

## CHAPTER I GENERAL

### 1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Andhra Pradesh during the year 2009-10, 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:

(₹ in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
<b>I</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	19,207.41	23,926.20	28,794.05	33,358.29	35,176.68 <sup>1</sup>
	• Non-tax revenue	4,691.37	6,487.83	7,064.13	9,683.40	7,802.26
	<b>Total</b>	<b>23,898.78</b>	<b>30,414.03</b>	<b>35,858.18</b>	<b>43,041.69</b>	<b>42,978.94</b>
<b>II</b>	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes	6,950.86	8,866.00	11,183.64	11,801.50	12,141.71
	• Grants-in-aid	4,001.56	4,965.44	7,100.73	8,015.26	9,557.70
	<b>Total</b>	<b>10,952.42</b>	<b>13,831.44</b>	<b>18,284.37</b>	<b>19,816.76</b>	<b>21,699.41</b>
<b>III</b>	<b>Total receipts of the State (I + II)</b>	<b>34,851.20</b>	<b>44,245.47</b>	<b>54,142.55</b>	<b>62,858.45</b>	<b>64,678.35</b>
<b>IV</b>	<b>Percentage of I to III</b>	<b>69</b>	<b>69</b>	<b>66</b>	<b>68</b>	<b>66</b>

The above table indicates that during the year 2009-10, the revenue raised by the State Government was 66 *per cent* of the total revenue receipts (₹ 64,678.35 crore). The balance 34 *per cent* of the receipts during 2009-10 was from the Government of India.

<sup>1</sup> For details please see Statement No.11- Detailed accounts of revenue by minor heads in the Finance Accounts of Andhra Pradesh for the year 2009-10. 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 - share of net proceeds assigned to states booked in the Finance Accounts under A-Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this table.

1.1.2 The following table presents the details of tax revenue raised during the period from 2005-06 to 2009-10:

							(₹ in crore)
Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/ decrease (-) in 2009-10 over 2008-09
1.	Sales tax	11,524.24	14,222.67	17,593.41	20,596.47	22,278.14	(+) 8.16
	Central sales tax	1,017.37	1,244.41	1,433.08	1,255.19	1,362.07	(+) 8.52
2.	State excise	2,684.57	3,436.63	4,040.69	5,752.61	5,848.59	(+) 1.67
3.	Stamp duty and registration fee	2,013.45	2,865.38	3,086.06	2,930.99	2,638.63	(-) 9.97
4.	Taxes and duties on electricity	151.96	151.05	195.36	218.54	159.25	(-) 27.13
5.	Taxes on vehicles	1,355.74	1,364.74	1,603.80	1,800.62	1,995.30	(+) 10.81
6.	Taxes on goods and passengers	50.35	41.25	80.29	15.88	10.28	(-) 35.26
7.	Other taxes on income and expenditure, tax on professions, trades, callings and employments	227.07	312.21	355.72	374.46	430.36	(+) 14.93
8.	Other taxes and duties on commodities and services	110.62	148.84	171.00	203.13	170.01	(-) 16.30
9.	Land revenue	68.75	113.50	144.39	130.35	221.56	(+) 69.97
10.	Taxes on immovable property other than agricultural land	3.29	25.52	90.25	80.05	62.49	(-) 21.94
<b>Total</b>		<b>19,207.41</b>	<b>23,926.20</b>	<b>28,794.05</b>	<b>33,358.29</b>	<b>35,176.68</b>	<b>(+) 5.45</b>

The following reasons for variation were reported by the concerned Departments:

- **Taxes and duties on electricity:** The decrease was due to non-receipt of electricity duty for the period December 2009 to March 2010 from Distribution Companies (DISCOMS).
- **Taxes on vehicles:** The increase was due to increase in number of transactions of registration and enforcement.
- **Other taxes on income and expenditure:** The increase was due to increased allocation of net proceeds assigned to states.

- **Land revenue:** The increase was due to increase in collection of land revenue/tax and sale proceeds of waste lands and redemption of land tax.

The other Departments did not inform (January 2011) the reasons for variation, despite being requested (April/June 2010).

**1.1.3** The following table presents the details of non-tax revenue raised during the period from 2005-06 to 2009-10:

							(₹ in crore)
Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/decrease (-) in 2009-10 over 2008-09
1.	Interest receipts	2,039.52	2,231.17	3,525.34	3,487.40	4,851.52	(+) 39.12
2.	Other non-tax receipts	505.05	682.73	711.03	1,187.74	1126.82	(-) 5.13
3.	Forestry and wild life	137.93	87.11	90.92	93.22	103.11	(+) 10.61
4.	Non-ferrous mining and metallurgical industries (mines and minerals)	1,062.57	1,321.25	1,597.56	1,684.98	1,887.26	(+) 12.00
5.	Miscellaneous general services	703.47	1,865.90	778.64	2,944.06	(-) 617.71	(-) 120.98
6.	Power	22.26	22.11	25.13	15.77	26.12	(+) 65.63
7.	Major and medium irrigation	47.82	68.81	42.03	38.33	81.88	(+) 113.62
8.	Medical and public health	40.59	34.19	67.31	48.43	70.58	(+) 45.74
9.	Co-operation	12.45	23.61	39.14	20.09	37.51	(+) 86.71
10.	Public works	7.20	7.09	7.56	7.65	7.52	(-) 1.70
11.	Police	62.94	79.12	99.83	105.36	130.09	(+) 23.47
12.	Other administrative services	49.57	64.73	79.64	50.37	97.56	(+) 93.69
<b>Total</b>		<b>4,691.37</b>	<b>6,487.83</b>	<b>7,064.13</b>	<b>9,683.40</b>	<b>7802.26</b>	<b>(-) 19.43</b>

The following reasons for variations were reported by the concerned Departments:

- **Interest receipts:** The increase was due to increase in lending and collection of interest from Departmental commercial undertakings.
- **Major and medium irrigation:** The increase was due to increased receipts from Godavari Delta System and other receipts.

- **Medical and public health:** The increase was due to increase in collection of receipts from employees State Insurance Scheme.
- **Co-operation:** The increase was due to increase in collection of receipts from Audit Fees and Other Receipts.
- **Police:** The increase was due to increase in receipts from providing Police to other Governments and Other parties.
- **Non-ferrous mining and metallurgical industries:** The increase was due to more receipts under Mineral Concession Fees, Rents, Royalties and other receipts.
- **Forestry and wild life:** The increase was due to realisation of revenue generated from sale of timber, bamboo and other plantations etc.
- **Other administrative services:** The increase was due to collection of more receipts under “Other Receipts”.

The other Departments did not inform (January 2011) the reasons for variations, despite being requested (April/June 2010).

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

Accountant General (AG) conducts test check of the transactions of Government Departments and communicates the audit observations through Inspection Reports (IRs). The Heads of offices report compliance to the observations in IRs within one month from the date of issue of IRs.

The paragraphs remained unsettled are expedited by the audit committees set up for the purpose. Serious audit observations converted as draft paragraphs proposed for inclusion in the Audit Report are communicated to the Department/Government. The Government is required to furnish the replies to such draft paragraphs within six weeks of their issue. Departmental explanatory notes to the paragraphs included in Audit Reports are required to be submitted within three months of an Audit Report being presented to the Legislature.

### **1.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government**

Accountant General (Audit) conducts periodical 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 a copy to the next higher authorities for taking prompt corrective action. The heads of 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 AG within one month from the date of issue of the IRs.

Serious financial irregularities are reported to the heads of Departments and the Government.

Inspection reports issued upto 31 December 2009 disclosed that 28,990 paragraphs involving ₹ 11,916.66 crore relating to 10,689 IRs remained outstanding at the end of 30 June 2010 as mentioned below alongwith corresponding figures for the preceding two years:

	June 2008	June 2009	June 2010
Number of outstanding IRs	10,556	10,292	10,689
Number of outstanding audit observations	27,008	27,382	28,990
Amount involved (₹ in crore)	8,884.17	10,221.24	11,916.66

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned below:

(₹ in crore)					
Sl. No.	Department	Nature of receipt	No. of outstanding IRs	No. of outstanding audit observations	Money value involved
1.	Commercial taxes	VAT/ST/LT/ET	3,683	12,463	3,144.84
2.	Land revenue	Water Tax	3,739	8,318	1,609.70
3.	Stamps and registration	Stamp duty & Registration fees	1,871	4,951	522.81
4.	State excise	State Excise	352	733	111.41
5.	Transport	Taxes on vehicles	340	1,536	2,297.16
6.	Forest	Forest Receipts	136	187	98.95
7.	Co-operation	Audit Fee	29	37	42.24
8.	Mines and minerals	Mineral Receipts	227	346	1,689.88
9.	Civil supplies	Sale proceeds of food stocks	56	77	35.26
10.	Agriculture	Miscellaneous	183	252	-
11.	Sugarcane	Purchase tax	51	65	243.97
12.	Electricity Department	Electricity duty	12	15	1,232.41
13.	Municipal Administration and Urban Development	Royalty on water	2	2	83.18
14.	Finance and planning	Interest	4	4	474.81
15.	Irrigation and command area development	Road cess	4	4	330.04
<b>Total</b>			<b>10,689</b>	<b>28,990</b>	<b>11,916.66</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 341 IRs

issued upto December 2009. 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 AG in the IRs.

**It is recommended that the Government should introduce a system for sending prompt and appropriate response to audit observations as well as taking action against those failing 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.**

### **1.2.2 Departmental audit committee meetings**

The Government set up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2009-10 and the paragraphs settled are mentioned below:

(₹ in crore)

Sl. No.	Head of revenue	No. of meetings held	No. of paras settled	Amount
1.	Commercial taxes	6	616	47.62
2.	Registration	1	111	1.05
<b>Total</b>		<b>7</b>	<b>727</b>	<b>48.67</b>

Thus, out of six principal Departments four Departments viz. state excise, land revenue, transport and mines failed to take advantage of the audit committee meetings set up.

**As the pendency of IRs and paragraphs are accumulating, the Government may instruct all the Departments to conduct more audit committee meetings to expedite clearance.**

### **1.2.3 Non-production of records to Audit for scrutiny**

The programme of local audit of Tax/Non-tax receipts offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit to the Department to enable them to keep the relevant records ready for audit scrutiny.

During 2009-10, audit of 916 offices was conducted. Out of these, in 233 offices certain important records like 443 Sales Tax assessment files, DCB registers, Receipt books, Daily collection registers etc., were not produced to audit though the audit programme was intimated well in advance.

**There is a need for issuing suitable instructions by the Government to the heads of Departments concerned for production of all the relevant records for audit scrutiny.**

### 1.2.4 Response of the Departments to draft audit paragraphs

The draft paragraphs/reviews proposed for inclusion in the Audit Report are forwarded by the AG to the Principal Secretaries of the concerned Departments through demi-official letters. According to the instructions issued (September 1995) by the Government, all the Departments are required to furnish their remarks on the draft paragraphs/reviews within six weeks of their receipt. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

175 draft paragraphs clubbed into 47 paragraphs (including one review) proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2010 were forwarded to the concerned Principal Secretaries to the Government and copies endorsed to the concerned heads of the Departments between March and July 2010. Of these, replies to 139 draft paragraphs have been received. The draft review was discussed with the Government in the exit conference held in November 2010. The replies to the audit observations given in the exit conference held in November 2010 and at other points of time have been appropriately reflected in the report.

### 1.2.5 Follow up on Audit Reports – Summary

As per the instructions issued by Finance and Planning Department in November 1993, the Departments of the Government are required to prepare and send to the Andhra Pradesh Legislative Assembly Secretariat, detailed explanations (Departmental notes) on the audit paragraphs within three months of an Audit Report being laid on the table of the Legislature.

A review of the position in this regard revealed that as of January 2011, 13 Departments had not furnished the Departmental notes in respect of 155 paragraphs included in the Audit Reports for the years 2000-01 to 2008-09 due between June 2002 and October 2010. The delays ranged from 3 months to over 8 years as mentioned in the following table:

Sl. No.	Department	Year of the Audit Report	Dates of presentation to the Legislature	Last date by which Departmental notes were due	No. of paragraphs for which the Departmental notes were due	Delay in months
1.	Commercial taxes	2007-08 & 2008-09	September 2009 & July 2010	November 2009 & October 2010	40	3 to 14
2.	State excise	2008-09	July 2010	October 2010	2	3
3.	Transport	2006-07 to 2008-09	March 2008 to July 2010	June 2008 to October 2010	22	3 to 31
4.	Co-operation	2000-01 & 2008-09	March 2002 & July 2010	June 2002 & October 2010	4	3 to 103
5.	Irrigation	2000-01 & 2006-07	March 2002 & March 2008	June 2002 & June 2008	4	31 to 103
6.	Land revenue	2001-02 to 2008-09	March 2003 to July 2010	June 2003 to October 2010	49	3 to 91
7.	Industries & Commerce	2002-03 to 2008-09	July 2004 to July 2010	October 2004 to October 2010	23	3 to 75
8.	Home	2006-07	March 2008	June 2008	1	31

Sl. No.	Department	Year of the Audit Report	Dates of presentation to the Legislature	Last date by which departmental notes were due	No. of paragraphs for which the departmental notes were due	Delay in months
9.	Energy	2001-02	March 2003	June 2003	1	91
10.	Municipal Administration and Urban Development	2002-03 & 2003-04	July 2004 & October 2005	October 2004 & January 2006	3	60 to 75
11.	Finance	2001-02	March 2003	June 2003	1	91
12.	Forest	2003-04, 2005-06, 2007-08 & 2008-09	October 2005, March 2007, September 2009 & July 2010	January 2006, June 2007, November 2009 & October 2010	4	3 to 60
13.	General administration	2005-06	March 2007	June 2007	1	43
	<b>Total</b>	<b>2000-01 to 2008-09</b>	<b>March 2002 to July 2010</b>	<b>June 2002 to October 2010</b>	<b>155</b>	<b>3 to 103</b>

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

### 1.2.6 Compliance with the earlier Audit Reports

During the years 2004-05 to 2008-09, the Departments/Government accepted audit observations involving ₹ 854.75 crore out of which an amount of ₹ 17.04 crore was recovered till 31 October 2010 as mentioned below:

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2004-05	264.68	40.20	0.91
2005-06	189.69	49.60	4.45
2006-07	401.59	245.39	3.42
2007-08	443.46	177.31	4.42
2008-09	628.76	342.25	3.84
<b>Total</b>	<b>1,928.18</b>	<b>854.75</b>	<b>17.04</b>

The recovery in respect of accepted cases was very low (1.99 per cent) compared to the accepted money value. The Government may advise the concerned Departments to take necessary steps for speedy recovery.

### 1.3 Analysis of the mechanism for dealing with the issues raised by Audit

The succeeding paragraphs 1.3.1 and 1.3.2 discuss the performance of the Commercial Taxes Department to deal with the cases detected in the course of local audit conducted during the last five years and also the cases included in the Audit Reports for the years 2004-05 to 2008-09.



### 1.3.1 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last five years, paragraphs included in these reports and their status as on 31-03-2010 are tabulated in the following table:

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2005-06	3264	9608	3038.94	194	1503	326.92	94	520	967.90	3364	10591	2397.96
2006-07	3364	10591	2397.96	213	1463	399.10	111	598	17.63	3466	11456	2779.43
2007-08	3466	11456	2779.43	206	1186	194.99	99	948	76.95	3573	11694	2897.47
2008-09	3573	11694	2897.47	199	1328	373.85	122	733	40.56	3650	12289	3230.76
2009-10	3650	12289	3230.76	215	1646	279.61	161	688	372.32	3704	13247	3138.05

The above position indicates that the performance of the Department in clearance of the paragraphs is minimal when compared to the addition of IR paragraphs each year.

### 1.3.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

#### 1.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered are mentioned below.

(₹ in crore)

Year of AR	Number of paragraphs/ reviews included	Money value of the paragraphs	Number of cases involved	Number of cases accepted	Money value of accepted cases	Amount recovered during the year	Cumulative position of recovery of accepted cases
2004-05	14	85.60	435	156	25.74	0.44	0.44
2005-06	16	52.22	394	338	38.72	2.26	2.70
2006-07	11	179.59	203	160	107.37	0.20	2.90
2007-08	20	128.36	363	120	80.15	0.91	3.81
2008-09	20	193.74	343	161	29.98	1.19	5.00
<b>Total</b>	<b>81</b>	<b>639.51</b>	<b>1738</b>	<b>935</b>	<b>281.96</b>	<b>5.00</b>	

Against the money value of ₹ 281.96 crore involved in the accepted cases a meagre amount of ₹ 5 crore only was collected. This indicated that the recovery during the five years period as against the money value in accepted cases is very poor. There is no mechanism in the Commercial Taxes Department to prioritise and monitor the recovery of amounts relating to accepted cases. As a result, the amounts which are likely to be recovered without much effort of the Department remained unrealised.

#### 1.3.2.2 Action taken on the recommendations accepted by the Department/Government

The draft performance reviews conducted by the AG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. Most of these reviews are also discussed in an exit

conference and the Department's/Government's views are included while finalising the review for the Audit Reports.

The following are the issues highlighted in the reviews on the Commercial Taxes Department that featured in the last 10 Audit Reports including the recommendations and action taken by the Department on the recommendations accepted by it as well as the Government:

<b>Year of AR</b>	<b>Name of the Review</b>	<b>Number of recommendations</b>	<b>Details of recommendations accepted</b>	<b>Status</b>
2008-09	Transition from APGST to APVAT Act	8	<ol style="list-style-type: none"> <li>1) Framing a provision for conducting of periodical survey for enforcing registration of dealers.</li> <li>2) Putting in place a mechanism for prompt identification of the ToT dealers who have crossed the threshold limit</li> <li>3) Issuing instructions for utilisation of all the modules in the VATIS.</li> <li>4) Putting in place a mechanism to ensure that the demand notices generated by VATIS are served.</li> <li>5) Putting in place a system for monitoring timely finalisation of assessments.</li> <li>6) Installing a mechanism for conducting effective internal audit.</li> <li>7) Incorporating a provision for cross verification of the records of dealers with other Departments.</li> <li>8) Issuing instructions for submitting documentary evidence for verification of in put tax claimed.</li> </ol>	Details of action taken are stated to be under preparation.

Year of AR	Name of the Review	Number of recommendations	Details of recommendations accepted	Status
2005-06	Integrated Check posts software (ICPS)	6	<ol style="list-style-type: none"> <li>1) All the user Departments should be made to use the system.</li> <li>2) All the ICPs and BCPs should be interconnected.</li> <li>3) Distinct user identification should be provided to all the DEOs.</li> <li>4) Proper input and validation controls should be ensured.</li> <li>5) Data captured at check posts should be made available to all divisions/circles.</li> <li>6) The system should be utilised for generating comprehensive MIS reports.</li> </ol>	Action taken not furnished by the Department.
2004-05	Cross verification of 'C' and 'F' Forms	4	<ol style="list-style-type: none"> <li>1) Records to be maintained to depict concessional sales made on the basis of 'C' forms and revenue forgone on account of 'F' forms transactions.</li> <li>2) Norms may be prescribed for conducting periodical cross verification of inter-state sales/purchases/branch transfers etc.</li> <li>3) At circle level, a data bank on the forms declared invalid, dealers declared fictitious or bogus, who stopped business or whose registrations were cancelled within the state and outside, for information of the assessing authority.</li> <li>4) There is a need to have a web based access with other states for verification of declaration forms.</li> </ol>	Action taken not furnished by the Department.
2002-03	Sales Tax incentives for Industrial Units	2	<ol style="list-style-type: none"> <li>1) Ensure proper co-ordination between the Industries Department and Commercial Taxes Department for sanction and availment of incentives.</li> <li>2) Put in place an appropriate control mechanism to ensure efficiency, effective enforcement of all the relevant conditions.</li> </ol>	Action taken not furnished by the Department.

Though all the recommendations made in the reviews were accepted by the Department/Government, no tangible action was initiated to implement the recommendations already accepted.

## **1.4 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, white paper on state finances, 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.

During the year 2009-10, the audit universe comprised of 2,120 auditable units, of which 915 units were planned and 916 units were audited during the year which is 43.20 *per cent* of the total auditable units.

Besides the compliance audit mentioned above, a performance review on ‘Interest Receipts on loans sanctioned by the State Government’ was also taken up to examine the efficacy of the tax administration of these receipts.

## **1.5 Results of audit**

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

Test check of the records of 916 units of commercial tax, stamp duty and registration fees, state excise, motor vehicles, land revenue and other Departmental offices conducted during the year 2009-10 revealed under assessments/short levy/loss of revenue aggregating to ₹ 1,748.98 crore in 2,849 cases. During the course of the year, the department concerned accepted under assessments and other deficiencies of ₹ 1,102.78 crore involved in 830 cases of which 149 cases involving ₹ 1,037.04 crore were pointed out in audit during 2009-10 and the rest in the earlier years. The Departments collected ₹ 5.73 crore in 163 cases during 2009-10.

### **1.5.2 This Report**

This report contains 46 paragraphs involving ₹ 191.59 crore (selected from the audit detections made during local audit referred to above and during earlier years which could not be included in earlier reports) and a performance review on “Interest Receipts on loans sanctioned by the State Government” involving revenue implication of ₹ 976.82 crore relating to short/non-levy of tax, duty, interest, penalty etc., involving total financial effect of ₹ 1,168.41 crore. The Departments/Government have accepted audit observations involving ₹ 1,046.51 crore out of which ₹ 4.25 crore has been recovered. The replies in the remaining cases have not been received (January 2011). These are discussed in the succeeding Chapters II to VII.