

EXECUTIVE SUMMARY

Tax collection	<p>In 2010-11 the collection from taxes and duties on electricity decreased by 31.22 <i>per cent</i> over the previous year. Revenue for the year 2008-09 was credited in the year 2009-10. As a result, revenue for the year 2009-10 stood inflated and thus the revenue for the year 2010-11 shows a declining trend in comparison to the previous year.</p>
Results of audit conducted by us in 2010-11	<p>In 2010-11 we test checked the records of five units relating to electricity duty and found underassessment of tax, other irregularities involving ₹ 252.68 crore in 2,38,865 cases.</p> <p>The Department accepted underassessment and other deficiencies in 229 cases of ₹ 2.95 crore out of ₹ 252.68 crore in 2,38,865 cases pointed out in audit during the year 2010-11.</p>
What we have highlighted in this Chapter	<p>In this Chapter we present illustrative cases involving ₹ 3.48 crore selected from observations noticed during our test check of records relating to short/non recovery of electricity duty/penalty in the office of the Chief Electrical Inspectors (CEIs), Deputy Chief Electrical Inspectors (DCEIs) and Divisional Electrical Inspectors (DEIs), where we found that the provisions of the Acts/Rules were not observed.</p> <p>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.</p>
Our conclusion	<p>The Department needs to initiate immediate action to recover the amount on account of non-realisation of inspection fee, short/non recovery of duty and penalty etc. pointed out by us, more so in those cases where it has accepted our contention.</p>

CHAPTER - VIII ELECTRICITY DUTY

8.1 Tax administration

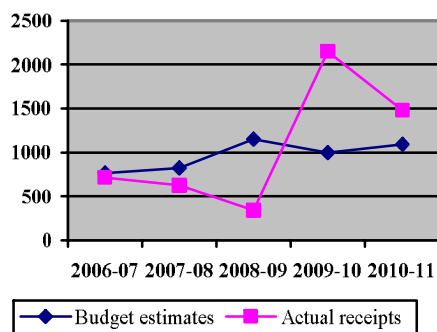
The organisation is headed by the Chief Electrical Inspector (CEI) while the Secretary of the Energy Department is the head at the Government level. The CEI is assisted by two Superintending Engineers (SE Electrical/Safety), seven Divisional Electrical Inspectors (DEI, E/S) at the district level and 34 Assistant Electrical Inspectors at the sub divisional level for conducting inspection of electrical installations. They are responsible for ensuring correctness of the levy and collection of duty, cess and inspection fees in respect of captive and non-captive consumers of electricity and electrical installations respectively.

8.2 Trend of receipts

Actual receipts from electricity duty during the last five years 2006-07 to 2010-11 along with the total tax receipts during the same period are exhibited in the following table and line graph:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual tax receipts vis-a-vis total tax receipts
2006-07	763.36	714.55	(-) 48.81	(-) 6.39	10,473.13	6.82
2007-08	832.00	626.08	(-) 205.92	(-) 24.75	12,017.64	5.21
2008-09	900.00	343.06	(-) 556.94	(-) 61.88	13,613.50	2.52
2009-10	1,000.00	2,146.49	(+) 1146.49	(+) 114.65	17,272.77	12.43
2010-11	1,090.00	1,476.32	(+) 386.32	(+) 35.44	21,419.33	6.89



In 2010-11 the collection from taxes and duties on electricity decreased by 31.22 *per cent* over the previous year. Revenue for the year 2008-09 was credited in the year 2009-10. As a result revenue for the year 2009-10 stood

inflated and thus the revenue for the year 2010-11 shows a declining trend in comparison to the previous year.

8.3 Analysis of budget preparation

No files regarding budget preparation were made available to the audit at Government level. However, we observed from the records available at the office of the Head of the Department that the budget estimates were prepared on an *ad hoc* basis without following any uniform criteria on estimating the receipts to be actually realised during the year. The revised estimate for the year 2010-11 was ₹ 1,102.59 crore against budget estimate of ₹ 1,090 crore. The actual receipt (₹ 1,476.32 crore) was 33.90 *per cent* more than the revised estimate due to the receipt of arrears of ₹ 300.62 crore for the year 2009-10. Taxes and duties on electricity were realised by book adjustment from the loan released for working capital to Madhya Pradesh Electricity Board; therefore actual receipt did not depict receipt realised for the current year.

8.4 Working of internal audit wing

Though an internal audit wing was in operation in the Department, information on the organisational structure of the wing, existence of audit plan, whether any follow up action is taken on internal audit findings etc. was not furnished by the Department, though called for. We are therefore unable to comment on the efficacy of the internal audit wing.

8.5 Results of audit

Test check of the records of five units relating to electricity duty revealed underassessment of tax and other irregularities involving ₹ 252.68 crore in 2,38,865 cases which fall under the following categories:

(₹ in crore)

Sl.No.	Categories	No. of cases	Amount
1.	Loss of revenue due to non-inspection of electrical installation	1,39,440	1.64
2.	Other observations	99,425	251.04
Total		2,38,865	252.68

During the course of the year, the Department accepted underassessment and other deficiencies in 229 cases of ₹ 2.95 crore out of ₹ 252.68 crore in 2,38,865 cases pointed out in audit during the year 2010-11.

A few illustrative audit observations involving ₹ 3.48 crore highlighting important audit findings are mentioned in the following paragraphs.

8.6 Non-imposition of penalty

Under Rule 141 of the Indian Electricity (IE) Rules, 1956, if the owner of an electrical installation commits breach of any provision of the rule, he shall be liable to pay penalty upto ₹ 300 for each breach and if the breach continues, he shall be further liable to a penalty up to ₹ 50 per day till the breach persists. Further, as per instructions of the Energy Department, February 1987, (issued on the basis of advice of the Legal Department) only after instituting the case in the court, penalty can be imposed by the court. Penalty cannot be levied by any officer of the Electricity Department.

During test check of records relating to inspections conducted of six units¹ between October 2010 and January 2011, we observed that while carrying out inspection of medium and high voltage electrical installations during 2008-09 and 2009-10, though the inspectors detected breach of various provisions of the rules in 74,541 cases, the Department did not institute the cases in the court for imposition of penalty. This resulted in non-levy of maximum penalty of ₹ 2.24 crore.

After we pointed out the cases, the officers in charge of the respective offices stated between October 2010 and January 2011 that penalty was to be imposed by the courts and the Department had no right to impose penalty. Further, the expenditure on processing of penalty would be more than the revenue earned through penalty. The reply is not tenable because the Department did not institute the cases in the court for imposition of penalty. Further replies have not been received (March 2012).

We referred the matter to the Chief Electrical Inspector, Electrical Safety (CEI, ES) and the Government between December 2010 and May 2011; their replies have not been received (March 2012).

¹ CEI, ES, Bhopal, DCEI, ES, Indore, DCEI, ES, Jabalpur, DEI, ES, Chhindwara, Rewa and Ujjain.

8.7 Loss of revenue due to non-realisation of inspection fee

According to Rule 46 of the IE Rules, 1956 and Government of Madhya Pradesh notification of 3 April 2007, fee at the prescribed rate is leviable for inspection of electrical installations according to their categories. Fee for inspection of electrical installation should be paid before 1st May each year. In case the inspection is not carried out, the fee paid shall be adjusted towards that payable for the subsequent year. Every such installation shall be periodically inspected and tested at an interval not exceeding five years in respect of medium voltage installations. In other cases, the inspection is to be conducted annually.

During scrutiny of information relating to inspections conducted collected from the CEI, ES and two Deputy Chief Electrical Inspectors, Electrical Safety (DCEI, ES), Indore and Jabalpur and three Divisional Electrical Inspectors, Electrical Safety (DEI, ES), Rewa, Ujjain and Chhindwara between October 2010 and January 2011, we observed that inspection of 79,946 high voltage electrical installations and 52,515 medium voltage electrical installations out of 1,68,570 high voltage installations and 3,05,455 medium voltage installations, respectively, was not carried out for the period 2008-09 and 2009-10. This poses a risk to human or animal life due to

uninspected installations. Further, there was loss of ₹ 1.25 crore in terms of unrealised inspection fee.

After we pointed out the cases, the Officer in charge of the respective offices stated between October 2010 and January 2011 that inspections were being conducted after fixing the target taking into consideration the available staff. The fact remains that the inspection fee was to be realised before 1st May each year as per the Government notification and in case the inspections were not carried out, these were to be carried forward to the subsequent year. Non-conducting the inspections compromised public safety.

We brought the matter to notice of the CEI, ES and the Government between December 2010 and May 2011; their replies have not been received (March 2012).

8.8 Loss of revenue due to short recovery of electricity duty

As defined in the Electricity Duty (ED) Act, 1949 "Mines" include the premises or machinery situated in or adjacent to a mine and used for crushing, processing, treating or transportation of materials. The Act provides for 40 *per cent* rate of duty applicable for mines, other than captive mines of cement industry.

During test check of the ledger of electricity duty in the offices of the DCEI, ES, Jabalpur and DEI, ES Rewa in November 2010 and January 2011, we observed that 47 consumers were engaged in mining activities between April 2009 and August 2010, but duty was incorrectly levied at the rate

of 3.5 *per cent* to eight *per cent* applicable for industrial purposes in place of 40 *per cent* for mining activities. This resulted in short realisation of duty of ₹ 2.23 crore.

After we pointed out the cases, the CEI stated (May 2011) that demand of ₹ 46.60 lakh had been raised in March 2011 in case of DEI, ES Rewa. Further development and reply in respect of the balance amount has not been received (March 2012).

We brought the matter to the notice of the Government in May 2011; their replies have not been received (March 2012).