

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Bihar during the year 2010-11, the State's share of net proceeds of divisible Union taxes and duties assigned to States 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	2006-07	2007-08	2008-09	2009-10	2010-11
1	Revenue raised by the State Government					
	• Tax revenue	4,033.08	5,085.53	6,172.74	8,089.67	9,869.85
	• Non-tax revenue	511.28	525.59	1,153.32	1,670.42	985.53
	Total	4,544.36	5,611.12	7,326.06	9,760.09	10,855.38
2	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	13,291.72	16,766.29	17,692.51	18,202.58	23,978.38
	• Grants-in-aid	5,247.11	5,831.67	7,962.12	7,564.16	9,698.56
	Total	18,538.83	22,597.96	25,654.63	25,766.74	33,676.94
3	Total revenue receipts of the State Government¹ (1 and 2)	23,083.19	28,209.08	32,980.69	35,526.83	44,532.32
4	Percentage of 1 to 3	20	20	22	27	24

The above table indicates that during the year 2010-11, the revenue raised by the State Government (₹ 10,855.38 crore) was 24 *per cent* of the total revenue receipts against 27 *per cent* in the preceding year. The balance 76 *per cent* of receipts during 2010-11 was from the Government of India. The overall increase of 11.22 *per cent* in revenue raised by the State Government (₹ 10,855.38 crore) during 2010-11 as compared to ₹ 9,760.09 crore during 2009-10 was mainly due to 22 *per cent* increase in tax revenue and 41 *per cent* decrease in non-tax revenue as detailed in paragraphs 1.1.2 and 1.1.3.

¹ For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2010-11. 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 2006-07 to 2010-11.

(₹ in crore)							
Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/decrease (-) in 2010-11 over 2009-10
1	Taxes/VAT on sales, trade etc.	2,081.49	2,534.80	3,016.47	3,839.29	4,557.18	(+) 18.70
2	State excise	381.93	525.42	679.14	1,081.68	1,523.35	(+) 40.83
3	Stamp duty and registration fees						
	Stamps-judicial				53.81	59.05	
	Stamps – non-judicial	455.02	654.15	716.19	708.62	774.20	(+) 10.10
	Registration fees				235.47	265.43	
4	Taxes and duties on electricity	62.84	64.05	67.62	66.63	65.22	(-) 2.11
5	Taxes on vehicles	181.38	273.21	297.74	345.13	455.43	(+) 31.96
6	Taxes on goods and passengers - tax on entry of goods into local areas	783.01	937.87	1,279.41	1,613.16	2,006.32	(+) 24.37
7	Land revenue	74.65	82.10	101.74	123.96	139.02	(+) 12.15
8	Other taxes and duties on commodities and services	12.76	13.93	14.43	21.92	24.65	(+) 12.45
	Total	4,033.08	5,085.53	6,172.74	8,089.67	9,869.85	(+) 22.00

The departments concerned reported the following reasons for variation in collection of tax revenue in 2010-11 as compared to the year 2009-10:

Taxes/VAT on sales, trade etc.: The increase (18.70 *per cent*) was due to increase in inflation, population and economic growth of the State and heavy expenses incurred by the Government.

Stamp duty and Registration fees: The increase (10.10 *per cent*) was due to revision of Minimum Valuation Register (MVR) of urban areas in the State with effect from 1 April 2010.

Taxes on goods and passengers-tax on entry of goods into local areas: The increase (24.37 *per cent*) was due to increase in inflation, population and economic growth of the State and heavy expenses incurred by the Government.

The other departments did not inform (October 2011) the reasons for variation, despite being requested (between June and October 2011).

1.1.3 The following table presents the details of non-tax revenue raised during the period 2006-07 to 2010-11.

(₹ in crore)

Sl. No.	Head of Revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+) /decrease (-) in 2010-11 over 2009-10
1	Interest receipts	175.99	170.71	304.57	353.27	237.96	(-) 32.64
2	Forestry and wildlife	6.35	6.64	6.15	6.78	7.64	(+) 12.68
3	Non-ferrous mining and metallurgical industries	127.65	178.66	245.00	319.93	405.59	(+) 26.77
4	Miscellaneous general services	20.88	3.02	385.82	770.28	0.34	(-) 99.96
5	Medium irrigation	10.95	9.67	10.64	14.80	15.45	(+) 4.39
6	Medical and public health	17.52	21.07	17.25	14.08	15.33	(+) 8.88
7	Fisheries	6.09	6.57	6.87	7.87	7.28	(-) 7.50
8	Roads and bridges	16.75	17.95	26.40	30.02	39.60	(+) 31.91
9	Police	10.53	23.47	9.44	11.89	11.85	(-) 0.34
10	Other administrative services	20.28	12.00	8.09	9.42	19.98	(+) 112.10
11	Other non-tax receipts	98.29	75.83	133.09	132.08	224.51	(+) 69.98
	Total	511.28	525.59	1,153.32	1,670.42	985.53	(-) 41.00

As per the Finance Accounts, Government of Bihar for the year 2010-11, the reasons for variation in collection of non-tax revenue are as under:

Interest Receipts: The decrease (32.64 *per cent*) was mainly due to less receipt from departmental commercial undertakings.

Miscellaneous general services: The decrease (99.96 *per cent*) was due to less receipt mainly under the minor head '105- Sale of Land and Property' (₹ 9.73 lakh) and '800 Other Receipts' (₹ 769.85 crore). The receipt during 2009-10 under minor head '800 Other Receipts' (₹ 770.06 crore) increased mainly due to contra credit of debt waiver of ₹ 769.87 crore granted by the Central Government. No such debt waiver was received during the year 2010-11.

The departments concerned did not inform (October 2011) the reasons for variation, despite being requested (between June and October 2011).

1.2 Response of the departments/Government towards audit

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

The PAG (Audit) Bihar 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 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.

A review of IRs issued upto December 2010 disclosed that 22,364 paragraphs involving ₹ 10,404.30 crore relating to 4,259 IRs remained outstanding at the end of June 2011 as mentioned below along with the corresponding figures for the preceding two years:

	June 2009	June 2010	June 2011
Number of outstanding IRs	3,855	4,150	4,259
Number of outstanding paragraphs	20,552	21,968	22,364
Amount involved (₹ in crore)	5,009.24	7,876.02	10,404.30

The Department-wise details of the IRs and paragraphs outstanding as on 30 June 2011 and the amounts involved are mentioned in the following table:

(₹ in crore)

Sl. No.	Name of the departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Taxes	Taxes/VAT on sales, trade <i>etc</i>	550	5,444	4,762.25
		Entry tax	143	322	74.06
		Electricity duty	21	25	16.74
		Entertainments tax, luxury tax, <i>etc.</i>	13	21	0.61
2	Registration, Excise and Prohibition (Excise)	State excise	383	1,910	858.73
3	Revenue and Land Reforms	Land revenue	1,518	6,532	959.70

4	Transport	Taxes on motor vehicles	456	3,195	1,160.04
5	Registration, Excise and Prohibition (Registration)	Stamps and registration fees	427	1,177	191.68
6	Mines and Geology	Non-ferrous mining and metallurgical industries	316	2,026	977.39
7	Environment and Forest	Forestry and wild life	143	558	596.26
8	Water Resources	Water rates	233	1,020	763.48
9	Sugar Industries	Sugar cane	56	134	43.36
Total			4,259	22,364	10,404.30

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 1,671 IRs issued upto December 2010. 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 did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

We recommend that the Government may take suitable steps to install an effective procedure for prompt and appropriate response to audit paragraphs. It may also consider initiating action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules or who 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 (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 held during the year 2010-11 and the paragraphs settled are mentioned in the following table:

(₹ in crore)

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Commercial taxes	1	118	7.01
Land revenue	2	117	6.35
State excise	2	64	14.04
Total	5	299	27.40

As against 5,812 outstanding paragraphs with revenue impact of ₹ 4,853.66 crore in respect of Commercial taxes, only 118 paragraphs involving ₹ 7.01 crore (0.14 per cent) could be settled through departmental audit committee meetings. Further, in Land revenue, only 117 paragraphs involving ₹ 6.35 crore (0.66 per cent) against 6,532 outstanding paragraphs involving ₹ 959.70

crore while in State excise, only 64 paragraphs involving ₹ 14.04 crore (1.63 per cent) against 1,910 outstanding paragraphs involving ₹ 858.73 crore could be settled through departmental audit committee meetings.

The Government may take suitable steps to hold departmental audit committee meetings at regular intervals for the settlement of outstanding IRs/paragraphs.

1.2.3 Non-production of records to Audit for scrutiny

The programme of local audit of various tax/revenue receipts offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the concerned department to enable it to keep the relevant records ready for audit scrutiny.

During 2010-11, 187 tax assessment records/other records relating to 56 offices pertaining to six revenue heads were not made available to audit. In none of these cases the revenue involved could be ascertained. Year wise breakup of such cases is given in **Annexure-I**.

1.2.4 Response of the departments to the draft audit paragraphs

The Chief Secretary, Government of Bihar issued directions (August 1967) 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. As per Paragraph 207(1) of the Regulations on Audit and Accounts, 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 departments is invariably indicated at the end of each paragraph included in the Audit Report.

Thirty three draft paragraphs and two reviews included in this Report for the year ended 31 March 2011 were forwarded to the Secretaries of the concerned departments between May and September 2011 through demi-official letters.

The Commissioner-cum-Secretary of the Commercial Taxes Department had sent partial replies to two draft paragraphs. We are yet to receive the replies from the Government in the remaining draft paragraphs.

1.2.5 Follow-up on Audit Reports

The departments of the Government are required to prepare self-explanatory action taken notes (ATNs) on the audit paragraphs and send it to the Public Accounts Committee (PAC) within three months of an Audit Report being presented to the State Legislature.

We reviewed the position and found that as of August 2011, 11 departments had not furnished the self-explanatory ATNs in respect of 84 paragraphs included in the Audit Reports for the years between 1990-91 and 2009-10 for vetting. The delay ranged from 10 months to over 17 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	2004-05	March 2006	June 2006	1	62
2	Commercial Taxes	2000-01, 2005-06 to 2009-10	December 2003, July 2007 to July 2011	March 2004, October 2007 to October 2011	25	10 to 89
3	Registration, Excise and Prohibition (Excise)	1990-91, 1995-96 to 1997-98, 1999-2000, 2006-07, 2009-10	March 1994, March 1997 to August 1999, March 2002, March 2008, July 2011	June 1994, June 1997 to November 1999, June 2002, June 2008, October 2011	10	38 to 206
4	Revenue and Land reforms	2004-05 to 2005-06, 2008-09	March 2006 to July 2007, July 2010 to July 2011	June 2006 to October 2007, October 2010 to October 2011	4	10 to 62
5	Registration, Excise and Prohibition (Registration)	2000-01, 2002-03 to 2003-04, 2008-09 to 2009-10	December 2003, December 2004 to December 2005, July 2010 to July 2011	March 2004, March 2005 to March 2006, October 2010 to October 2011	9	10 to 89
6	Transport	2000-01, 2008-09 to 2009-10	December 2003 July 2010 to July 2011	March 2004 October 2010 to October 2011	7	10 to 89
7	Mines and Geology	2002-03 to 2003-04, 2005-06 to 2006-07, 2009-10	December 2004 to December 2005 July 2007 March 2008, July 2011	March 2005 to March 2006, October 2007 to June 2008, October 2011	10	38 to 77
8	Environment and Forest	2003-04, 2005-06 to 2007-08	December 2005, July 2007 to July 2009	March 2006, October 2007 to October 2009	7	22 to 65
9	Water Resources	1995-96, 1997-98, 2005-06 to 2009-10	March 1997, August 1999, July 2007 to July 2011	June 1997, November 1999, October 2007 to October 2011	8	10 to 170
10	Urban Development and Housing	1997-98	August 1999	November 1999	1	141
11	Agriculture	2005-06	July 2007	October 2007	2	46
Total					84	

The delay in submission of self-explanatory ATNs was indicative of the fact that the heads of the offices/departments did not take prompt action on the

important issues highlighted in the Audit Reports that involved large sums of unrealised revenue, the recovery of some of which could be barred by limitation now

1.2.6 Compliance with the earlier Audit Reports

During the years between 2005-06 and 2009-10, the departments/Government accepted audit observations involving ₹ 1,292.90 crore of which an amount of ₹ 3.62 crore only was recovered as on 31 March 2011 as mentioned below:

(₹ in crore)

Year of Audit Report	Amount involved in the Audit Report	Amount accepted	Amount recovered
2005-06	304.68	8.07	1.26
2006-07	206.42	61.40	0.82
2007-08	523.80	417.49	1.48
2008-09	838.92	709.78	0.02
2009-10	977.82	96.16	0.04
Total	2,851.64	1,292.90	3.62

The above table indicates that the recovery in respect of the accepted cases was meagre (0.28 per cent) as compared to the accepted money value.

The Government needs to take necessary steps for prompt recovery of the amounts involved, at least in the accepted cases.

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

In order 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 reviews included in the Inspection Reports/Audit Reports in respect of **Transport Department** was evaluated. The succeeding paragraphs 1.3.1 and 1.3.2 discuss the performance of the Department to deal with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2000-01 to 2009-10.

1.3.1 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 August 2011 are mentioned 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
2000-01	381	3,452	619.48	14	165	311.85	-	-	-	395	3,617	931.33
2001-02	395	3,617	931.33	22	180	11.25	-	-	-	417	3,797	942.58
2002-03	417	3,797	942.58	50	263	21.82	-	-	-	467	4,060	964.40
2003-04	467	4,060	964.40	10	103	79.63	-	-	-	477	4,163	1,044.03
2004-05	477	4,163	1,044.03	35	274	116.67	-	-	-	512	4,437	1,160.70
2005-06	512	4,437	1,160.70	46	53	198.42	-	-	-	558	4,490	1,359.12
2006-07	558	4,490	1,359.12	25	172	41.63	314	2,256	831.42	269	2,406	569.33
2007-08	269	2,406	569.33	65	201	141.29	-	55	21.01	334	2,552	689.61
2008-09	334	2,552	689.61	43	218	155.98	02	102	57.79	375	2,668	787.80
2009-10	375	2,668	787.80	43	310	253.13	-	13	-	418	2,965	1,040.93

In view of heavy accumulation of pending IRs/paragraphs, the responsibility of disposal of pending IRs and paragraphs upto the year 1995-96 was left to the Department (August 2006) except in cases of outstanding draft paragraphs, reviews, cases pending in Hon'ble courts and cases of defalcation in which the final decision rests with the PAC/Hon'ble Courts.

1.3.2 Assurance given by the Department/Government on the issues highlighted in the Audit Report

1.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years and those accepted by the Department are mentioned below:

Year of AR	Number of paragraphs included in AR	Money value of the paragraphs (₹ in crore)	Number of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Position of recovery in accepted cases as reported by the Department (₹ in lakh)
2000-01	2	238.23	2(1 partial)	15.83	0.06
2001-02	4	3.05	3	2.25	6.09
2002-03	4	12.33	4	12.33	149.43
2003-04	3	8.60	2	8.40	74.61
2004-05	2	29.60	2(1 partial)	23.29	325.70
2005-06	4	32.98	2(1 partial)	30.13	409.04
2006-07	6	30.44	4	27.70	279.29
2007-08	7	36.18	6	34.21	346.80
2008-09	1	57.68	1	57.68	0.36
2009-10	4	20.96	3	20.41	NIL
Total	37	470.05	29(3 partial)	232.23	1,591.38 or ₹ 15.91 crore

The preceding table shows that out of ₹ 470.05 crore involved in 37 paragraphs included in the Audit Reports for the years 2000-01 to 2009-10, the Government/Department accepted ₹ 232.23 crore involved in 29 (3 partial)

paragraphs against which recovery of ₹ 15.91 crore (6.85 per cent) could only be effected.

The Government/Department may take effective steps for recovery of Government revenue in accepted cases.

1.3.2.2 Action taken on the recommendations accepted by the departments/Government

The draft performance reviews conducted by the PAG are forwarded to the concerned departments/Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the department's/Government's views are included while finalising the reviews for the Audit Reports.

Three reviews containing 13 recommendations were featured in the Audit Reports for the years 2004-05 and 2008-09 on receipts of Transport Department. We are yet to receive any information regarding acceptance of the recommendations and action taken thereon (August 2011) as detailed below:

Year of AR	Name of the review	Number of recommendations
2004-05	Levy and collection of motor vehicles tax	3
2004-05	Information Technology based Review on 'Road Transport Management Information System (NICTRAN)'. System (NICTRAN)'. System (NICTRAN)'.	3
2008-09	Levy and collection of motor vehicles taxes	7

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 the past five years *etc.*

During the year 2010-11, the audit universe comprised of 1,022 auditable units, of which we planned 296 units and audited 280 units which was 27.40 per cent of the total auditable units. The details are shown in **Annexure-II**.

Besides the compliance audit mentioned above, we also conducted two performance audits namely 'Utilisation of declaration forms in inter-state trade and commerce' and 'Computerisation of Transport Department in Bihar' to examine the efficacy of the tax administration of these receipts which are featured in this Audit Report.

1.5 Results of audit

1.5.1 Position of local audit conducted during the year

We conducted test-check of the records of 280 units of commercial taxes, State excise, motor vehicles, forest and other departmental offices during the year 2010-11 and observed underassessment/short levy/loss of revenue of ₹ 1,978.35 crore in 1,858 cases. During the course of the year, the departments concerned accepted underassessment and other deficiencies of ₹ 80.26 crore involved in 232 cases of which 11 cases involving ₹ 1.29 crore were pointed out in audit during 2010-11 and the rest in the earlier years. The departments collected ₹ 63.10 lakh in 111 cases during 2010-11.

1.5.2 This Report

This report contains 33 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in the earlier reports) and two performance audits on ‘**Utilisation of declaration forms in inter-state trade and commerce**’ and ‘**Computerisation of Transport Department in Bihar**’ relating to short/non-levy of tax, duty and interest, penalty *etc.* involving financial effect of ₹ 893.61 crore. The departments/Government have accepted audit observations involving ₹ 155.08 crore out of which ₹ 1.21 crore has been recovered. The replies in the remaining cases have not been received (October 2011). These paragraphs/performance audits are discussed in the succeeding chapters II to V.