

CHAPTER-1

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of National Capital Territory (NCT) of Delhi during the year 2011-12, grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given in **Table 1.1**:

Table 1.1: Revenue Receipts

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Revenue raised by the State Government					
	Tax revenue	11,782.80	12,180.70	13,447.85	16,477.75	19,971.67
	Non-tax revenue	1,816.70	2,300.72	3,467.40	4,188.95	460.87
2.	Receipts from the Government of India					
	Grants-in-aid	1,312.88	1,870.79	3,536.08	4,357.40	1,960.64
3.	Total revenue receipts of the State Government (1 and 2)	14,912.38	16,352.21	20,451.33	25,024.10	22,393.18
4.	Percentage of 1 to 3	91	89	83	83	91

Source: Revenue Receipts Report 2011 and Pay and Accounts Office, Delhi

The above table indicates that during the year 2011-12, the revenue raised by the State Government was 91 *per cent* of the total revenue receipts (₹ 22393.18 crore). The balance nine *per cent* of receipts was from the Government of India. The increase in tax revenue was 21.20 *per cent* over the previous year and the decrease in non-tax revenue was 88.99 *per cent* over the previous year.

1.1.2 **Table 1.2** presents the details of tax revenue raised during the period from 2007-08 to 2011-12:

Table 1.2: Tax Revenue Receipts

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) in 2011-12 over 2010-11
1.	Taxes on sales, trade, etc.	8,310.49	9,152.09	10,126.01	12,068.62	13,750.95	(+)13.94
2.	State Excise	1,301.25	1,420.91	1,643.56	2,027.09	2,533.72	(+)24.99
3.	Stamps and Registration fee	1,318.40	788.01	929.97	1,355.75	2,240.25	(+)65.24
4.	Taxes on vehicles	420.20	419.12	462.65	707.55	1,049.19	(+)48.28
5.	Other taxes	432.46	400.57	285.66	318.74	397.55	(+)24.73
	Total	11,782.80	12,180.70	13,447.85	16,477.75	19,971.66	(+)21.20

Source: Revenue Receipts Report 2011 and Pay and Accounts Office, Delhi

The concerned Departments reported the following reasons for increase in receipts during 2011-12 over those of 2010-11.

Taxes on sales, trade etc.: The increase was due to registration of more dealers and conducting more enforcement surveys.

State excise: The increase was due to implementation of new duty structure w.e.f. 1st July 2011.

Stamps and Registration fee: The increase was due to revision of circle rates notified in February 2011 and increase in registration fee collection after removing the maximum cap of ₹ 50000.

Taxes on vehicles: The increase was due to increase in sale of vehicles and also due to increase in levy of additional tax on diesel vehicles.

1.1.3 Table 1.3 presents the details of non-tax revenue raised during the period 2007-08 to 2011-12:

Table 1.3: Non-Tax Revenue Receipts

							(₹ in crore)
Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1.	Interest receipts	1,634.79	2,101.41	3,236.61	3,869.84	174.14	(-)95.50
2.	Dividend & profit	31.15	29.92	41.56	46.59	33.00	(-)29.17
3.	General services	85.20	64.91	93.41	101.84	128.58	(+)26.25
4.	Social services	37.47	54.53	56.13	61.59	79.48	(+)29.05
5.	Economic services	28.09	49.95	39.69	109.08	45.67	(-)58.13
Total		1,816.70	2,300.72	3,467.40	4,188.94	460.87	(-) 88.99

Source: Revenue Receipts Report 2011 and Pay and Accounts Office, Delhi

The reasons for increase/decrease in receipts during 2011-12 over those of 2010-11 as given by the concerned departments are as under:

Interest receipts: The decrease was because of the practice of recovery of interest dues from DJB and DTC by converting the same into non-plan loans which has been dispensed from 2011-12.

Dividend and profit: The decrease was based on actual profits and various other policies of dividend declared by the companies.

General services and Social services: The increase was due to increased number of service takers/service providers and fines etc. collected.

Economic services: The decrease was due to specific shortfall in revenue of village and small industries.

1.2 Variations between the budget estimates and actual receipts

The variations between the budget estimates and actual collection of revenue receipts for the year 2011-12 in respect of principal heads of tax and non-tax revenue are mentioned in **Table 1.4:**

Table 1.4: Revised estimates and Actual receipts

(₹ in crore)

Sl. No.	Head of revenue	Revised estimates	Actuals	Variation excess (+)/shortfall (-)	Percentage of variation
Tax revenue					
1.	Taxes on sales, trade, etc.	14000.00	13750.95	(-)249.05	(-)1.78
2.	State Excise	2400.00	2533.73	(+)133.73	(+)5.57
3.	Stamps and Registration fee	2399.97	2240.25	(-)159.72	(-)6.66
4.	Taxes on vehicles	950.00	1049.19	(+)99.19	(+)10.44
5.	Other taxes	378.00	397.55	(+)19.55	(+)5.17
Non-tax revenue					
1.	Interest receipts	369.81	174.14	(-)195.67	(-)52.91
2.	Dividend and profit	45.00	32.99	(-)12.01	(-)26.69
3.	General services	109.54	128.58	(+)19.04	(+)17.38
4.	Social services	73.32	79.48	(+)6.16	(+)8.40
5.	Economic services	42.80	45.67	(+)2.87	(+)6.71

Source: Receipts Budget 2012-2013 and Pay and Account Office, Delhi

The Department stated that estimates are based on past trend as well as actual receipts upto the month of September/October of the previous year and the estimates were prepared 16 to 18 months in advance and there are every possibility of variation between budget estimates and actual receipts.

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2009-10 to 2011-12, along with the relevant all India average percentage of expenditure on collection to gross collection for the year

2010-11 are given in the **Table 1.5:**

Table 1.5: Cost of collection

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2010-11
Taxes on sales, trade etc.	2009-10	10126.01	50.83	0.50	0.75
	2010-11	12068.62	50.69	0.42	
	2011-12	13750.95	53.67	0.39	
State excise	2009-10	1643.56	8.75	0.53	3.05
	2010-11	2027.09	9.44	0.47	
	2011-12	2533.73	10.79	0.43	
Stamps and Registration fee	2009-10	929.97	19.53	2.10	1.60
	2010-11	1355.75	19.30	1.42	
	2011-12	2240.25	31.60	1.41	
Taxes on vehicles	2009-10	462.65	34.34	7.42	3.71
	2010-11	707.55	37.03	5.23	
	2011-12	1049.19	31.79	3.03	

Source: State Finance Report 2011 & Pay and Accounts Office, Delhi

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of some principal heads of revenue amounted to ₹ 15254.20 crore of which ₹ 15249.16 crore is related to sales tax/value added tax as mentioned in **Table 1.6:**

Table 1.6: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2012	Amount outstanding for more than 5 years	Remarks
1.	Taxes on sales, trade etc.	15249.16	1010.60	
2.	State excise	5.04	0.31	As on 31 March 2012, the total outstanding demand was ₹ 3.52 crore, out of which a demand of ₹ 0.91 crore is under appeal and a demand of ₹ 0.63 crore has been remanded back for fresh assessment. Apart from above, a recovery amounting to ₹ 0.31 crore with interest is also pending with arbitrator.
Total		15254.20	1010.91	

The arrears of revenue receipts were reported as nil by the Revenue Department (Stamps and Registration). The Transport Department stated that the amount of arrears could not be ascertained till date (December 2012).

1.5 Arrears in assessment

The details of pending assessments for the years 2009-10 to 2011-12 are mentioned in **Table 1.7**:

Table 1.7: Arrears in assessment

Year	Opening balance	Cases which became due for assessment	Total	Cases disposed of during the year	Cases pending at the end of the year
Department of Trade & Taxes					
2009-10	5559	94521	100080	95135	4945
2010-11	4945	85360	90305	85720	4585
2011-12	4585	144115	148700	146774	1926
Department of State Excise					
2009-10	1152	725	1877	455	1422
2010-11	1422	854	2276	584	1692
2011-12	1692	879	2571	834	1737

The Revenue Department (Stamps and Registration) and the Transport Department reported the arrears in assessment as nil.

1.6 Evasion of tax

The number of cases of evasion of tax detected by the Department of Trade and Taxes during the years 2009-10, 2010-11 and 2011-12 as reported by it were 1451, 1843 and 871 respectively. Variations of ₹815.59 crore between the figures as per Accounts and that physically verified during raids conducted by the Enforcement Branch were reported during the year 2011-12 as shown in **Table 1.8**:

Table 1.8: Evasion of tax

(₹ in crore)		
Sl. No.	Type of variation	Amount detected
1.	Cash variation	16.19
2.	Stock variation	284.20
3.	Seizure detected	515.20
Total		815.59

The cases detected by the branch, were then forwarded to the concerned assessing authorities of the department for further necessary action.

The Department of State Excise and the Revenue Department (Stamps and Registration) stated the number of cases of evasion of tax as nil.

1.7 Refunds

The number of cases of refund allowed during the year 2011-12, as reported by the concerned departments, is mentioned in **Table 1.9**:

Table 1.9: Refunds

Name of the department	No. of cases	(₹ in crore)
		Amount
Department of Trade and Taxes	22790	356.04
Transport Department	23	0.02
Revenue Department (Stamps and Registration)	2836	32.57
State Excise	14	0.19

1.8 Response of the Departments/Government towards Audit

1.8.1 Failure of senior officials to enforce accountability and protection of the interest of the State Government

The Principal Accountant General (Audit), Delhi, (Pr.AG) conducts periodical inspection of the Government departments to test check the transactions and to verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the issue of inspection reports (IRs) incorporating irregularities detected during the inspection but not settled on the spot, to the Heads of the Offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of 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 Pr.AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the Head of Departments and the Government.

Inspection reports issued up to December 2011 disclosed that 10028 paragraphs involving ₹8938.03 crore relating to 483 IRs remained outstanding at the end of June 2012 as mentioned in the **Table 1.10**, along with the corresponding figures for the preceding two years.

Table 1.10: Outstanding IRs/Paragraphs

	June, 2010	June, 2011	June.2012
Number of outstanding IRs	341	360	483
Number of outstanding audit paragraphs	6002	7867	10028
Amount involved (₹ in crore)	3920.65	6619.49	8938.03

The department-wise details of the IRs and audit paragraphs outstanding as on 30 June 2012 and the money value involved are mentioned in **Table 1.11**:

Table 1.11: Department wise outstanding IRs/Paragraphs

(₹ in crore)

Sl. No.	Names of Departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit paragraphs	Money value involved
1.	Trade and Taxes	Taxes/VAT on sales, trade <i>etc</i>	388	9629	8918.44
2.	Excise	State excise	7	27	11.42
3.	Transport	Taxes on motor vehicles	40	87	4.08
4.	Revenue (Stamps and Registration)	Stamps and registration fees	48	285	4.09
Total			483	10028	8938.03

The large pendency of IRs was due to non-receipt of replies and is indicative of the fact that the Head of Offices and Head of Departments had failed to initiate action to rectify the defects, omissions and irregularities pointed out by the Pr.AG in IRs.

It is recommended that the Government may take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as for taking action against officers/officials who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and take action to recover loss/outstanding demand in a time bound manner.

1.8.2 Departmental Audit Committee Meetings

The Government set up Audit Committees (during various periods) to monitor and expedite the progress of the settlement of IRs and paragraphs therein. The details of the audit committee meetings held during the year 2011-12 and the paragraphs settled are mentioned in **Table 1.12**:

Table 1.12: Department Audit Committee Meetings

(₹ in crore)

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Sales Tax	8	583	503.85
Total	8	583	503.85

The progress of settlement of paragraphs pertaining to Sales Tax was insignificant as compared to the huge pendency of 9629 paragraphs, despite holding departmental audit committee meetings.

It is recommended that the Government may hold more meetings and make concrete efforts for settling the outstanding paragraphs.

1.8.3 Non-production of records to Audit for scrutiny

The programme of local audit of the Department of Trade and Taxes, Department of State Excise, Entertainment and Luxury Tax, Transport Department, Revenue Department (Stamps and Registration) is drawn up sufficiently in advance and intimations are issued usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During 2011-12, the tax assessment records relating to three offices involving 1601 cases were not made available to Audit. Of the 1601 cases, 1599 cases related to Department of Trade and Taxes. Year wise break-up of such offices, which did not provide records, is given in the **Table 1.13**:

Table 1.13: Non-production of records

Name of Office	Year in which it was to be audited	Number of assessment cases not audited	Number of cases in which revenue involved could be ascertained
Stamps and registration	2011-12	1	Nil
Transport	2011-12	1	Nil
Department of Trade and Taxes	2011-12	1599	Nil
Total		1601	

The revenue involved in the above cases could not be ascertained, as the records were not made available to Audit for scrutiny.

1.8.4 Response of the Departments to the draft audit paragraphs

Draft paragraphs proposed for inclusion in the Audit Report are forwarded by the Pr.AG to the concerned departments through demi-official letters. All the Departments are required to furnish their remarks within six weeks of their receipt. The fact of non-receipt of replies from the Government is indicated at the end of each such paragraph included in the Audit Report.

Draft paragraphs clubbed into 17 paragraphs (including one Performance Audit) proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2012 were forwarded to the respective Departments and the Government by July 2012. The replies from the Department were received in parts in respect of all the paragraphs.

1.8.5 Follow up on Audit Reports – summarised position

Once the Reports of the Comptroller and Auditor General of India are placed in the State Legislative Assembly, the various Departments are required to

submit Action Taken Notes (ATNs) on all paragraphs contained therein for consideration of the Public Accounts Committee (PAC). Undue delay in submission of ATNs dilutes the accountability of the Executive to the Legislature. The position of outstanding ATNs on paragraphs and reviews included in the Report relating to Revenue Receipts of the Comptroller and Auditor General of India, on Government of NCT of Delhi as on October 2012 is mentioned in the **Table 1.14**:

Table 1.14: Outstanding Action Taken Notes

Sl. No.	Year of Report ending 31 March	Number of paragraphs and reviews printed in Report	Number of paragraphs and reviews for which ATNs were awaited
1.	2004	20+3 (Reviews)	3+1 (Review)
2.	2005	26+1 (Review)	1+0 (Review)
3.	2006	19+1 (Review)	0+1 (Review)
4.	2007	15+1 (Review)	0+1 ¹ (Review)
5.	2008	9+2 (Reviews)	0+2 ² (Reviews)
6.	2009	13+2 (Reviews)	13 ³ +2 (Reviews)
7.	2010	17+1 (Review)	16+1 ¹ (Review)
8.	2011	12+3 (Reviews)	12+3 (Reviews)

1 ATN received partially.

2 ATN in respect of one review received partially.

3 For the year 2009, ATNs on 4 paragraphs received but partially.

The Government needs to review the pending Action Taken Notes and take expeditious action.

1.8.6 Compliance to earlier Audit Reports

In respect of the paragraphs featured in the Audit Reports 2006-07 to 2010-11, the Department/Government accepted audit observations involving revenue of ₹ 453.59 crore, of which only ₹1.04 crore was recovered till October 2012 as mentioned in **Table 1.15**:

Table 1.15: Recovery against accepted cases

(₹ in crore)			
Year of the Audit Report	Money value of Audit Reports	Money value of accepted cases	Amount recovered
2006-07	254.93	209.06	0.27
2007-08	945.52	28.17	0.18
2008-09	1729.62	109.00	0.14
2009-10	1764.20	49.36	0.39
2010-11	1479.98	58.00	0.06
Total	6174.25	453.59	1.04

As against accepted money value of ₹453.59 crore, only ₹ 1.04 crore (0.23 per cent) were recovered during the last five years.

It is recommended that the Government may make efforts for early recovery in the accepted cases.

1.9 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 action taken on the paragraphs and reviews included in the Audit Reports of the last eight years in respect of Department of Trade and Taxes is evaluated and included in each Audit Report.

The succeeding paragraphs 1.9.1 to 1.9.2.2 discuss the performance of the Department of Trade and Taxes to deal with the cases detected in the course of local audit, conducted during the last eight years and also the cases included in the Audit Reports for the years 2004-05 to 2011-12.

1.9.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last *eight* years, paragraphs included in these reports and their status as on 31 March 2012 are tabulated in the **Table 1.16**:

Table 1.16: Inspection Reports

(₹ in crore)

Year	Opening balance			Additions during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2004-05	1145	10821	1127.42	93	1436	306.27	668	7468	404.91	570	4789	1028.78
2005-06	570	4789	1028.78	81	1377	399.89	227	1916	174.95	424	4250	1253.72
2006-07	424	4250	1253.72	64	880	320.51	265	2548	543.25	223	2582	1030.98
2007-08	223	2582	1030.98	62	1329	1077.42	79	1266	349.89	206	2645	1758.51
2008-09	206	2645	1758.51	89	2265	1748.24	6	429	413.39	289	4481	3093.36
2009-10	289	4481	3093.36	108	2972	2900.71	11	301	218.47	386	7152	5775.60
2010-11	386	7152	5775.60	54	2009	1831.89	85	564	434.09	355	8597	7173.40
2011-12	355	8597	7173.40	96	2204	3079.27	24	657	394.02	427	10144	9858.65

Audit Committee meetings are arranged between the Departments and this office and these Committees settle the old paragraphs on the spot. It is evident from the given table that due to vigorous efforts, against 570 IRs with 4789 outstanding paragraphs at the end of 2004-05, the number of outstanding IRs declined to 427 with 10144 paragraphs at the end of 2011-12.

1.9.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

1.9.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last six years, those accepted by the Department and the recoveries made are mentioned in the **Table 1.17**:

Table 1.17: Recovery of accepted cases

(₹ in crore)

Year of Report ending 31 March	Number of paragraphs included	Money value of the paragraphs	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases
2005	27	402.36	55.65	0.18	0.18
2006	20	177.85	11.52	0.11	0.29
2007	16	254.93	16.54	0.08	0.37
2008	11	945.52	70.75	0.14	0.51
2009	15	1729.62	428.96	0.04	0.55
2010	18	1764.20	0.52	0.52	1.07

It is evident from the above data that the action taken by the Government on the paragraphs was insufficient and they need to take action to recover the revenue involved, at least in the accepted cases.

1.9.2.2 Action taken on the recommendations accepted by the Department/Government

The draft Performance Audits/Reviews conducted by the Pr.AG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These Performance Audits are also discussed in an exit conference and the Department's/Government's views are included while finalising the Performance Audits for the Audit Reports.

The following Performance Audits on the Department of Trade and Taxes, State Excise, Entertainment and Luxury Tax, and Transport Department featured in the last six Audit Reports are mentioned in **Table 1.18**, however, none of these Performance Audits have been taken up by the Public Accounts

Committee (PAC) for discussion.

Table 1.18: Action Taken on recommendations

Year of IR	Name of the Review	Number of recommendations	Status
2005-06	Assessment, levy & Collection of Entertainment, betting & luxury tax	3	Reply not furnished by the Department.
2006-07	Exemption of tax on account of Export and High Sea Sale	3	Subsequent audits revealed that Department has not implemented the recommendations.
2007-08	Performance appraisal of exemption of Central Sales Tax on account of branch transfer/ consignment sale	4	Reply not furnished by the Department.
	Information Technology Audit of the Department of Transport	5	Subsequent audits revealed that Department has not implemented the recommendations.
2008-09	Assessment, levy and collection of tax on Works Contract	3	Reply not furnished by the Department.
	Transition from Delhi Sales Tax to the Delhi Value Added Tax	4	Reply not furnished by the Department.
2009-10	Levy and collection of Stamp Duty and Registration Fee	5	Department has implemented one recommendation by conceptualization of a plan to make a modern central registry to safely keep the registered documents pertaining to the offices of all the sub Registrars both in physical and digitalised form.
2010-11	Utilization of declaration forms in Inter-state Trade & Commerce	4	Reply not furnished by the Department.
	Computerisation in Motor Vehicles Department	5	Reply not furnished by the Department.
	Performance audit on Interest Receipts	5	Reply not furnished by the Department.

1.10 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 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 past five years etc.

During the year 2011-12, the audit universe comprised of 111 auditable units, of which 95 units were planned and 89 units were audited during the year 2011-12 which is 93.68 *per cent* of the total auditable units.

Besides the compliance audit mentioned above, one Performance Audit was also taken up to examine the efficacy of the tax administration of these receipts.

1.11 Result of Audit

1.11.1 Position of Local Audits conducted during the year

Test check of the records of the Department of Trade and Taxes, State Excise, Entertainment, Transport and Revenue Department conducted during the year 2011-12 revealed underassessment/short levy/loss of revenue aggregating ₹ 2706.11 crore in 1655 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 19.14 crore involved in 1028 cases. The Departments recovered ₹ 1.23 crore in 187 cases during the year 2011-12.

1.11.2 About this Report

This report contains one Performance Audit on “**Mechanism of assessment, levy and collection of taxes on Entertainment, Betting and Luxury**” and 16 paragraphs wherein audit has pointed out several system and compliance deficiencies, besides short/non-levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 2363.11 crore of which ₹ 19.14 crore has been accepted by the Department. These are discussed in succeeding Chapters II to V.