

EXECUTIVE SUMMARY	
Increase in tax collection	In 2010-11 the collection of taxes in respect of Electricity Duty increased by 15.72 <i>per cent</i> over the previous year which was attributed by the Department to the increased collection of electricity duty from the West Bengal State Electricity Distribution Company Ltd..
Internal audit not conducted	The Internal Audit Wing (IAW) of Finance Department is liable to conduct audit of the Directorate of Electricity Duty as the Directorate does not have any internal audit wing of its own. We found that the IAW had neither planned nor audited the Directorate of Electricity Duty or its subordinate offices.
Very low recovery by the Department against observations pointed out by us	During 2006-07 to 2010-11, we had pointed out non/short levy, non/short realisation, underassessment /loss of revenue, etc. with revenue implication of ₹ 2.31 crore in five paragraphs. Of these, the Department accepted all the paragraphs involving ₹ 1.54 crore of which only a meagre amount of ₹ six lakh was recovered by the Department.
Results of audit conducted by us in 2010-11	<p>In 2010-11, we test checked the records of two units relating to receipts from electricity duty and found non-realisation/blocking of revenue and other irregularities involving ₹ 4.64 crore in six cases.</p> <p>The Department accepted non-realisation/blocking of revenue and other deficiencies of ₹ 4.31 crore in five cases, which were pointed out by us during the year. An amount of ₹ 5.76 lakh was recovered in 22 cases during the year 2010-11.</p>
What we have highlighted in this Chapter	<p>In this Chapter we present illustrative cases of ₹ 1.31 crore selected from observations noticed during our test check of records relating to receipts from electricity duty where we found non-realisation/blocking of revenue and other irregularities.</p> <p>Similar omissions on the part of the Assessing Authorities (AAs) were pointed out by us each year, but not only do the irregularities persist, these remained undetected by them till these were once again detected by us. These irregularities/omissions were apparent from the records made available to us by the AAs but they were unable to detect these mistakes.</p>

Our conclusion

The functioning of the IAW may be streamlined by drafting its manual and conducting audit of the Directorate and the subordinate offices.

The Department needs to initiate immediate action to recover the non-realisation, blocking of tax etc. pointed out by us, more so in those cases where our contention has been accepted.

CHAPTER VI : ELECTRICITY DUTY

6.1 Tax administration

Receipts from taxes and duties on electricity consists of receipts from taxes on consumption and sales of electricity, fees under the Indian Electricity Rules, fees for electrical inspection of cinemas and other receipts. The assessment and collection of electricity duty is governed by the Inter-State River Valley Authority Act, 1973 and the Bengal Electricity Duty Act, 1935 and is administered by the Finance Department headed by the Principal Secretary who is assisted by the Director of Electricity Duty, Chief Electrical Inspector and District Collectors.

6.2 Trend of receipts

Actual receipts from electricity duty during the years 2006-07 to 2010-11 along with the total tax receipts of the year during the same period is exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	479.85	526.35	(+)46.50	(+)9.69	11,694.77	4.50
2007-08	632.50	506.69	(-)125.81	(-)19.89	13,126.33	3.86
2008-09	696.10	587.52	(-)108.58	(-)15.60	14,419.15	4.07
2009-10	800.51	664.57	(-)135.94	(-)16.98	16,899.98	3.93
2010-11	710.90	769.09	(+)58.19	(+)8.18	21,128.74	3.64

The percentage of variation between the budget estimates and actual receipts was between (-) 15.60 and (-) 19.89 *per cent* during 2007-08 and 2009-10. The actual receipts increased to 8.18 *per cent* in 2010-11 showing a better budget forecast.

6.3 Cost of collection

The gross collection of receipts from electricity duty and the expenditure incurred on collection during the years 2008-09 to 2010-11 are given in the following table:

(₹ in crore)

Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection
0043- Taxes and duties on electricity	2008-09	587.52	235.11	40.01
	2009-10	664.57	406.46	61.16
	2010-11	769.09	375.36	48.80

Source: Finance Accounts.

We noticed that though the percentage of expenditure to gross collection sharply decreased in 2010-11, it was still abnormally high. Thus, there is considerable scope for the Government to improve the efficiency in collection.

6.4 Revenue impact of audit reports

During the last five years (including the current year's report), we pointed out non/short levy, non/short realisation, underassessment/loss of revenue etc., with revenue implication of ₹ 2.31 crore in five paragraphs. Of these, the Department/Government had accepted audit observations in all the five paragraphs involving ₹ 1.54 crore and had since recovered ₹ 5.76 lakh. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted by the departments		Amount recovered	
	Number	Amount	Number	Amount	Number	Amount
2006-07	01	0.10	01	0.09	Nil	Nil
2007-08	01	0.07	01	0.07	Nil	Nil
2008-09	01	0.83	01	0.83	Nil	Nil
2009-10	Nil	Nil	Nil	Nil	Nil	Nil
2010-11	02	1.31	02	0.55	1	0.06
Total	05	2.31	05	1.54	1	0.06

Thus, against the accepted cases involving ₹ 1.54 crore, the Department/Government has recovered ₹ 5.76 lakh which is only 3.74 per cent.

We recommended that the Department revamp its revenue recovery mechanism to ensure that they could recover at least the amount involved in the accepted cases.

6.5 Working of internal audit wing

The internal audit wing of an organisation is a vital component of its internal control mechanism and is generally defined as the control of all controls to enable the organisation to assure itself that the prescribed system is functioning reasonably well.

The Internal Audit Wing (IAW) under the Finance Department is liable to conduct internal audit of the Directorate of Electricity Duty and its subordinate offices. The IAW is headed by the Joint Commissioner & Ex-officio Joint Secretary, who is assisted by 20 Internal Audit Officers.

We found that the IAW had not yet planned and audited the Directorate of Electricity Duty or its subordinate offices. The IAW does not have any manual to specify its objective and procedure of working. Thus failure of internal control in several spheres resulting in leakage of revenue, fraud etc. could not be ruled out.

The functioning of the IAW may be streamlined by drafting its manual and conducting audit of the Directorate and the subordinate offices.

6.6 Results of audit

In 2010-11 we test checked the records of two units relating to receipts from electricity duty and found non-realisation/blocking of revenue and other irregularities involving ₹ 4.64 crore in six cases which fall under the following categories:

(₹ in crore)			
Sl. no.	Categories	No. of cases	Amount
1	Non-assessment and non-realisation of electricity duty	2	3.60
2	Non-levy/realisation of interest for delayed payment of electricity duty	2	0.64
3	Other irregularities	2	0.40
Total		6	4.64

During the course of the year, the Department accepted non-realisation/blocking of revenue and other deficiencies of ₹ 4.31 crore in five cases, which were pointed out in audit during the year 2010-11. An amount of ₹ 5.76 lakh was realised in 22 cases at the instance of audit.

Two illustrative cases involving an amount of ₹ 1.31 crore are mentioned in the following paragraphs.

6.7 Audit observations

Scrutiny of the records in the offices of the District Collectors indicated non-assessment and non-realisation of electricity duty and non-realisation of interest for delayed payment as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on test check carried out in audit. Non-realisation of interest for delayed payment of electricity duty was pointed out by us in previous reports also but the issue was not been addressed by the Department. There is need for the Government to improve the internal control system so that recurrence of such cases can be avoided.

6.8 Non-realisation of interest for delayed payment of electricity duty

Section 5 of the West Bengal Duty on Inter State River Valley Authority Electricity Act, as amended with effect from April 2003, prescribes that where the Inter State River Valley Authority or the licensee or the person liable to pay electricity duty, fails to make payment within the prescribed date, such authority or licensee or person shall be liable to pay simple interest at the rate of one *per cent* for each English calendar month of default upon the duty remaining unpaid at the end of each month of default.

We found in two¹ District Collector offices in June 2010 that two licensees² deposited electricity duty of ₹ 3.79 crore on eight occasions between April 2006 and May 2009 which were due between July 1995 and April 2008. For delay in payment of duty ranging between one and 73 months, interest of ₹ 1.02 crore though leviable, was not levied by the District Collectors. This resulted in non-realisation of revenue of ₹ 1.02 crore.

After we pointed these out, the Government stated in August 2011 that the West Bengal State Electricity Distribution Company Ltd. had been appointed as administrator of the Singur Haripal Rural Co-operative Society Ltd. and all the dues would be paid by the Distribution company. Regarding Chittaranjan Locomotive Works (CLW) the Government stated that the matter was sub-judice and payment would be made after final judgment. The reply of the Government is not acceptable as a letter from the authority of CLW addressed to the Collector, Burdwan in January 2011 indicates that the final Judgement had been delivered by the District Court and while CLW agreed to pay the electricity duty dues, it refused to pay the interest arguing that the delay in payment of electricity duty was not intentional on their part.

¹ Bankura and Hooghly.

² Chittaranjan Locomotive Works and Singur Haripal Rural Co-operative Society Ltd.

6.9 Non-realisation of electricity duty from the owners of diesel generating sets

Under Section 5(4) of the Bengal Electricity Duty Act every person generating energy from a diesel generating set (DG) for his own consumption for any Industrial or manufacturing process is liable to pay electricity duty at the prescribed rate. The Inspecting Officer (Technical), Directorate of electricity duty is responsible for estimation of electricity duty in such cases and the responsibility of assessment of electricity duty rests with the Collector.

We found in two District Collector³ offices in June 2010 that the owners of 90 private diesel generating sets generated and consumed electric energy for different consumption periods between January 2002 and March 2010. Of these, in 11 cases of Hooghly district, the Inspecting Officer estimated duty of ₹ 2.03 lakh and sent the proposal for assessment to the Collector, Hooghly between March and September 2009. However, the electricity duty was neither assessed nor demanded by the Collector. In the remaining 79 cases under the Collector of Burdwan, the electricity duty was not estimated by the inspecting officer. We worked out the estimated electricity duty as ₹ 27.02 lakh⁴. The above omissions resulted in non-estimation and non-realisation of electricity duty of ₹ 29.05 lakh.

After we reported the cases, the Government stated in August 2011 that out of ₹ 29.05 lakh realisable, a sum of ₹ 5.76 lakh has been realised. Report on further action taken and realisation of the balance amount has not been received (October 2011).

³ Burdwan and Hooghly.

⁴ Calculated on the basis of average monthly electricity duty period from January 2005 to March 2010.