

OVERVIEW

The Report contains 33 paragraphs involving ₹ 195.31 crore relating to non/short levy of taxes, interest, penalty etc., and two Performance Audits on (i) “VAT Audits and Refunds”, involving ₹ 49.39 crore, and (ii) “Disaster preparedness”, thus having total financial impact of ₹ 244.70 crore. Some of the significant audit findings are mentioned below:

1 GENERAL

The total revenue receipts of the State Government for the year 2011-12 amounted to ₹ 93,553.69 crore against ₹ 80,996.30 crore for the previous year. 69 *per cent* of this was raised by the State through tax revenue (₹ 53,283.41 crore) and non-tax revenue (₹ 11,694.34 crore). The balance 31 *per cent* was received from the Government of India as State’s share of divisible Union taxes (₹ 17,751.15 crore) and Grants-in-aid (₹ 10,824.79 crore).

(Paragraph 1.1.1)

Test check of the records of 1,024 units of VAT/sales tax, land revenue, taxes on vehicles, stamp duty and registration fee and other departmental offices conducted during the year 2011-12 revealed preliminary audit findings involving underassessment/short levy/loss of revenue etc., amounting to ₹ 506.19 crore in 2,658 cases.

(Paragraph 1.5.1)

2 SALES TAX/VAT

A Performance Audit on “VAT Audits and Refunds” was conducted covering the VAT audits completed by the Department and refunds granted during the period from 2006-07 to 2010-11, which indicated the following deficiencies:

- There were substantial arrears in completion of the planned audits for the period from 2006-07 to 2010-11, ranging from 13 to 51 *per cent*.

(Paragraph 2.7.6.1)

- There was no monitoring mechanism whereby status of audits authorised and completed could be verified.

(Paragraph 2.7.6.2)

- The VAT Audit files were not being transmitted to the jurisdictional offices soon after completion of audits.

(Paragraph 2.7.6.3)

- There had been poor utilisation of the audit module in the VATIS software package in the VAT audit process.

(Paragraph 2.7.6.4)

- Instructions issued by the Commissioner of Commercial Taxes (CCT) were not adhered to with regard to selection of dealers. As a result, the top dealers with high turnovers were not selected for audit since inception of APVAT Act in 2005. Consequently, the audits were selected in an arbitrary manner without any adherence to the risk parameters; audits of same dealers for the same or converging audit periods was authorised to different officers; there was no co-ordination between the divisional officers who authorise the audit and the jurisdictional CTO who was responsible for cancellation of registration of dealers.

(Paragraphs 2.7.6.5 and 2.7.6.6)

- There were several omissions in the audit files, as a result of which we do not have assurance that the audit officers had followed the prescribed checks.

(Paragraphs 2.7.7.1)

- Analysis of the information received from CCT revealed that the penalty of at least ten *per cent* of the under declared output tax or excess input tax claimed, as stipulated in the provisions was not levied, resulting in short levy of penalty at least by ₹ 133.16 crore.

(Paragraph 2.7.7.3)

- In Nandyal II circle, input tax credit (ITC) was incorrectly allowed by the Audit Officer though the dealer wilfully manipulated invoices, resulting in loss of revenue of ₹ 76 lakh.

(Paragraph 2.7.8.1)

- Failure to restrict the ITC by the Audit Officer by applying the prescribed formula resulted in short levy of tax of ₹ 72 lakh in 10 offices involving 13 dealers.

(Paragraph 2.7.8.2)

- Incorrect allowance of ITC on the exempt transactions/exempt sales by the Audit Officer resulted in short levy of tax of ₹ 56 lakh in 13 offices involving 14 dealers.

(Paragraphs 2.7.8.4 and 2.7.8.6)

- Incorrect determination of taxable turnover due to allowance of inadmissible deductions by the Audit Officer in respect of 56 dealers in 19 offices resulted in under declaration of tax of ₹ 7.44 crore.

(Paragraphs 2.7.9.1 and 2.7.9.2)

- Incorrect allowance by the Audit Officer, of exemption of turnover relating to earth work, royalty, excise duty, development charges received by the dealers in respect of four works contractors of four offices resulted in short levy of tax of ₹ 1.02 crore.

(Paragraph 2.7.9.3)

- Mis-classification of the works contracts under inappropriate sections of the APVAT Act by the Audit Officer resulted in short levy of tax of ₹ 64.10 lakh in five offices.

(Paragraph 2.7.9.4)

- Failure of Audit Officers to compare the turnovers declared in VAT returns with those in the profit and loss accounts resulted in short levy of tax of ₹ 7.03 crore in 74 cases under 24 offices.

(Paragraph 2.7.10)

- Failure of the Audit Officers to point out the incorrect availing of sales tax deferment by four industrial units under four offices resulted in short levy of tax of ₹ 1.02 crore.

(Paragraph 2.7.12)

- In 15 offices, Audit Officers did not levy penalty of ₹ 1.26 crore in respect of 19 dealers, although they had in the course of their audit, concluded that the dealers had wilfully suppressed their tax liabilities.

(Paragraph 2.7.23.1)

- In 21 offices, the Audit Officers failed to levy penalty at correct rate, resulting in short levy of penalty of ₹ 68 lakh in 27 cases.

(Paragraph 2.7.23.2)

- Refund was granted in excess by ₹ 11.82 crore to six works contractors in five offices due to incorrect determination of taxable turnover.

(Paragraphs 2.7.24.1 and 2.7.24.2)

- Refund of ₹ 8.58 crore was granted in excess in one case under one office based on High Court order without taking into account the liabilities due by the assessee.

(Paragraph 2.7.25)

- Refund of ₹ 1.77 crore was incorrectly granted by the Audit Officer without finalising Central Sales Tax (CST) assessment in two cases under one office.

(Paragraph 2.7.26)

- Excess refund of ₹ 1.02 crore was granted in two cases in two offices due to not exercising prescribed checks laid down in Government notifications.

(Paragraph 2.7.28)

- Excess refund of ₹ 87 lakh was granted to one dealer in one office due to non levy of penalty/interest on belated payment of tax.

(Paragraph 2.7.29)

Audit observations on Returns and Assessments

- VAT on works contract receipts amounting to ₹ 10.59 crore was under declared on account of allowing inadmissible deductions/adoption of incorrect rates/incorrect claim of ITC/under declaration of taxable turnover in 37 cases in 29 offices.

(Paragraph 2.9)

- In 51 offices, CST/penalty of ₹ 8.62 crore was either not levied or short levied on the turnovers relating to inter-State sales, consignment, transit sales and export sales covered by fake/invalid forms or not covered by forms.

(Paragraph 2.10)

- Misclassification of Sales as Works contracts resulted in under declaration of VAT of ₹ 4.49 crore in 15 cases in six offices.

(Paragraph 2.11)

- Declaration of taxable turnover as exempted turnover resulted in non-payment of VAT of ₹ 2.18 crore in five cases in five offices.

(Paragraph 2.12)

- In 30 offices, the Department allowed excess/incorrect claim of ITC of ₹ 1.86 crore in 41 cases.

(Paragraph 2.13)

3 STATE EXCISE DUTIES

- In nine offices of Prohibition and Excise Superintendents, additional licence fee of ₹ 1.42 crore was not levied on 29 bars and restaurants having non-contiguous consumption enclosures.

(Paragraph 3.8)

- Irregular adjustment of Earnest Money Deposit (EMD) in 24 cases in five offices of Prohibition and Excise Superintendents resulted in loss of revenue of ₹ 98.27 lakh.

(Paragraph 3.9)

4. TAXES ON VEHICLES

- Quarterly tax and penalty of ₹ 17.94 crore were not realised in the offices of one Joint Transport Commissioner (JTC), 16 Deputy Transport Commissioners (DTCs) and 25 Regional Transport Offices (RTOs).

(Paragraph 4.8)

- Non-renewal of fitness certificates of 3,23,878 transport vehicles in the offices of one JTC, 12 DTCs and 21 RTOs, resulted in non-realisation of fitness certificate fee of ₹ 9.94 crore.

(Paragraph 4.9)

- Life tax aggregating to ₹ 1.20 crore was short levied in offices of 13 DTCs and 18 RTOs in respect of 1,749 second or subsequent non-transport vehicles owned by individuals.

(Paragraph 4.10.1)

- Green Tax amounting to ₹ 1.30 crore was not levied in offices of 10 DTCs and 14 RTOs in respect of 42,575 transport vehicles and 15,303 non-transport vehicles that had completed seven years and 15 years respectively.

(Paragraph 4.11)

- Compounding Fee of ₹ 68.33 lakh was not levied in the offices of one JTC, 12 DTCs and 11 RTOs in respect of 2,038 vehicles involved in compoundable offences namely carrying overload, excess passengers etc.

(Paragraph 4.12)

- Bilateral tax and penalty of ₹ 79.68 lakh were not collected in respect of 1,270 Odisha State vehicles, which were granted countersignature permits of Andhra Pradesh.

(Paragraph 4.13)

5 STAMP DUTY AND REGISTRATION FEES

- Stamp Duty and Registration Fees of ₹ 53.51 crore was not realised on 21 lease agreements/authorisation agreements and memorandum of understanding as they were not registered as per the provisions of Indian Stamp Act, 1899.

(Paragraph 5.8.1)

- Stamp duty on 'Build Operate and Transfer' lease agreements was short levied by ₹ 1.70 crore due to adoption of total rent payable instead of market value of property.

(Paragraph 5.8.2)

- Stamp duty of ₹ 50.37 crore on 6,54,615 vehicles was not collected by private banks/financial institutions during the year 2010-11 on the vehicles hypothecated with them.

(Paragraph 5.9)

- Non-disclosure/misrepresentation of facts resulted in short levy of Stamp duty and Registration fees of ₹ 18.86 crore.

(Paragraph 5.10)

- Misclassification of ‘dissolution of partnership’ as ‘partition deed’ resulted in short levy of stamp duty and registration fees of ₹ 69.22 lakh.

(Paragraph 5.11.1)

6 OTHER TAX RECEIPTS

LAND REVENUE AND WATER TAX

- In six Tahsildars offices in five districts, conversion fee and fine of ₹ 89.38 lakh was not levied in 85 cases for conversion of 719.15 acres of agricultural land for non-agricultural purposes.

(Paragraph 6.2)

- In 34 offices of the Tahsildars in 11 districts, road cess of ₹ 1.31 crore was not levied/levied short on *ayacutdars* in the command areas of irrigation projects.

(Paragraph 6.3)

- Test check of records of offices of nine Tahsildars revealed that water tax amounting to ₹ 94.90 lakh was either not levied or levied short.

(Paragraph 6.4)

7 REVENUE DEPARTMENT

Performance Audit on “Disaster preparedness” was conducted in sampled districts of East Godavari, Sri Potti Sriramulu (SPS) Nellore, Visakhapatnam, Kurnool and Khammam districts for the period 2007-08 to 2011-12, which indicated the following:

- State Disaster Management Authority (SDMA) required to meet at least once in three months had met only twice between 2007-08 and 2011-12 and no annual reports were prepared, contrary to the provisions of Central Disaster Management Act (CDMA) and State Disaster Management Rules (SDMR) Rules 2007. There was shortfall in meetings of the test-checked District Disaster Management Authorities (DDMAs)

(Paragraphs 7.3.1.1 and 7.3.1.3)

- Regarding district level disaster planning, in SPS Nellore and East Godavari districts, consolidated and comprehensive district disaster management plans were prepared every year and in timely fashion. In Kurnool and Khammam districts, district plans were not prepared in time. However, in Visakhapatnam district, individual action plans were prepared by the concerned Line departments, but were not being consolidated.

(Paragraph 7.3.1.4)

- 30 Early Warning Systems (EWS) installed in East Godavari district in 2008 became unusable within one year of their procurement; in Nellore district, of the 30 EWS installed in 2008, 12 systems were with low power

battery and were installed at places where no power supply was available. The remaining 18 EWS, though in good working condition, became non-functional due to lack of maintenance within one year of their procurement.

(Paragraph 7.3.2.1)

- Out of 67 HAM Radios available in four districts (East Godavari, Visakhapatnam, SPS Nellore and Khammam), only one was functional and none of the eight satellite phones was in working condition.

(Paragraph 7.3.4.1)

- In Visakhapatnam and SPS Nellore districts, although funds were provided, no cyclone stores material or any communication equipment were procured.

(Paragraph 7.3.4.2)

- It was noticed from the physical inspection of 126 shelters in four districts (East Godavari, Visakhapatnam, Khammam and SPS Nellore) that only 29 were usable. The remaining shelters either required major or minor repairs or were in dilapidated condition.

(Paragraph 7.3.4.3)

- The rescue boats available in SPS Nellore, East Godavari and Visakhapatnam districts were either not in usable condition or were not commensurate with the population to be evacuated.

(Paragraph 7.3.4.4)

The following deficiencies in financial management for disaster preparedness were noticed:

- No funds for construction/maintenance of cyclone shelter were provided in East Godavari, Khammam and Visakhapatnam districts; funds for restoration of two shore stations at East Godavari district were not provided by Commissioner of Fisheries.

(Paragraph 7.3.5.2)

- It was noticed from the records of test checked districts that State disaster response Fund (SDRF) was either not utilized fully or utilised belatedly.

(Paragraph 7.3.5.4)

- Although the guidelines stipulated submission of Utilisation Certificates (UCs) for SDRF funds, the UCs for ₹ 4,024.38 crore released during 2007-12 (constituting 85.45 *per cent* of the funds released) had not been received.

(Paragraph 7.3.5.5)