

EXECUTIVE SUMMARY – CHAPTER - II

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| Increase in tax collections | In 2010-11, the collections of Sales Taxes (VAT) revenue increased by 22.69 <i>per cent</i> over the previous year, which was attributed by the Department to increase in arrear collections. |
| Very low recovery by the Department on the observations pointed out by us in earlier years | During the period 2005-06 to 2009-10, we had pointed out under assessments/non/short levy of tax etc., with revenue implication of ₹ 1,238.43 crore in 4,696 cases. Of these, the Department/Government accepted audit observations in 595 cases involving ₹ 46.42 crore but recovered only ₹ 4.42 crore in 322 cases. We observed that the recovery in respect of accepted cases during the period 2005-06 to 2009-10 was only 10 <i>per cent</i> . |
| Results of audits conducted by us in 2010-11 | <p>In 2010-11, we test checked the records of 32 units relating to taxes on Sales Tax/Vat and found underassessments/non/short levy of tax/penalty etc. involving ₹ 976.56 crore in 775 cases.</p> <p>The Department accepted underassessments/non/short levy of tax/penalty and other deficiencies of ₹ 149.39 crore in 182 cases, of which 27 cases involving ₹ 141.19 crore were pointed out by us during the year 2010-11 and the rest in earlier years. The Department recovered ₹ 1.67 crore in 54 cases during the year 2010-11 which included ₹ 9.78 lakh in five cases for the year 2010-11.</p> |
| What we have highlighted in this Chapter | <p>In this Chapter we present the findings of two Performance Audits- “Exemptions/Deferment and concessions of Sales Tax to Industrial Units” and “Cross verification of Declaration Forms used in Interstate Trade” and illustrative cases of ₹ 147.03 crore selected from observations noticed during our test check of records relating to assessments and collection of VAT/Sales Tax in the office of the DETC’s where we found that the provisions of the Acts/Rules were not observed by the assessing officers.</p> <p>In the Performance Audit on Exemption/Deferment and concessions of Sales Tax to Industrial Units wherein we have focused on Rule 28C of the Scheme, we have pointed out that the State Government did not have a database relating to the units who had availed benefits under the Scheme, taxes due from them and taxes paid. Many units had closed down business after availing benefits of the Scheme and some units had not paid the taxes due as per terms and conditions of the Scheme.</p> <p>In the Performance Audit relating to Declarations Forms used in Inter State Trade, we have pointed out several systems and compliance deficiencies for want of an effective system of cross verification of interstate transactions governed by the CST Act/ Rules, causing Revenue loss to the State Government.</p> |
| Our conclusions | The deficiencies pointed out and recommendations made by us in both the Performance Audits need to be acted upon for improving the Internal Controls and Systems relating to the Schemes/ CST Act and Rules. |

EXECUTIVE SUMMARY- CHAPTER III

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| Marginal increase in tax collection | In 2010-11, the collections of receipts from State Excise Duty (SED) increased by 14.89 <i>per cent</i> over the previous year, which was attributed by the Department to increase in licence fee and quota of liquor. |
| Internal audit not conducted | Audit of the 12 units has not been conducted due to shortage of staff in internal audit wing. This resultantly had its impact in terms of weak internal control in the Department leading to subsequent leakage of revenue. It also led to the omission on the part of Deputy Excise and Taxation Commissioner (DETC) Excise remaining undetected till we conducted our audit. |
| Very low recovery by the Department and observations pointed out by us in earlier years | During the period 2005-06 to 2009-10, we had pointed out non/short recovery of licence fee, non levy of penalty etc. with revenue implication of ₹ 68.80 crore in 1,801 cases. Of these, the Department/Government accepted audit observations in 602 cases involving ₹ 23.47 crore, but recovered only ₹ 1.09 crore in 98 cases. We observed that the recovery in respect of accepted cases during the years 2005-06 to 2009-10 was only five <i>per cent</i> . |
| Results of audits conducted by us in 2010-11 | In 2010-11, we test checked the records of 33 units relating to State Excise Duty involving ₹ 25.18 crore in 179 cases. During the year 2010-11, the Department accepted underassessments and other deficiencies of ₹ 24.17 crore in 102 cases, of which 101 cases involving ₹ 24.01 crore had been pointed out during the year 2010-11 and the remaining in earlier years. The Department recovered ₹ 2.79 crore in two cases during the year 2010-11 which included ₹ 2.63 crore in one case for the year 2010-11. |
| What we have highlighted in this Chapter | In this Chapter we present a Performance Audit on receipts from State Excise Duty , illustrative cases of ₹ 21.60 crore selected from observations noticed during our test check of records relating to State Excise Duty in the office of the Excise and Taxation Commissioner (ETC) and DETCs (Excise) where we found that the provisions of the Acts/Rules were not observed. It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years but the Department has not taken corrective action. We are also concerned that though these omissions were apparent from the records which are made available to us, the DETCs (Excise) were unable to detect these mistakes. |
| Our conclusion | It also needs to initiate immediate action to recover the non-realisation of State excise duty pointed out by us, more so in those cases where Department has accepted our contention. |

EXECUTIVE SUMMARY- CHAPTER IV

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| <p>Increase in tax collection</p> | <p>In 2010-11, the collections of receipts from Stamp Duty and Registration fee increased by <i>79 per cent</i> over the previous year, which was attributed by the Department to increase in number of transactions of immovable property.</p> |
| <p>Very low recovery by the Department on the observations pointed out by us in earlier years</p> | <p>During the period 2005-06 to 2009-10, we had pointed out non/short recovery of Stamp Duty due to misclassification, undervaluation of immovable properties etc. with revenue implication of ₹ 105.09 crore in 99,006 cases. Of these, the Department/Government accepted audit observations in 10835 cases involving ₹ 48.79 crore but recovered only ₹ 0.31 crore in 477 cases. The recovery position as compared to acceptance of objections was very low ranging from <i>0.45 per cent</i> to <i>1.15 per cent</i>.</p> |
| <p>Results of audits conducted by us in 2010-11</p> | <p>In 2010-11, we test checked the records of 101 units relating to Stamp Duty and Registration fee involving ₹ 7.26 crore in 1,346 cases.</p> <p>During the year 2010-11, the Department accepted under assessments and other deficiencies of ₹ 5.78 crore involving 1,158 cases, of which 931 cases involving ₹ 5.60 crore had been pointed out during the year 2010-11 and the remaining in earlier years. The Department recovered ₹ 17.63 lakh in 227 cases during the year 2010-11 relating to previous years.</p> |
| <p>What we have highlighted in this Chapter</p> | <p>In this Chapter, we present illustrative cases of ₹ 5.49 crore selected from observations noticed during our test check of records relating to Stamp duty and Registration fee in the office of sub registrars (SRs)/Joint Sub Registrar (JSRs) where we found that the provisions of the Acts/Rules were not observed. In addition, we have pointed out misappropriation of stamp duty in offices of SR Ballabgarh and Faridabad.</p> <p>It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports or the past several years but the Department has not taken corrective action despite switching over to IT enabled system in all SRs and JSRs. We are also concerned that though these omissions were apparent from the record which was made available to us, the SRs and JSRs were unable to detect these mistakes.</p> |
| <p>Our conclusion</p> | <p>The Department needs to initiate immediate action to recover Stamp Duty and Registration fee pointed out by us, more so in those cases where Department has accepted our contention. It also needs to strengthen its internal audit.</p> |

EXECUTIVE SUMMARY - CHAPTER - V

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| <p>Increase in tax collection and arrears of passenger and goods tax</p> | <p>In 2010-11, the collections of receipt from Taxes on Motor Vehicles increased by 65 <i>per cent</i> over the previous year, which was attributed by the Department due to better checking by the enforcement staff and impounding of vehicles violating the provision of Motor Vehicle Act as well as revision of rates of road tax. However, the arrears of passenger and goods tax stood at 59.41 crore at the end of 31 March, 2011, of which ₹ 23.25 crore (39 <i>per cent</i>) were more than five years old and during the period 2006-11 the Department had recovered only 22 to 43 <i>per cent</i> of the arrears.</p> |
| <p>Internal audit not conducted</p> | <p>A separate Internal Audit System was set up for audit of receipts and expenditure of the Transport Department. There was shortfall in audit of 10 units of the offices of Deputy Excise and Taxation Commissioner (PGT) due to shortage of staff in internal audit wing. The Internal control mechanism was ineffective to the extent of irregularities as pointed out by us, remaining undetected.</p> |
| <p>Very low recovery by the Department and observations pointed out by us in earlier years</p> | <p>During the period 2005-06 to 2009-10, we had pointed out non/short recovery of passenger tax/ token tax and motor vehicles taxes with revenue implication of ₹ 67.55 crore in 2,07,318 cases. Of these, the Department/Government accepted audit observations in 79,717 cases involving ₹ 38.35 crore but recovered only ₹ 1.70 crore in 281 cases. We observed that the recovery in respect of accepted cases during the period 2005-06 to 2009-10 was only four <i>per cent</i>.</p> |
| <p>Results of audits conducted by us in 2010-11</p> | <p>In 2010-11, we test checked the records of 73 units relating to Taxes on Motor Vehicles and Passenger and Goods Tax (PGT) and pointed out observations involving ₹ 3.28 crore in 1,906 cases.</p> <p>During the year 2010-11, the Department accepted underassessments and other deficiencies of ₹ 1.31 crore involved in 360 cases, of which 313 cases involving ₹ 23.88 lakh had been pointed out during the year 2010-11 and the remaining in earlier years. The Department recovered ₹ 1.07 crore in 47 cases during the year 2010-11 relating to previous years.</p> |
| <p>What we have highlighted in this Chapter</p> | <p>In this Chapter we present a Performance Audit on “Computerisation in Motor Vehicle Department” and illustrative cases of ₹ 1.81 crore selected from observations noticed during our test check of records relating to Taxes on Motor Vehicles and Passenger and Goods Tax (PGT) in the office of the Regional Transport Authority (RTA), Registering Authority (RA), (Motor Vehicle) and DETC (PGT) where we found that the provisions of the Acts/Rules were not observed.</p> <p>In the Performance Audit on Computerisation in Motor Vehicles Department, we have presented the implementation of computer applications "Vahan and Sarathi" relating to registration of vehicles and issue of licenses. Smart card for registration and licenses were not issued at any location due to non-finalisation of tenders. Due to</p> |

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| | inadequate validation checks/ supervisory checks the database was incorrect/ incomplete. |
| Our conclusion | The Department needs to initiate immediate action to recover the passenger tax and token tax pointed out by us, more so in those cases where Department has accepted our contention. It also needs to strengthen its internal audit. The specific recommendations given on the Performance Audit of Computerisation in Motor Vehicles Department be acted upon. |

EXECUTIVE SUMMARY- CHAPTER – VI

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| Results of audits conducted by us in 2010-11 | <p>In 2010-11 we test checked the records of units relating to Excise and Taxation Department (Entertainment duty and show tax), Power (Taxes and duties on electricity), Urban Development, Mines and Geology, Co-operation, Industries and Land Revenue found underassessment of tax, non/short realisation of contract money, non-recovery of royalty and interest and loss of revenue involving ₹ 40.57 crore in 456 cases.</p> <p>The Department accepted underassessments and other deficiencies of ₹ 42.14 crore involved in 374 cases, of which 202 cases involving ₹ 34.14 crore had been pointed out by us during the year 2010-11 and the remaining in the earlier years. The Department recovered ₹ 8.06 crore in 189 cases during the year 2010-11, which included ₹ 4.12 lakh in 17 cases for the year 2010-11.</p> |
| What we have highlighted in this Chapter | <p>In this Chapter we present an illustrative case relating to the Mining Department, where we found that the royalty for permit issued to Brick Kiln Operators were not recovered.</p> |
| Our conclusion | <p>The Departments need to initiate immediate action to recover the non/short realisation/recovery etc. pointed by us, more so in those cases where it has accepted our contention. It also needs to strengthen its internal audit.</p> |