

CHAPTER-I

GENERAL

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1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Jharkhand during 2010-11, the State's share of net proceeds of divisible Union taxes, duties assigned to States, 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.		2006-07	2007-08	2008-09	2009-10	2010-11
I.	Revenue raised by the State Government					
	• Tax revenue	3,188.50	3,473.55	3,753.21	4,500.12	5,716.63
	• Non-tax revenue	1,250.40	1,601.40	1,951.74	2,254.15	2,802.89
	Total	4,438.90	5,074.95	5,704.95	6,754.27	8,519.52
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	4,050.90	5,109.83	5,392.11	5,547.57	6,154.35
	• Grants-in-aid	1,520.02	1,841.77	2,115.78	2,816.63	4,107.25
	Total	5,570.92	6,951.60	7,507.89	8,364.20	10,261.60
III.	Total receipts of the State Government (I & II)¹	10,009.82	12,026.55	13,212.84	15,118.47	18,781.12
IV.	Percentage of I to III	44	42	43	45	45

The above table indicates that during the year 2010-11, the revenue raised by the State Government (₹ 8,519.52 crore) was 45 per cent of the total revenue receipts. The balance 55 per cent of receipts, during 2010-11, was from the Government of India.

1.1.2 The following table presents the details of tax revenue raised during the period 2006-07 to 2010-11:

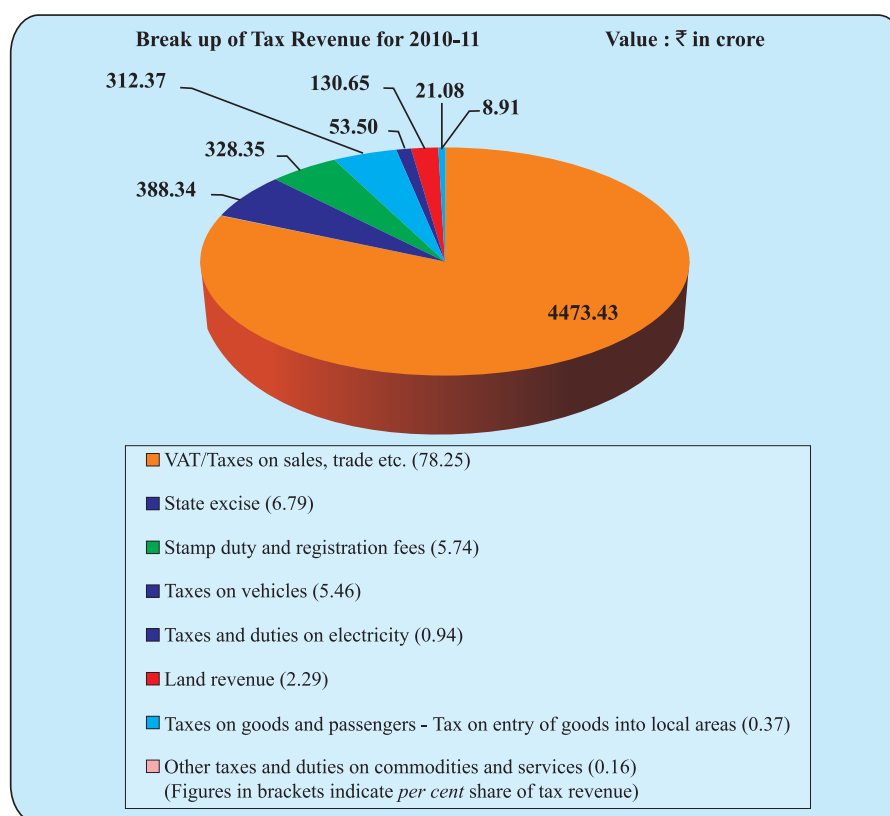
(₹ in crore)

Sl. No.	Heads of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase/decrease in 2010-11 over 2009-10
1	VAT/Taxes on Sales, Trade etc.	2,556.90	2,845.88	2,996.20	3,597.20	4,473.43	(+) 24.36
2	State Excise	129.62	156.86	205.46	322.75	388.34	(+) 20.32
3	Stamp Duty and Registration Fees	122.02	156.26	192.16	238.20	328.35	(+) 37.85

¹ For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the 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, 0044 - Service tax, 0037 - Customs, 0038 - Union excise duties and 0045 - Other taxes and duties on commodities and services- Minor Head - 901 - Share of net proceeds assigned to State booked in the Finance Accounts under "A-Tax revenue" have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

(₹ in crore)

Sl. No.	Heads of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase/decrease in 2010-11 over 2009-10
4	Taxes on Vehicles	218.27	135.67	201.57	234.21	312.37	(+) 33.37
5	Taxes and Duties on Electricity	45.14	76.47	43.47	46.87	53.50	(+) 14.15
6	Land Revenue	36.35	26.26	53.33	41.28	130.65	(+) 216.50
7	Taxes on Goods and Passengers - Tax on entry of goods into Local Areas	74.19	71.07	54.02	12.44	21.08	(+) 69.45
8	Other taxes and duties on commodities and services	6.01	5.08	7.00	7.17	8.91	(+) 24.27
Total		3,188.50	3,473.55	3,753.21	4,500.12	5,716.63	(+) 27.03



The reasons for variation in receipt for 2010-11 from those of 2009-10 in respect of principal heads of tax revenue were as under:

VAT/Taxes on Sales, Trade etc.: The increase of 24.36 *per cent* was attributed by the Department to better and effective monitoring of tax administration.

State Excise: The increase of 20.32 *per cent* was attributed by the Department to enforcement of the new policy.

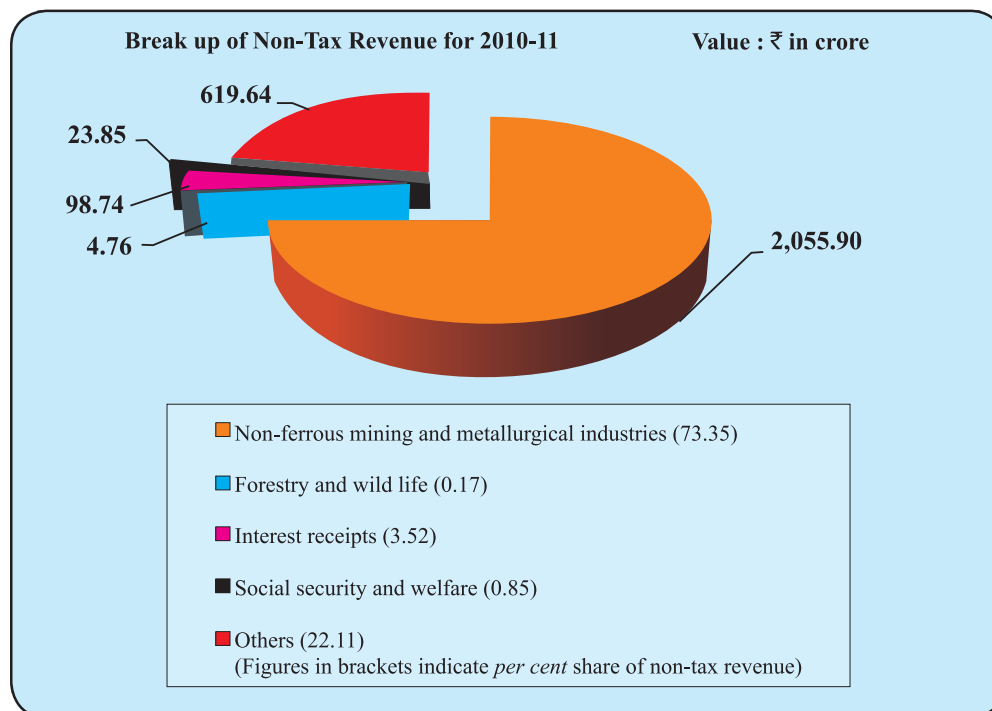
Stamp Duty and Registration Fees: The increase of 37.85 *per cent* was attributed to increase in valuation of property.

Taxes on Vehicles: The increase of 33.37 *per cent* was attributed to increase in number of vehicles for registration.

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.	Heads of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase/decrease in 2010-11 over 2009-10
1	Non-ferrous Mining and Metallurgical Industries	1,022.12	1,177.77	1,477.94	1,733.15	2,055.90	(+) 18.62
2	Forestry and Wild Life	3.68	4.06	7.20	3.57	4.76	(+) 33.33
3	Interest Receipts	38.09	87.14	109.53	153.20	98.74	(-) 35.55
4	Social Security and Welfare	11.65	12.57	4.25	13.49	23.85	(+) 76.80
5	Others	174.86	319.86	352.82	350.74	619.64	(+) 76.67
Total		1,250.40	1,601.40	1,951.74	2,254.15	2,802.89	(+) 24.34



The reasons for variation in receipt for 2010-11 from those of 2009-10 in respect of principal heads of non-tax revenue were as under:

Non-ferrous Mining and Metallurgical Industries: The increase of 18.62 *per cent* was attributed by the Department to better control.

Forestry and Wild Life: The increase of 33.33 *per cent* was attributed to recovery of dues and other receipts from seized forest produce and imposition of penalties.

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 Principal Accountant General (Audit), Jharkhand (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.

We reviewed the IRs issued upto December 2010 and found that 9,320 paragraphs having financial implications of ₹ 11,500.30 crore relating to 1,998 IRs remained outstanding at the end of June 2011 alongwith the corresponding figures for the preceding two years are mentioned in the following table:

(₹ in crore)

	June 2009	June 2010	June 2011
Number of outstanding IRs	2,803	2,166	1,998
Number of outstanding audit observations	14,545	10,772	9,320
Amount involved	7,705.91	7,676.65	11,500.30

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2011 and the amounts involved are mentioned below:

(₹ in crore)

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Taxes	VAT/Taxes on Sales, Trade etc	293	3,498	2,127.84
		Entry Tax	68	148	30.48
		Electricity Duty	44	88	59.35
		Entertainment Tax etc.	22	23	3.59
2	Excise and Prohibition	State Excise	69	366	346.78
3	Revenue	Land Revenue	593	1,017	1,518.84
4	Transport	Taxes on Motor Vehicles	125	793	411.77
5	Stamps and Registration	Stamps and Registration Fees	99	310	3,420.04
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	273	2,192	1,873.70
7	Forest and Environment	Forestry and Wild Life	290	743	1,642.51
8	Water Resources	Water Rates	122	142	65.40
Total			1,998	9,320	11,500.30

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 505 IRs issued upto December 2010. This large pendency of the IRs due to non-receipts 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 observations as well as take action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules.

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 Inspection Reports (IRs) and paragraphs in the IRs. The details of the 12 audit committee meetings held against the approved target of 12 meetings during 2010-11 and the paragraphs settled are mentioned below:

(₹ in crore)

Heads of revenue	Number of meetings held	Number of paragraphs settled	Amount
VAT /Taxes on sales, trade etc.	2	33	2.19
Stamp duty and registration fees	1	24	0.51
State excise	1	42	56.44
Taxes on vehicles	1	374	129.79
Land revenue	2	119	6.56
Forestry and wild life	3	256	195.04
Non-ferrous mining and metallurgical industries	2	172	158.11
Total	12	1,020	548.64

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 we commence the audit, to the Department to enable them to keep the relevant records ready for audit scrutiny.

During 2010-11, 198 tax assessment records relating to eight offices were not made available to us for audit. Year wise breakup of such cases is given below:

Name of Office	Year in which it was to be audited	Number of assessment cases/ records not produced to audit
District Mining Officer, Chaibasa	2010-11	05
Deputy Commissioner of Commercial Taxes (DCCT), Ranchi South Circle	2010-11	07
DCCT, Jamshedpur Urban Circle	2010-11	07
DCCT, Ramgarh Circle	2010-11	50
DCCT, Chaibasa Circle	2010-11	06
DCCT, Katras Circle	2010-11	114
DCCT, Chirkunda Circle	2010-11	02
DCCT, Ranchi Special Circle	2010-11	07
Total		198

1.2.4 Response of the departments to the draft audit paragraphs

As per the instruction issued (1966) by the Government of Bihar as applicable to the Government of Jharkhand, audit observations raised during local inspection are replied by the concerned authorities after issue of inspection report(s). The observations of serious irregularities are converted into draft paragraph(s) and forwarded to the concerned administrative departments/Government for their replies/comments within six weeks. In case of non-receipt of the reply or if the reply furnished by the departments/Government is not satisfactory, the draft paragraphs are included in the Audit Report. The Government, after laying the Audit Report in the legislature, forwards explanatory notes on the relevant paragraphs to the Committee on Public Accounts (PAC) for vetting by the Principal Accountant General (PAG). After discussion, the PAC makes recommendations for compliance by the Government within six months for final settlement of the paragraph.

Twenty nine paragraphs and three reviews included in this Report were forwarded to the Secretaries to the Government of the departments concerned between May and September 2011 followed by a reminder issued in September 2011. The draft reviews were discussed with the respective Secretaries of the departments between October and November 2011. The replies furnished by the Government have been suitably incorporated in the reviews; however, in other cases the Government has not furnished any reply as of February 2012.

1.2.5 Follow up on Audit Reports – summarised position

Sl. No.	Audit Report ending on	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs ² discussed	No. of paragraphs where action taken note not received
1	31 March 2000	21.03.2002	36	20	34
2	31 March 2001	17.12.2003	35	8	33
3	31 March 2002	03.08.2004	27	7	27
4	31 March 2003	24.03.2005	42	9	42
5	31 March 2004	19.12.2005	31	4	31
6	31 March 2005	24.08.2006	29	1	29
7	31 March 2006	04.04.2007	27	4	27
8	31 March 2007	26.03.2008	36	7	36
9	31 March 2008	10.07.2009	42	1	42
10	31 March 2009	13.08.2010	41	Discussion not started	-
11	31 March 2010	29.08.2011	26	Discussion not started	-

N.B. Audit had no information about any decision taken by the competent authority about discussion by PAC of the pending paragraphs of the Audit Reports relating to the areas/ districts falling under the jurisdiction of Jharkhand, for the periods prior to the constitution of the State of Jharkhand.

1.2.6 Compliance with the earlier Audit Reports

During the years 2005-06 to 2009-10, the Departments/Government accepted audit observations with a total revenue impact of ₹ 584.16 crore (out of total observations

² Upto 2007-08, 61 paragraphs including reviews of Audit Report (Revenue Receipts) 1999-2000 to 2007-08 were discussed in the Public Accounts Committee (PAC) of Jharkhand. Action taken notes on four paragraphs have been received. PAC has not taken any decision regarding settlement of other paragraphs.

of ₹ 3,363.53 crore pointed out in the Audit Reports) of which, ₹ 869.30 crore had been recovered as on 31 March 2011 as mentioned in the following table:

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made	
			during 2010-11 ³	upto 2010-11
2005-06	520.78	92.01	9.08	199.22 ⁴
2006-07	591.10	201.08	105.80	307.45 ⁴
2007-08	842.65	153.76	49.66	154.46
2008-09	1,171.03	88.57	94.66	194.21 ⁴
2009-10	237.97	48.74	13.96	13.96 ⁴
Total	3,363.53	584.16	273.16	869.30

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 performance of the **Transport Department** to deal with the cases detected in the course of local audit conducted during 2002-03 to 2010-11 and also the cases included in the Audit Reports for the years 2002-03 to 2010-11 was evaluated. The succeeding paragraphs 1.3.1 to 1.3.2.1 discuss the result of our analysis.

1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during 2002-03 to 2010-11, paragraphs included in these reports and their status as on 31 March 2011 are tabulated in the following table:

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IR	Paragraphs	Money value	IR	Paragraphs	Money value	IR	Paragraphs	Money value	IR	Para-graphs	Money value
2002-03	179	1845	183.96	19	146	15.16	0	80	0.95	198	1911	198.17
2003-04	198	1911	198.17	17	126	17.27	0	64	0.61	215	1973	214.83
2004-05	215	1973	214.83	16	131	104.76	0	1	0.00	231	2103	319.59
2005-06	231	2103	319.59	22	182	101.42	0	13	10.27	253	2272	410.74
2006-07	253	2272	410.74	18	133	207.33	1	35	0.88	270	2370	617.19
2007-08	270	2370	617.19	15	87	36.97	1	12	2.10	284	2445	652.06
2008-09	284	2445	652.06	18	87	77.79	51	428	7.72	251	2104	722.13
2009-10	251	2104	722.13	13	73	20.74	87	911	35.69	177	1266	707.18
2010-11	177	1266	707.18	18	95	21.23	48	392	131.47	147	969	596.94

³ Figures are based on data/information furnished by the Commercial Taxes, Mines and Geology, Transport and State Excise & Prohibition Departments.

⁴ Though the accepted money value was ₹ 92.01 crore, ₹ 201.08 crore and ₹ 88.57 crore for the Audit Reports 2005-06, 2006-07 and 2008-09 respectively the Government effected recovery of ₹ 199.22 crore, ₹ 307.45 crore and ₹ 194.21 crore respectively after reviewing and accepting the cases pointed out in audit.

1.3.2 Recovery of accepted cases

During 2002-03 to 2010-11, we included 53 draft paragraphs including three performance reviews having financial implication of ₹ 161.40 crore in the Audit Reports. The Department has so far accepted 48 paragraphs involving ₹ 154.19 crore. However, during 2005-06 to 2010-11, the Department effected recovery of ₹ 2.69 crore against accepted cases of ₹ 107.97 crore which was only 2.49 per cent. The recovery position prior to 2005-06 was not made available though called for.

We recommend that the Government should take appropriate steps to improve the recovery position.

1.3.2.1 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.

After formation of Jharkhand in November 2000, three reviews pertaining to the Transport Department have featured in the Audit Reports (Revenue Receipts) of the Comptroller and Auditor General of India, wherein we had proposed 12 recommendations as mentioned below:

Year of the report	Topic of the review	Number of recommendations made
2002-03	IT review on Road Transport Management Information System (NICTRAN)	02
2004-05	Working of Motor Vehicles Department	04
2010-11	Computerisation in the Transport Department	06

The Government/Department was requested (October 2011) to intimate the system adopted to monitor the action to be taken/action taken on the recommendations included in the reviews and assurances given by them in the exit conference/assurance meetings. We have not received any reply in this context from the Department.

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* include critical issues in the 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 560 auditable units, of which 198 units were planned and 116 units were audited during the year. Besides, 10 units were also taken up by us solely for the purpose of the review on Irrigation Receipts. The details are mentioned in the following table:

Sl. No.	Principal Head	Total no. of units	Units planned during 2010-11	Units audited during 2010-11
1	VAT/Taxes on Sales, Trade etc.	46	28	24
2	Taxes on Vehicles	27	22	19
3	Stamp Duty and Registration Fees	41	10	18 ⁵
4	State Excise	23	19	19
5	Land Revenue	270	35	00
6	Non-ferrous Mining and Metallurgical Industries	33	24	19
7	Forestry and Wildlife	111	56	17
8	Social security and Welfare	09	04	00
Total		560	198	116

Besides the compliance audit mentioned above, three performance reviews were also taken up to examine the efficacy of the tax administration of receipts as shown in the following table:

Name of the Department	Topic of the review
Commercial Taxes	Utilisation of declaration forms in inter-State trade and commerce
Transport	Computerisation in the Transport Department
Water Resources	Receipts from major and medium irrigation projects

1.5 Results of audit

1.5.1 Position of local audit conducted during the year

Our test check of the records of 116 units of commercial taxes, state excise, motor vehicles, stamps and registration fees, electricity duty, mines and geology, forest and 10 units of irrigation receipts, solely for the purpose of review, conducted during 2010-11, revealed under-assessments/short levy/loss of revenue aggregating ₹ 1,369.85 crore in 10,833 cases. During the course of the year, the concerned departments accepted under-assessments and other deficiencies of ₹ 932.93 crore involved in 7,632 cases pointed out in audit during 2010-11.

1.5.2 This Report

This report contains 32 paragraphs including three performance reviews (as mentioned in paragraph 1.4 of this report) relating to short/non-levy of tax, duty and interest, penalty etc. involving financial implication of ₹ 1,051.61 crore, of which ₹ 653.95 crore is recoverable and the balance amount of ₹ 397.66 crore was avoidable notional loss to the Government due to non-observance of the provisions of the Acts/Rules. The departments/Government have accepted audit observations involving ₹ 644.77 crore. The replies in the remaining cases have not been received (February 2012).

We recommend that the Government may take suitable steps for recovery of the amounts accepted and issue guidelines for effective enforcement of the provisions of the Acts and Rules to avoid notional losses in future.

⁵ Though, during 2010-11, 18 units relating to Stamps and Registration were audited but the audit observations were included in the review “Receipts from Stamp Duty and Registration Fees including IT aspect” featured in the Audit Report (Revenue Receipts) for the year 2009-10- Government of Jharkhand vide paragraph no. 6.3.