vations	Money value involved
1	2	3	4	5	6
1	Home	State Excise	165	264	97.25
2		Taxes on vehicles	342	1,120	125.23
3		Police Receipts (Non-Tax)	10	11	2.37
4	Revenue and Forest	Land Revenue	1,050	2,094	1,701.36
5		Entertainments Duty	509	1,064	51.05
6		Stamps and registration fees	1,368	3,330	810.63
7		Forest Receipts (Non-Tax)	105	150	30.21
8	Finance	Taxes on Sales, Trade etc.	1,306	3,818	193.68
9		Taxes on profession etc.	107	141	2.53
10	Industry, Energy and Labour	Taxes and duties on Electricity	111	213	641.86
11	Urban Development	Education Cess and Employment Guarantee Cess	177	279	105.90
12		Maharashtra Tax on Buildings (with larger Residential Premises)	62	73	6.06
13	Housing	Repair Cess	31	45	199.63
14	Water Resources	User Charges (Non-Tax)	33	37	0.00
15	Public Works	Non-Tax Receipts	9	11	0.00
<b>Total</b>			<b>5,385</b>	<b>12,650</b>	<b>3,967.76</b>

The first replies in respect of each IR though required to be received from the concerned head(s) of office(s) within one month from the date of issue of the IRs, was not received for 302 IRs issued up to 31 December 2015. The pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Head(s) of Office(s) and the departments did not initiate action to

rectify the defects, omissions and irregularities pointed out by the PAG/AG in the IRs.

The Government may consider issuing instructions to the concerned Head(s) of the office(s) for furnishing first replies to the IRs issued by the PAG/AG within the stipulated period of one month and take appropriate steps for settlement of the audit observations raised in these IRs.

### **1.5.2 Departmental Audit Committee Meetings**

The Government had set up Audit Committees during various periods to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the Audit Committee Meetings (ACMs) held during the year 2015-16 and the paragraphs settled are mentioned in **Table 1.5.2**.

**Table 1.5.2**

(₹ in crore)						
Sr. No.	Department	Nature of receipts	Number of meetings held	Number of paras discussed	Number of paras settled	Amount
1	Home	State Excise	1	89	36	8.19
		Taxes on vehicles	1	211	113	0.05
2	Revenue and Forest	Entertainments duty	2	423	155	2.30
		Land Revenue	3	901	716	1,177.02
3	Finance	Taxes on Sales, Trade etc.	3	256	147	7.96
		Taxes on Professions etc.	1	106	89	1.19
<b>Total</b>			<b>11</b>	<b>1,986</b>	<b>1,256</b>	<b>1,196.71</b>

The progress of settlement of paragraphs pertaining to the revenue heads “Entertainments Duty”, “Taxes on vehicles” and “Taxes on Sales, Trade etc.” was on lower side in comparison to the pendency of paragraphs.

### **1.5.3 Response of the Departments to draft audit paragraphs**

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG/AG to the Principal Secretaries/Secretaries of the concerned Departments, drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the concerned Departments/Government is indicated at the end of each paragraph included in the Audit Report.

Thirty seven draft paragraphs (clubbed into 25 paragraphs) including one Performance Audit were sent to the Principal Secretaries/Secretaries of the respective Departments between May 2016 and December 2016. The Principal Secretaries/ Secretaries of the Departments did not send replies to all these draft paragraphs and the same have been included in this Report without the response of the Departments.

### 1.5.4 Follow-up on Audit Reports - summarised position

**Position of explanatory notes :-** According to the instructions issued by the Finance Department, all the Departments are required to furnish explanatory memoranda, duly vetted by Audit, to the Maharashtra Legislative Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House. However, explanatory memoranda in respect of 100 audit paragraphs included in Audit Reports from 2004-05 onwards have not been received till date as shown below in **Table 1.5.4(A)**.

**Table 1.5.4(A)**

Department	Audit Report					Total
	Up to 2010-11	2011-12	2012-13	2013-14	2014-15	
Revenue and Forest	8	21	20	14	16	<b>79</b>
Home	2	1	2	1	2	<b>8</b>
Urban Development	2	1		2	1	<b>6</b>
Finance					5	<b>5</b>
Industry, Energy and Labour			1			<b>1</b>
Co-operation	1					<b>1</b>
<b>Total</b>	<b>13</b>	<b>23</b>	<b>23</b>	<b>17</b>	<b>24</b>	<b>100</b>

**Position of Action Taken Notes (ATNs):-** With a view to ensure accountability of the executive in respect of all the issues dealt with in the Audit Reports, the PAC lays down in each case, the period within which ATNs on its recommendations should be sent. However, ATNs for 174 recommendations included in six Reports of the Public Accounts Committee on Audit Reports from 2004-05 onwards have not been received from the concerned Departments as given in **Table 1.5.4(B)**.

**Table 1.5.4(B)**

Sr. No.	PAC Report No	Audit Reports discussed	No. of recommendations for which ATNs are awaited
1	6th Report of 2010-11	2004-05	34
2	7th Report of 2010-11	2005-06	53
3	15th Report of 2012-13	2006-07	27
4	16th Report of 2012-13	2007-08	37
5	2nd Report of 2015-16	2008-09	14
6	3rd Report of 2015-16	2009-10	9
<b>Total</b>			<b>174</b>

The Department-wise and Audit Report-wise breakup of the 174 awaited ATNs are given in **Table 1.5.4(C)**.

**Table 1.5.4(C)**

Name of the Department	Year of Audit Report					Total
	Up to 2005-06	2006-07	2007-08	2008-09	2009-10	
Revenue and Forests	26	16	12	4		<b>58</b>
Finance	14	8	2	5	6	<b>35</b>
Home	16		11	5	3	<b>35</b>
Water Resources	3		4			<b>7</b>
Industries, Energy and Labour	12					<b>12</b>
Public Works	3		8			<b>11</b>
Co-operation and Textiles		3				<b>3</b>
Urban Development	1					<b>1</b>
Water Supply and Sanitation	6					<b>6</b>
Housing	5					<b>5</b>
Rural Development	1					<b>1</b>
<b>Total</b>	<b>87</b>	<b>27</b>	<b>37</b>	<b>14</b>	<b>9</b>	<b>174</b>

## **1.6 Analysis of the mechanism for dealing with the issues raised by Audit in the Energy Department**

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years in respect of one Department are evaluated and included every year in the Audit Report.

The succeeding paragraphs 1.6.1 to 1.6.2 discuss the performance of the Energy Department under revenue head - "Taxes and Duties on Electricity" in respect of cases detected in the course of local audit during the years from 2006-07 to 2015-16 as well as those included in the Audit Reports during the last 10 years, i.e. 2005-06 to 2014-15.

### **1.6.1 Position of Inspection Reports**

The summarised position of Inspection Reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2016 are shown in **Table 1.6.1**.

Table 1.6.1

(₹ in crore)												
Year	Opening balance			Additions during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2006-07	46	71	76.19	21	31	1.29	11	19	60.23	56	83	17.25
2007-08	56	83	17.25	20	34	21.33	34	53	28.04	42	64	10.54
2008-09	42	64	10.54	28	45	253.59	31	57	136.98	39	52	127.15
2009-10	39	52	127.15	46	96	298.96	11	42	3.05	74	106	423.06
2010-11	74	106	423.06	46	105	252.44	22	37	125.41	98	174	550.09
2011-12	98	174	550.09	42	83	11.71	42	100	346.20	98	157	215.60
2012-13	98	157	215.60	44	106	865.62	48	88	31.98	94	175	1,049.24
2013-14	94	175	1,049.24	35	86	332.25	21	52	2.30	108	209	1,379.19
2014-15	108	209	1,379.19	23	46	1.10	2	22	0.15	129	233	1,380.14
2015-16	129	233	1,380.14	17	36	4.67	24	42	737.71	122	227	647.10

The Government had set up Audit Committees (during various periods) to monitor and expedite the settlement of IRs and paragraphs in the IRs. The outstanding paras are also pursued through periodic references to the concerned offices and also through field parties which visit these offices for audit in the subsequent years. Regular meetings apart from Audit Committee Meetings are also held with heads of the offices for discussion of those issues wherein the departmental views do not concur with the audit views.

The number of IRs, paragraphs and the amount pending settlement during the last 10 years has shown an increasing trend, with an amount of ₹ 647.10 crore pending settlement in 227 paragraphs contained in 122 IRs.

The Department may continue its efforts in making use of its machinery created for settlement of the outstanding audit observations so that the outstanding IRs, paragraphs and the amounts are considerably reduced.

### 1.6.2 Position of recovery of accepted cases in Audit Reports

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table 1.6.2.**

**Table 1.6.2**

(₹ 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 up to 31.03.2016
2005-06	1	101.59	1	101.59	0.00
2006-07	1	100.91	1	92.58	0.69
2007-08	2	55.15	1	0.20	0.16
2008-09	3	210.63	2	87.19	0.22
2009-10	4	4.83	4	4.83	1.70
2010-11	4	0.30	4	0.30	0.02
2011-12	2	0.42	1	0.23	0.00
2012-13	1	188.31	1	59.89	0.00
2013-14	There was no audit observation relating to “Taxes and Duties on Electricity” for these Reports				
2014-15					
<b>Total</b>	<b>18</b>	<b>662.14</b>	<b>15</b>	<b>346.81</b>	<b>2.79</b>

The above table indicates that the recovery was less than one *per cent* of the total accepted cases during the last ten years. The Government may instruct the concerned Department to make more efforts for recovery of the amounts at least in those cases which have been accepted by the Department.

## **1.7 Audit Planning**

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and tax administration i.e. budget speech, reports of the Finance Commission (State and Central), recommendations of the taxation reforms committee; statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years, etc.

Out of 2,056 auditable units, 905 units were planned for audit during 2015-16 and out of which 885 units were audited during the year. In addition to this, one Performance Audit was conducted during the year to ascertain the efficiency and efficacy of the tax administration in realisation of the revenues.

## **1.8 Results of audit**

### **Position of local audit conducted during the year**

Test check of the records of 885 units of Sales Tax/Value Added Tax, State Excise, Taxes on Vehicles, Goods and Passengers, Entertainments Duty, and other Departments conducted during the year 2015-16 revealed under assessment/short levy/loss of revenue aggregating to ₹ 525.23 crore in 2,838

observations. During the course of the year, the concerned Departments accepted under assessment and other deficiencies of ₹ 28.22 crore involved in 707 observations which were pointed out in audit during 2015-16 and earlier years. The Departments collected ₹ 28.45 crore in 732 cases during 2015-16, pertaining to audit findings of 2015-16 and of previous years.

### **Coverage of this Report**

This Report contains 25 paragraphs including one Performance Audit relating to non/short levy of taxes, duties, interest and penalty, etc., involving ₹ 105.44 crore and non-realisation of Value Added Tax arrears amounting to ₹ 529.48 crore.

The Departments/Government accepted audit observations involving ₹ 45.75 crore out of which ₹ 29.48 lakh had been recovered. The replies in the remaining cases have not been received (February 2017). These are discussed in succeeding Chapters II to VI.