

## CHAPTER-I: GENERAL

### 1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Bihar during the year 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

Sl. no.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	3,347.39	3,561.10	4,033.08	5,085.53	6,172.74
	• Non-tax revenue	417.79	522.30	511.28	525.59	1,153.32
	<b>Total</b>	<b>3,765.18</b>	<b>4,083.40</b>	<b>4,544.36</b>	<b>5,611.12</b>	<b>7,326.06</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
	• States' share of divisible Union taxes	9,117.13	10,420.59	13,291.72	16,766.29	17,692.51
	• Grants-in-aid	2,831.83	3,332.72	5,247.11	5,831.67	7,962.12
	<b>Total</b>	<b>11,948.96</b>	<b>13,753.31</b>	<b>18,538.83</b>	<b>22,597.96</b>	<b>25,654.63</b>
<b>III.</b>	Total receipts of the State Government <sup>1</sup> (I&II)	<b>15,714.14</b>	<b>17,836.71</b>	<b>23,083.19</b>	<b>28,209.08</b>	<b>32,980.69</b>
<b>IV.</b>	Percentage of I to III	<b>24</b>	<b>23</b>	<b>20</b>	<b>20</b>	<b>22</b>

The above table indicates that during the year 2008-09, the State Government could raise only 22 per cent of the total revenue receipts of Rs. 32,980.69 crore. The balance 78 per cent of the receipts was from the Government of India. The contribution of revenue raised by the State Government to the total revenue receipts has increased during 2008-09 over 2007-08.

<sup>1</sup> For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2008-09. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - Minor Head - 901 - Share of net proceeds assigned to the State booked in the Finance Accounts under A - Tax revenue have been excluded from the revenue raised by the State and included in State's share of divisible union taxes in this statement.

**1.1.2** The following table presents the details of tax revenue raised during the period 2004-05 to 2008-09.

**(Rupees in crore)**

Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) / decrease (-) in 2008-09 over 2007-08
1.	Taxes/VAT on sales, trade etc.	1,890.54	1,733.60	2,081.49	2,534.80	3,016.47	(+) 19.00
2.	State excise	272.47	318.59	381.93	525.42	679.14	(+) 29.26
3.	Stamp duty and registration fees	429.14	505.29	455.02	654.15	716.19	(+) 9.48
4.	Taxes and duties on electricity	9.54	18.06	62.84	64.05	67.62	(+) 5.57
5.	Taxes on vehicles	212.78	302.44	181.38	273.21	297.74	(+) 8.98
6.	Taxes on goods and passengers-tax on entry of goods into local areas	472.88	613.38	783.01	937.87	1,279.41	(+) 36.42
7.	Other taxes and duties on commodities and services	26.65	14.72	12.76	13.93	14.43	(+) 3.59
8.	Land revenue	33.39	55.02	74.65	82.10	101.74	(+) 23.92
<b>Total</b>		<b>3,347.39</b>	<b>3,561.10</b>	<b>4,033.08</b>	<b>5,085.53</b>	<b>6,172.74</b>	<b>(+) 21.38</b>

The reasons for variation in receipts during 2008-09 from those of 2007-08 as reported by the concerned departments are mentioned below.

**State excise:** The increase (29.26 per cent) was due to the implementation of the new excise policy, 2007 (July 2007) as well as increase in the number of excise shops.

**Stamp duty and registration fees:** The increase (9.48 per cent) was due to the revision of minimum value register of the urban areas of the State with effect from April 2008.

The other departments did not inform (January 2010) the reasons for variation despite being requested (between May and October 2009).

**1.1.3** The following table presents the details of non-tax revenue raised during the period 2004-05 to 2008-09.

(Rupees in crore)

Sl. no.	Head of Revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) / decrease (-) in 2008-09 over 2007-08
1.	Interest receipts	75.06	216.07	175.99	170.71	304.57	(+) 78.41
2.	Forestry and wildlife	7.16	8.89	6.35	6.64	6.15	(-) 7.38
3.	Non-ferrous mining and metallurgical industries	80.09	100.90	127.65	178.66	245.00	(+) 37.13
4.	Miscellaneous general services	9.07	11.77	20.88	3.02	385.82	(+) 12,675.50
5.	Medium irrigation	20.82	10.82	10.95	9.67	10.64	(+) 10.03
6.	Medical and public health	12.66	15.10	17.52	21.07	17.25	(-) 18.13
7.	Fisheries	5.15	5.69	6.09	6.57	6.87	(+) 4.57
8.	Roads and bridges	8.43	12.05	16.75	17.95	26.40	(+) 47.08
9.	Police	13.72	6.00	10.53	23.47	9.44	(-) 59.78
10.	Other administrative services	107.99	34.21	20.28	12.00	8.09	(-) 32.58
11.	Other non-tax receipts	77.64	100.80	98.29	75.83	133.09	(+) 75.51
<b>Total</b>		<b>417.79</b>	<b>522.30</b>	<b>511.28</b>	<b>525.59</b>	<b>1,153.32</b>	<b>(+) 119.43</b>

The reasons for variation in receipts during 2008-09 from those of 2007-08 as reported by the concerned departments are mentioned below.

**Interest receipts:** The increase (78.41 per cent) was due to receipts of more interest on the investment of cash balance.

**Miscellaneous general services:** The increase (12,675.50 per cent) was mainly due to debt relief given by the Department of Expenditure, Ministry of Finance, Government of India on repayment of the consolidated loan.

**Police:** The decrease (59.78 per cent) was mainly due to non-receipt of charges for police supplied and issue of fewer licences under the Arms Act.

The other departments did not inform (January 2010) the reasons for variation, despite being requested (between May and October 2009).

## 1.2 Variation between the budget estimates and actual

The variation between the budget estimates of revenue receipts and the actual receipts under the principal heads of tax and non-tax revenue for the year 2008-09 is mentioned below:

(Rupees in crore)

Sl. no.	Revenue head	Budget estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage
• Tax revenue					
1.	Taxes/VAT on sales, trade etc.	2,937.72	3,016.47	(+) 78.75	(+) 2.68
2.	State excise	537.69	679.14	(+) 141.45	(+) 26.31

3.	Stamp duty and registration fees	581.02	716.19	(+) 135.17	(+) 23.26
4.	Taxes on vehicles	256.60	297.74	(+) 41.14	(+) 16.03
5.	Taxes and duties on electricity	30.28	67.62	(+) 37.34	(+) 123.32
6.	Land revenue	74.72	101.74	(+) 27.02	(+) 36.16
7.	Other taxes and duties on commodities and services	13.39	14.43	(+) 1.04	(+) 7.77
8.	Taxes on goods and passengers - Tax on entry of goods into local areas	825.00	1,279.41	(+) 454.41	(+) 55.08
<b>• Non-tax revenue</b>					
1.	Non-ferrous mining and metallurgical industries	140.00	245.00	(+) 105.00	(+) 75.00
2.	Forestry and wild life	4.65	6.15	(+) 1.50	(+) 32.26
3.	Interest receipts	57.44	304.57	(+) 247.13	(+) 430.24
4.	Water rates (medium irrigation)	2.72	10.64	(+) 7.92	(+) 291.18

The concerned departments did not inform (January 2010) the reasons for the variation, despite being requested (between May and October 2009).

### 1.3 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2006-07 to 2008-09 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2007-08 are mentioned below:

(Rupees in crore)						
Sl. no.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2007-08
1.	Taxes/VAT on sales, trade etc.	2006-07	2,081.49	27.30	1.31	0.83
		2007-08	3,550.65	42.73	1.20 <sup>2</sup>	
		2008-09	4,377.92	46.67	1.07 <sup>2</sup>	
2.	State excise	2006-07	381.93	18.31	4.79	3.27
		2007-08	525.42	22.14	4.21	
		2008-09	679.14	24.15	3.56	
3.	Stamp duty and registration fees	2006-07	455.02	36.86	8.10	2.09
		2007-08	654.15	34.03	5.20	
		2008-09	716.19	37.68	5.26	
4.	Taxes on vehicles	2006-07	181.38	6.03	3.32	2.58
		2007-08	273.21	5.96	2.18	
		2008-09	297.74	6.95	2.33	

<sup>2</sup> Percentage of expenditure to gross collection for the year 2007-08 and 2008-09 includes taxes on goods and passengers - tax on entry of goods into local areas, taxes and duties on electricity and other taxes and duties on commodities and services in addition to sales tax/VAT.

The above table indicates that the percentage of expenditure on collection in respect of all the taxes was more than the all India average percentage for the year 2007-08 except in case of taxes on vehicles during the years 2007-08 and 2008-09.

**The Government needs to take appropriate measures to bring down the cost of collection.**

#### 1.4 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes on sales, trade *etc.*, during the year 2008-09 and corresponding figures for the preceding four years as furnished by the Finance (Commercial Taxes) Department is mentioned below:

(Rupees in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment	Penalty for delay in payment of taxes and duties	Amount refunded	Net collection as per department	Net collection as per Finance Account	Percentage of column 3 to 8
1	2	3	4	5	6	7	8	9
Taxes/ VAT on sales, trade <i>etc.</i>	2004-05	1,809.59	78.79	1.37	9.18	1,879.20	1,890.54	95.72
	2005-06	1,664.13	69.92	0.89	17.36	1,716.70	1,733.60	95.99
	2006-07	2,002.62	81.25	2.81	11.96	2,071.92	2,081.49	96.21
	2007-08	2,537.11	39.86	2.24	38.00	2,538.97	2,534.80	100.09
	2008-09	3,049.18	54.22	1.04	38.92	3,065.52	3,016.47	101.08

Thus, the percentage of tax collected before regular assessment has been consistently increasing from the year 2004-05 and during 2008-09 it reached 101.08 *per cent*. However, the department collected Rs. 361.54 crore after regular assessments conducted during the years 2003-04 to 2007-08<sup>3</sup>, while tax due in the cases detected during test check of selective cases conducted by audit during the period from 2004-05 to 2008-09 amounted to Rs. 1,216.89 crore<sup>4</sup> which is almost three fold higher. **The high amount of leakage of revenue detected by audit only in the test checked cases vis-à-vis the amount collected after regular assessments points towards a need for the Government to strengthen the tax administration. Besides, the refunds allowed during the years 2004-05 to 2008-09 also registered a consistent increase and during 2008-09, it reached Rs. 38.92 crore while during the same year the department collected Rs. 54.22 crore. Thus, during the year 2008-09 the department collected Rs. 15.30 crore only after regular assessments.**

#### 1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of the principal heads of revenue as reported by the departments was Rs. 1,703.52 crore of which

<sup>3</sup> Amount collected after regular assessments during 2003-04 = Rs. 91.72 crore.

<sup>4</sup> 2004-05 = Rs.142.82 crore; 2005-06 = Rs. 30.32 crore; 2006-07 = Rs. 62.82 crore; 2007-08 = Rs. 315.60 crore and 2008-09 = Rs. 665.33 crore.

Rs. 414.32 crore<sup>5</sup> were outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. no.	Heads of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than five years	Remarks
1.	Taxes/VAT on sales, trades etc.	966.69	350.03	Out of Rs. 966.69 crore, demands for Rs. 304.70 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 334.51 crore and Rs. 4.62 crore were stayed by the courts and the Government respectively. Recovery of Rs. 1.15 crore was held up due to the rectification/ review of the applications and Rs. 321.71 crore was pending at other stages.
2.	Taxes on vehicles	118.50	Not furnished	Out of Rs. 118.50 crore, demand for Rs. 113.06 crore was certified for recovery as arrears of land revenue. Action taken for the remaining arrears of Rs. 5.44 crore, has not been intimated (November 2009), despite being requested (between May and October 2009).
3.	Land revenue	145.70	Not furnished	Stages at which the arrears were pending for collection have not been intimated (November 2009), despite being requested (between May and October 2009).
4.	State excise <sup>6</sup>	30.41	1.63	Out of Rs. 30.41 crore, demands for Rs. 24.89 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 86.57 lakh and Rs. 11.20 lakh were stayed by the courts and the Government respectively. Recovery of Rs. 16.21 lakh and Rs. 0.56 lakh were held up due to the rectification/review of the applications and party becoming insolvent respectively. An amount of Rs. 36.21 lakh was likely to be written off and Rs. 4.01 crore was pending at other stages.
5.	Taxes and duties on electricity	2.83	2.81	Stages at which the arrears were pending for collection have not been intimated (November 2009), despite being requested (between May and October 2009).
6.	Entry tax	28.42	0.99	Out of Rs. 28.42 crore, demand for Rs. 2.77 crore was certified for recovery as arrears of land revenue. Recovery of Rs. 96 lakh was stayed by the courts/Government and Rs. 24.69 crore was pending at other stages.

<sup>5</sup> Excluding taxes on vehicles, land revenue and water rates for which particulars have not been furnished by the concerned departments.

<sup>6</sup> The amount of arrears does not include figures in respect of Banka, Kaimur, Lakhisarai and Munger district excise offices due to non-availability of their report.

7.	Entertainment tax	9.31	2.50	Out of Rs. 9.31 crore, demands for Rs. 7.65 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 2.12 lakh was stayed by the courts/Government and Rs. 1.64 crore was pending at other stages.
8.	Taxes on sugarcane	19.57	4.21	Out of Rs. 19.57 crore, demands for Rs. 3.50 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 12.64 lakh and Rs. 10.89 crore were stayed by the courts and the Government respectively. Specific action taken for remaining arrears of Rs. 5.05 crore has not been intimated (November 2009), despite being requested (between May and October 2009).
9.	Water rates	204.25	Not furnished	Stages at which the arrears were pending for collection has not been intimated (November 2009), despite being requested (between May and October 2009).
10.	Mines and Minerals	177.84	52.15	Out of Rs. 177.84 crore, demands for Rs. 151.99 crore were certified for recovery as arrears of land revenue and Rs. 25.85 crore was pending at other stages.
<b>Total</b>		<b>1,703.52</b>	<b>414.32</b>	

**Thus, there was an increase of Rs. 107.44 crore in the arrears as on 31 March 2009 against those (Rs. 1,596.08 crore) at the end of previous year which the Government needs to look into.**

The position of arrears of revenue at the end of 2008-09 in respect of other departments was not furnished (January 2010), despite being requested (between May and October 2009).

### **1.6 Arrears in assessment of sales tax/VAT**

The details of sales tax/VAT assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases assessed during the year and the number of cases pending at the end of each year during 2004-05 to 2008-09 as furnished by the department are mentioned below:

Year	Opening balance	New cases due for assessment during the year	Total	Cases finalised during the year	Balance at the end of the year	Percentage of column 6 to 4
1	2	3	4	5	6	7
2004-05	2,25,408	69,914	2,95,332	75,582	2,19,750	74
2005-06	2,19,750	65,917	2,85,667	64,944	2,20,723	77
2006-07	2,20,723	20,193	2,40,916	33,280	2,07,636	86
2007-08	2,07,636	2,882	2,10,518	1,43,417 <sup>7</sup>	67,101	32
2008-09	67,101	10,953	78,054	13,281	64,773	83

<sup>7</sup> The figure includes 98,315 cases which were deemed to be assessed during the period 2005-06 to 2007-08.

Thus, the level of assessments finalised remained consistently low except in 2007-08 leading to high pendency. Even in 2007-08 the spurt in finalisation was due to the inclusion of 98,315 cases which were deemed to be assessed.

**The Government may take appropriate steps to bring down the percentage of pending assessments in the interest of revenue.**

### 1.7 Evasion of tax

The details of cases of evasion of tax detected by the departments, cases finalised and demands raised as reported by the department concerned are mentioned below:

Head of the department	Cases pending as on 31 March 2008	Cases detected during 2008-09	Total	Number of cases in which assessments/investigation completed and additional demand including penalty etc., raised during the year 2008-09		Number of pending cases as on 31 March 2009
				No. of cases	Amount (Rs. in lakh)	
Commercial Tax Department	Nil <sup>8</sup>	90	90	25	6.87	65

The other departments did not furnish the details in respect of cases relating to state excise and stamp duty and registration fees (January 2010), despite being requested (between May and October 2009).

### 1.8 Refunds

The number of refund cases pending at the beginning of the year 2008-09, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2009), as reported by the concerned departments are mentioned below:

(Rupees in lakh)

Sl. no.	Particulars	Sales tax		Taxes on entry of goods into local areas		State excise <sup>9</sup>		Entertainment tax	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,995	4,423.04	5	20.34	335	417.71	5	0.12
2.	Claims received during the year	126	4,287.03	2	30.29	1,355	1,781.52	1	2.58
3.	Refunds made during the year	91	3,892.06	1	0.99	1,511	2,030.83	1	2.58
4.	Balance outstanding at the end of the year	2,030	4,818.01	6	49.64	179	168.40	5	0.12

<sup>8</sup> The department furnished the opening balance as 'Nil' against closing balance of 63 cases furnished and included in the Audit Report of last year.

<sup>9</sup> The data does not include the figures in respect of Banka, Kaimur, Lakhisarai and Munger district excise offices due to non-availability of their report.



The opening balance in respect of the sales tax and taxes on the entry of goods into local areas as reported by the concerned departments differs from the closing balance reported by the departments and included in the last year's Audit Report.

### 1.9 Internal audit

Internal audit, a vital component of internal control, enables an organisation to assure itself that the prescribed systems are functioning reasonably well.

As per the compiled manual<sup>10</sup> and circular (1953) of the Finance Audit Department, the internal audit organisation of the departments of the Government were centralised under the Finance Department. As informed by the Finance Department (December 2009), internal audit of the different offices of the Government is conducted on the requisition received by the administrative department. The department added that there was shortfall in internal audit due to shortage of the staff. However, the department did not furnish (January 2010) further information regarding the number of offices due for audit, audit conducted, number of observations issued and amount involved, despite specific requests (between May and October 2009). **This indicates that internal audit is not accorded the importance which needs the attention of the Government.**

### 1.10 Failure to enforce accountability and protect interest of the Government

The Principal Accountant General (Audit), Bihar (PAG) conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of the important accounts 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 within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

Inspection reports issued upto December 2008 disclosed that 20,552 paragraphs involving Rs. 5,009.24 crore relating to 3,855 IRs remained outstanding at the end of June 2009 as mentioned below alongwith the corresponding figures for the preceding two years:

	June 2007	June 2008	June 2009
Number of outstanding IRs	3,126	3,564	3,855
Number of outstanding audit observations	16,835	18,997	20,552
Amount involved (Rupees in crore)	3,273.56	4,358.62	5,009.24

<sup>10</sup> Compendium of important Government instruction issued from time to time.

The department-wise details of the IRs and audit observations outstanding as on 30 June 2009 and the amounts involved are mentioned below:

Sl. no.	Name of the Departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (Rupees in crore)
1.	Finance	Taxes/VAT on sales, trade etc	506	5,170	971.77
		Entry tax	127	255	58.55
		Electricity duty	21	25	16.74
		Entertainment tax, luxury tax, etc.	13	19	0.57
2.	Excise	State excise	334	1,783	569.23
3.	Revenue	Land revenue	1,441	6,196	640.69
4.	Transport	Taxes on motor vehicles	384	2,781	1,011.29
5.	Stamps and registration	Stamps and registration fees	377	1,045	180.41
6.	Mines and geology	Non-ferrous mining and metallurgical industries	268	1,763	619.84
7.	Forest and environment	Forestry and wild life	124	503	201.93
8.	Water resources	Water rates	204	878	694.86
9.	Cane	Sugar cane	56	134	43.36
<b>Total</b>			<b>3,855</b>	<b>20,552</b>	<b>5,009.24</b>

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 2,888 IRs issued upto December 2008. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

**It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.**

### **1.11 Departmental audit committee meetings**

In order to expedite settlement of the outstanding audit observations contained in the IRs, the Government constituted departmental audit committees. These

committees are chaired by the Administrative Secretary of the concerned department and attended among others by the officers concerned of the State Government and of the office of the PAG. The meetings for reviewing and monitoring the progress of settlement of the audit observations/paragraphs are required to be held quarterly.

The department-wise number of the audit committee meetings held and the paragraphs settled during the year 2008-09 are as under:

Department	No. of meetings held	No. of paragraphs settled	Money value (Rs. in crore)
Transport	02	85	28.46
State excise and prohibition	01	09	06.24

The other departments did not take any initiative for settling the outstanding audit observations through these meetings. **The Government should ensure holding of periodical meetings of these committees for effective progress.**

### 1.12 Response of the departments to draft audit paragraphs

The Department of Finance issued directions to all the departments to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The PAG forwards the draft paragraphs to the Secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the department is invariably indicated at the end of each paragraph included in the audit report.

Twenty six draft paragraphs and three reviews included in this Report for the year ended 31 March 2009 were forwarded to the Secretaries of the concerned departments between May and September 2009 through demi-official letters. The Secretaries of the various departments sent replies to three reviews, eight draft paragraphs and partial replies to four draft paragraphs while replies to 14 draft paragraphs have not been received. These have been included in this report without the response of the Government/departments.

### 1.13 Follow-up on Audit Reports

The departments of the Government are required to prepare the detailed explanations (departmental notes) on the audit paragraphs and send it to the Public Accounts Committee within three months of an Audit Report being laid down in the State Legislature.

A review revealed that as of November 2009, 12 departments had not furnished the departmental notes in respect of 177 paragraphs included in the Audit Reports for the years between 1990-91 and 2007-08 for vetting. The delay ranged from one month to over 15 years as mentioned below:

Sl. no.	Department	Year of Audit Report	Dates of presentation to the Legislature	Last date by which departmental notes were due	Number of paragraphs for which departmental notes were due	Delay in months
1.	Finance	2003-04 to 2004-05	December 2005 to March 2006	March 2006 to June 2006	2	41 to 44
2.	Finance (commercial taxes)	1993-94, 2000-01 to 2007-08	December 1995, December 2003 to July 2009	March 1996, March 2004 to October 2009	11	1 to 164
3.	State excise	1990-91 to 2007-08	March 1994 to July 2009	June 1994 to October 2009	45	1 to 185
4.	Revenue and land reforms	2005-06 to 2007-08	July 2007 to July 2009	October 2007 to October 2009	20	1 to 25
5.	Registration	1996-97, 2000-01, 2002-03 to 2006-07	July 1998, December 2003, December 2004 to March 2008	October 1998, March 2004, March 2005 to June 2008	5	17 to 133
6.	Transport	1996-97, 1998-99, 2000-01 to 2007-08	July 1998, July 2000, December 2003 to July 2009	October 1998, October 2000, March 2004 to October 2009	35	1 to 133
7.	Mines and geology	2000-01 to 2007-08	December 2003 to July 2009	March 2004 to October 2009	22	1 to 68
8.	Forest and environment	2000-01 to 2007-08	December 2003 to July 2009	March 2004 to October 2009	17	1 to 68
9.	Water resources	1994-95 to 1998-99, 2000-01, 2002-03 to 2007-08	July 1996 to July 2000, December 2003, December 2004 to July 2009	October 1996 to October 2000, March 2004, March 2005 to October 2009	15	1 to 157
10.	Home (Police)	1998-99 and 2005-06	July 2000 and July 2007	October 2001 and October 2007	2	25 to 109
11.	Urban development	1997-98	August 1999	November 1999	1	120
12.	Agriculture	2005-06	July 2007	October 2007	2	25
<b>Total</b>					<b>177</b>	

Thus, the executive failed to take prompt action on the important issues highlighted in the Audit Reports that involved large sums of unrealised revenue.

#### 1.14 Recovery of revenue in accepted cases

During the years between 2003-04 and 2007-08, the departments/Government accepted audit observations involving Rs. 656 crore of which only an amount of Rs. 97.11 crore was recovered as on 31 March 2009 as mentioned below:

(Rupees in crore)			
Year of Audit Report	Total money value of Audit Report	Accepted money value	Recovery made
2003-04	1,117.71	112.41	92.88
2004-05	176.92	56.63	0.67

2005-06	304.68	8.07	1.26
2006-07	206.42	61.40	0.82
2007-08	523.80	417.49	1.48
<b>Total</b>	<b>2,329.53</b>	<b>656.00</b>	<b>97.11</b>

The concerned departments did not inform (January 2010) the upto date recovery, despite being requested (between May and October 2009).

### 1.15 Results of audit

Test check of the records of sales tax/VAT, state excise, motor vehicles tax, stamps and registration fees, electricity duty, other tax receipts, forest receipts, interest receipts and other non-tax receipts during the year 2008-09 revealed underassessment/short levy/loss of revenue of Rs. 1,363.16 crore in 1,380 cases, of which the concerned departments accepted underassessments and other deficiencies of Rs. 1,028.06 crore involved in 920 cases. The concerned departments also reported recovery of Rs. 1.20 crore.

This report contains 26 paragraphs and three reviews relating to non/short levy of taxes, duties, interest and penalties *etc.* involving Rs. 838.92 crore. The departments/Government accepted audit observations involving Rs. 709.78 crore in 23 paragraphs and recovered Rs. 2 lakh. No replies have been received in the remaining cases (January 2010). **The negligible recovery of Rs. 2 lakh against Rs. 709.78 crore relating to the accepted cases highlights the failure of the Government/department machinery to act promptly to recover the Government dues even in respect of the accepted cases.** These are discussed in succeeding chapters II to VI.