

CHAPTER-I

GENERAL

EXECUTIVE SUMMARY

Marginal growth rate in revenue receipts of the State	Total tax and non-tax revenue of the State during 2011-12 was ₹ 9,992.11 crore which represented a marginal growth rate of 17.28 <i>per cent</i> over the earlier year. Out of this ₹ 6,953.89 crore was from tax revenue and ₹ 3,038.22 crore from non-tax revenue. The State received ₹ 5,257.41 crore as Grants-in-aid and ₹ 7,169.93 crore as share of net proceeds of divisible Union Taxes.
Poor response of the Department/Government towards audit	We have not received even the first replies to 225 Inspection Reports issued by us upto December 2011.
Non-production of records to audit	Eight offices of four Departments (Mines and Geology, Revenue and Land Reforms, Transport and Registration) did not furnish 33 tax assessment records during 2011-12.
Limited impact of Departmental audit committee meetings	Only 10 Departmental audit committee meetings were held during the year and 149 outstanding paragraphs having financial implication of ₹ 36.68 crore were settled.
Impact of earlier Audit Reports	During the period from 2006-07 to 2010-11, Government accepted audit observations having money value of ₹ 1,136.92 crore, of which ₹ 785.11 crore was realised upto 2011-12.
Results of Audit	We test checked 117 units of various Departments during 2011-12 and noticed short levy of tax, duty, royalty etc. of ₹ 1,117.79 crore in 31,791 cases.

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Jharkhand during 2011-12, the State's share of net proceeds of divisible Union taxes, duties assigned to States and 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.		2007-08	2008-09	2009-10	2010-11	2011-12
I.	Revenue raised by the State Government					
	• Tax revenue	3,473.55	3,753.21	4,500.12	5,716.63	6,953.89
	• Non-tax revenue	1,601.40	1,951.74	2,254.15	2,802.89	3,038.22
	Total	5,074.95	5,704.95	6,754.27	8,519.52	9,992.11
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	5,109.83	5,392.11	5,547.57	6,154.35	7,169.93
	• Grants-in-aid	1,841.77	2,115.78	2,816.63	4,107.25	5,257.41
	Total	6,951.60	7,507.89	8,364.20	10,261.60	12,427.34
III.	Total receipts of the State Government (I & II)¹	12,026.55	13,212.84	15,118.47	18,781.12	22,419.45
IV.	Percentage of I to III	42	43	45	45	45

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 9,992.11 crore) was 45 *per cent* of the total revenue receipts. The balance 55 *per cent* of receipts, during 2011-12, was from the Government of India.

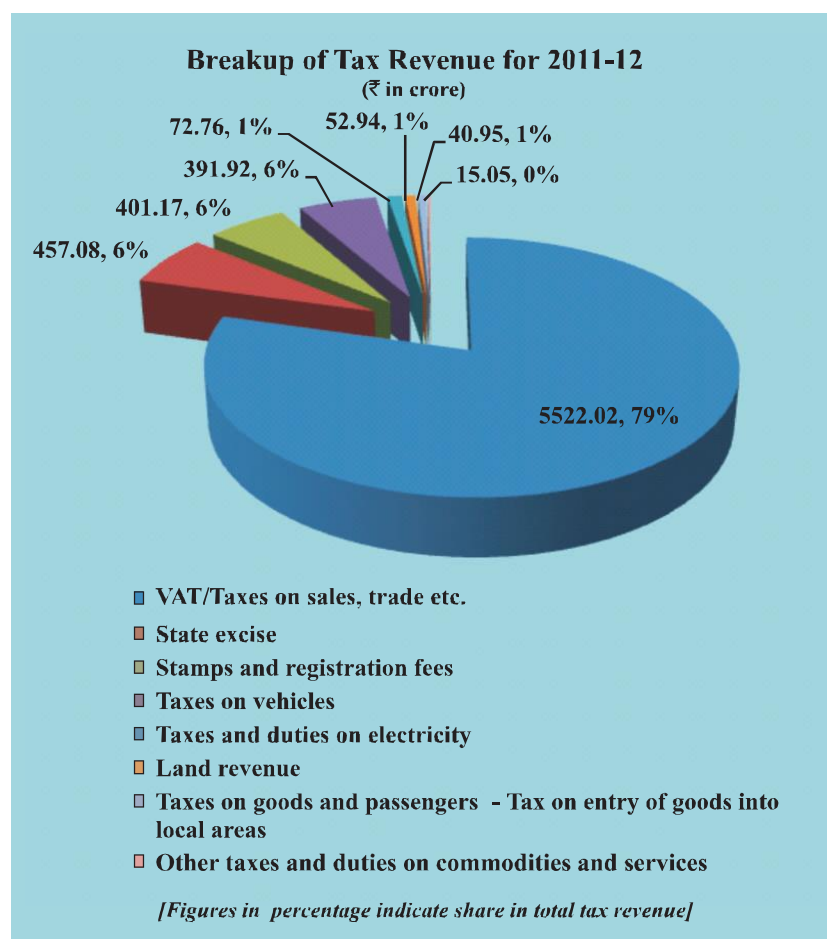
¹ For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government for the year 2011-12. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure, 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.

1.1.2 The following table presents the details of tax revenue raised during the period 2007-08 to 2011-12:

(₹ in crore)

Sl. No.	Heads of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase/decrease in 2011-12 over 2010-11
1	VAT/Taxes on Sales, Trade etc.	2,845.88	2,996.20	3,597.20	4,473.43	5,522.02	(+) 23.44
2	State Excise	156.86	205.46	322.75	388.34	457.08	(+) 17.70
3	Stamps and Registration Fees	156.26	192.16	238.20	328.35	401.17	(+) 22.18
4	Taxes on Vehicles	135.67	201.57	234.21	312.37	391.92	(+) 25.47
5	Taxes and Duties on Electricity	76.47	43.47	46.87	53.50	72.76	(+) 36.00
6	Land Revenue	26.26	53.33	41.28	130.65	52.94	(-) 59.48
7	Taxes on Goods and Passengers - Tax on Entry of Goods into Local Areas	71.07	54.02	12.44	21.08	40.95	(+) 94.26
8	Other Taxes and Duties on commodities and services	5.08	7.00	7.17	8.91	15.05	(+) 68.91
Total		3,473.55	3,753.21	4,500.12	5,716.63	6,953.89	(+) 21.64

Source: Finance Accounts of the Government of Jharkhand.



The reasons for variation in receipts in 2011-12 from those of 2010-11 in respect of some principal heads of tax revenue were as under:

VAT/Taxes on Sales, Trade etc.: The increase of 23.44 *per cent* was attributed by the Department to better and effective monitoring of tax administration.

State Excise: The increase of 17.70 *per cent* was attributed by the Department to enforcement of the new Excise Policy of 2009.

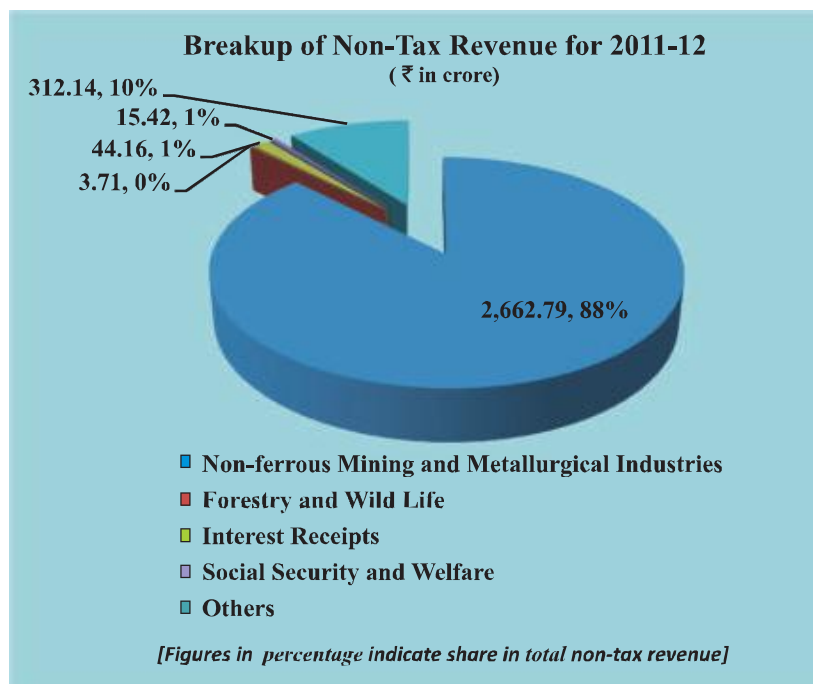
Stamps and Registration Fees: The increase of 22.18 *per cent* was attributed to growth in the real estate sector.

Taxes on Vehicles: The increase of 25.47 *per cent* was attributed to initiation of a system of one time taxation of private vehicles under the Jharkhand Motor Vehicles Tax (Amendment) Act.

1.1.3 The following table presents the details of non-tax revenue raised during the period 2007-08 to 2011-12:

Sl. No.	Heads of revenue						(₹ in crore)
		2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase/decrease in 2011-12 over 2010-11
1	Non-ferrous Mining and Metallurgical Industries	1,177.77	1,477.94	1,733.15	2,055.90	2,662.79	(+) 29.52
2	Forestry and Wild Life	4.06	7.20	3.57	4.76	3.71	(-) 22.06
3	Interest Receipts	87.14	109.53	153.20	98.74	44.16	(-) 55.28
4	Social Security and Welfare	12.57	4.25	13.49	23.85	15.42	(-) 35.35
5	Others	319.86	352.82	350.74	619.64	312.14	(-) 49.63
	Total	1,601.40	1,951.74	2,254.15	2,802.89	3,038.22	8.40

Source: Finance Accounts of the Government of Jharkhand.



The reason for increase in receipts by 29.52 per cent in 2011-12 over the previous year in respect of Non-ferrous Mining and Metallurgical Industries was attributed to increase in the rate of royalty of iron ore.

1.2 Variation between budget estimates and actuals

The variation between the revised budget estimates and actuals of revenue receipts for 2011-12 under the principal heads of tax and non-tax revenue were as mentioned in the following table:

(₹ in crore)

Sl. No.	Heads of revenue	Revised estimates	Actual receipts	Variation (+) increase (-) shortfall	Percentage of variation (+) increase (-) decrease
A. Tax revenue					
1.	VAT/Taxes on Sales, Trade etc.	5,633.25	5,522.02	(-) 111.23	(-) 1.97
2.	State Excise	445.00	457.08	(+) 12.08	(+) 2.71
3.	Stamps and Registration Fees	450.00	401.17	(-) 48.83	(-) 10.85
4.	Taxes on Vehicles	356.00	391.92	(+) 35.92	(+) 10.09
5.	Taxes and Duties on Electricity	100.00	72.76	(-) 27.24	(-) 27.24
6.	Land Revenue	83.49	52.94	(-)30.55	(-) 36.59
7.	Other Taxes and Duties on Commodities and Services	36.75	15.05	(-) 21.70	(-) 59.05
8.	Taxes on Goods and Passengers – Tax on Entry of Goods into Local Areas	30.00	40.95	(+) 10.95	(+) 36.50
B. Non-tax revenue					
1.	Non-ferrous Mining and Metallurgical Industries	2,759.75	2,662.79	(-) 96.96	(-)35.51
2.	Forestry and Wild Life	4.17	3.71	(-) 0.46	(-) 11.03
3.	Interest Receipts	100.64	44.16	(-) 56.48	(-) 56.12
4.	Social Security and Welfare	33.00	15.42	(-) 17.58	(-) 53.27

Source: Finance Accounts of the Government of Jharkhand and the revised estimates as per the Statement of Revenue and Receipts of Government of Jharkhand for the year 2012-13.

The reasons for shortfall in receipts against the BE in respect of Stamps and Registration Fees during 2011-12 was attributed by the Department to the fact that lesser number of instruments were presented for registration.

The other Departments did not inform the reasons for variation despite being requested (June 2012).

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 2011-12 along with the all-India average percentage of expenditure on collection in 2010-11 were as under:

(₹ in crore)

Sl. No.	Heads of revenue	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All-India average percentage of 2010-11
1.	VAT/Taxes on Sales, Trade etc.	5,522.02	50.20	0.91	0.75
2.	Taxes on Vehicles	391.92	4.60	1.17	3.71
3.	State Excise	457.08	15.95	3.49	3.05
4.	Stamps & Registration Fees	401.17	11.34	2.83	1.60

Source: Finance Accounts of the Government of Jharkhand.

The above table indicates that the percentage of expenditure on collection in respect of VAT/Taxes on Sales, Trade, etc. and State Excise was higher than the all-India average and significantly higher in the case of Stamps and Registration Fees. The Department needs to look into the reasons for this and take steps to reduce the high cost of collection. However, we appreciate that the cost of collection on Taxes on Vehicles was much lower than the all-India average.

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 ₹ 2,030.78 crore, of which ₹ 490.46 crore was outstanding for more than five years as mentioned below:

(₹ in crore)				
Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2012	Amount outstanding for more than five years as on 31 March 2012	Remarks
1.	VAT/Taxes on Sales, Trade etc.	1,860.83	371.31	Out of ₹ 1,917.81 crore ² , demands of ₹ 154.45 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 1,304.85 crore and ₹ 2.58 crore was stayed by the Courts and the Government respectively. Demand of ₹ 1.73 crore was held up due to rectification/review of applications. Specific action taken in respect of the remaining arrears of ₹ 454.20 crore has not been intimated (February 2013).
2.	State Excise	31.07	25.29	Out of the closing balance of arrears of ₹ 31.07 crore as on 31 March 2012, demand for ₹ 13.04 crore was certified for recovery as arrears of land revenue, recovery of ₹ 15.98 crore was stayed by the Courts and other judicial authorities, recovery of ₹ 10.56 lakh was held up due to parties becoming insolvent and a sum of ₹ 16.08 lakh was likely to be written off. Specific action taken in respect of the remaining amount of ₹ 1.78 crore has not been intimated (February 2013).
3.	Taxes on Vehicles	137.31	93.86	Out of ₹ 104.44 crore ³ , demands of ₹ 94.80 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 1.48 crore was likely to be written off. Specific action taken in respect of the remaining arrears of ₹ 8.16 crore has not been intimated (February 2013).

² The Department furnished stages of recovery for an amount of ₹ 1,917.81 crore although they had reported total arrears of ₹ 1,860.83 crore.

³ The Department furnished stages of recovery for an amount of ₹ 104.44 crore against the total arrears of ₹ 137.31 crore reported by them.

(₹ in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2012	Amount outstanding for more than five years as on 31 March 2012	Remarks
4	Stamps and Registration Fees	1.57	Not furnished	As per information furnished (October 2012) by the Department, recovery of the entire amount of arrears of ₹ 1.57 crore was held up due to rectification/ review of applications in impounded and referred cases.
Total		2,030.78	490.46	

The position of arrears of revenue pending collection at the end of 2011-12 in respect of other departments was not furnished (February 2013) despite reminders and requests.

1.5 Refunds

The refund cases pending at the beginning of 2011-12, claims received during the year, refunds allowed during the year and cases pending at the close of the year are indicated in the following table:

Sl. No.	Particulars	VAT/Taxes and Duty on Electricity	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	763	24.84
2.	Claims received during the year	23	7.60
3.	Refunds made during the year	44	4.38
4.	Balance outstanding at the end of the year	742	28.06
5.	Interest paid due to belated refunds	NIL	NIL

Source: Information furnished by the Department

Refund cases under VAT, pending beyond ninety days of the application claiming refund, entail payment of simple interest at the rate of six *per cent* per annum. The Government may, therefore, take effective steps to dispose of the cases within the stipulated period.

1.6 Response of the Departments/Government towards Audit

1.6.1 Failure of senior officials to enforce accountability and protect the interest of the State Government

We conduct periodical inspections of the Government departments to test check the transactions and verify the maintenance of the accounts and other records as prescribed in the rules and procedures. Our 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 report compliance through initial reply to us 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 2011 and found that 6,100 paragraphs having financial implication of ₹ 9,794.39 crore relating to 963 IRs

remained outstanding at the end of June 2012. The corresponding figures for the preceding two years are mentioned in the following table:

	(₹ in crore)		
	June 2010	June 2011	June 2012 ⁴
Number of outstanding IRs	2,166	1,998	963
Number of outstanding audit observations	10,772	9,320	6,100
Amount involved	7,676.65	11,500.30	9,794.39

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2012 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	146	2,665	2,188.57
		Entry Tax	48	112	25.79
		Electricity Duty	44	88	59.35
		Entertainment Tax etc.	22	23	3.59
2	Excise and Prohibition	State Excise	83	364	418.70
3	Revenue and Land Reforms	Land Revenue	247	540	1,375.78
4	Transport	Taxes on Motor Vehicles	135	783	397.80
5	Registration	Stamps and Registration Fees	108	333	3,419.71
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	130	1,192	1,905.10
Total			963	6,100	9,794.39

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 225 IRs issued up to December 2011. 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 us in our IRs.

We recommend that the Government may take suitable steps to design effective procedures to ensure prompt and appropriate response to audit observations. The Government may also institute systems for taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedule.

1.6.2 Departmental audit committee meetings

The Government sets up audit committees to monitor and expedite the progress of the settlement of paragraphs in the Inspection Reports (IRs). The details of the 10 audit committee meetings held during 2011-12 and the paragraphs settled are mentioned below:

⁴ Excluding IRs and outstanding observations relating to Forest and Environment Department and Water Resources Department.

Heads of revenue	Number of meetings held	Number of paragraphs settled	(₹ in crore)
			Amount
VAT /Taxes on Sales, Trade etc.	2	18	5.32
Stamps and Registration Fees	1	11	0.56
State Excise	1	23	5.80
Taxes on Vehicles	1	50	22.25
Land Revenue	2	2	0.003
Non-ferrous Mining and Metallurgical Industries	2	45	2.75
Forestry and Wild Life	1	Nil	Nil
Total	10	149	36.68

1.6.3 Non-production of records to Audit for scrutiny

The programme for 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 2011-12, 33 tax assessment records relating to eight offices of four Departments (Mines and Geology, Revenue and Land Reforms, Transport and Registration Departments) were not made available to us for audit. The office-wise break-up of such cases is given below:

Name of Office	Number of assessment cases/ records not produced to audit
District Mining Office, Chatra	3
Deputy Collector Land Reforms (DCLR), Sahebganj	15
DCLR, Gumla	4
District Transport Office, Deoghar	3
Deputy Collector (DC), Stamp, Dumka	1
DC, Stamp, Deoghar	2
District Sub-Registrar (DSR), Jamtara	2
DSR, Godda	3
Total	33

1.6.4 Response of the Departments to the draft audit paragraphs

As per the instructions 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 reports. The observations of serious irregularities are converted into draft paragraphs 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.

Forty five Draft Paragraphs (clubbed into 25 paragraphs including one Performance Audit included in this Report) were forwarded to the Secretaries

to the Government of the Departments concerned followed by reminders issued between July 2012 and August 2012. The draft Performance Audit was discussed with the Additional Chief Secretary of the Department in August 2012. The reply furnished by the Government in respect of the Performance Audit and to some of the draft paragraphs relating to Commercial Taxes, State Excise, Taxes on Motor Vehicles, Stamps and Registration Fees have been suitably incorporated in the Report. In other cases the Government has not furnished any reply (February 2013).

1.6.5 Follow up on Audit Reports – summarised position

The Committee on Public Accounts stipulates submission of action taken notes (ATNs) by the concerned Department on paragraphs and reviews/Performance Audits included in the Audit Report indicating action taken or proposed to be taken, within three months from the date of presentation of the Audit Report to the legislature. The summarised position of follow-up on Audit Reports is as under:

Sl. No.	Audit Report ending on	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs discussed	No. of paragraphs where explanatory notes received	No. of paragraphs where explanatory notes not received
1	31 March 2000 ⁵	21.03.2002	36	20	17	19
2	31 March 2001	17.12.2003	35	8	09	26
3	31 March 2002	03.08.2004	27	7	11	16
4	31 March 2003	24.03.2005	42	9	25	17
5	31 March 2004	19.12.2005	31	4	22	09
6	31 March 2005	24.08.2006	29	1	24	05
7	31 March 2006	04.04.2007	27	4	17	10
8	31 March 2007	26.03.2008	36	7	14	22
9	31 March 2008	10.07.2009	42	8	25	17
10	31 March 2009	13.08.2010	41	2	14	27
11	31 March 2010	29.08.2011	26	5	03	23
12	31 March 2011	06.09.2012	32	Nil	00	32
Total			404	75	181	223

Our review of the outstanding 404 paragraphs included in 12 Reports of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2000 to 31 March 2011 disclosed that the Departments had submitted explanatory notes on 181 paragraphs only.

This indicates that the executive did not take prompt action on the important issues highlighted in the Audit Reports.

1.6.6 Compliance with the earlier Audit Reports

During the years 2006-07 to 2010-11, the Departments/Government accepted audit observations with a total revenue impact of ₹ 1,136.92 crore (out of total observations of ₹ 3,894.36 crore pointed out in the Audit Reports) of which

⁵ 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.

₹ 785.11 crore had been recovered as of 31 March 2012 as mentioned in the following table:

Year of Audit Report	Total money value	Accepted money value	Recovery made	
			during 2011-12 ⁶	Upto 2011-12
2006-07	591.10	201.08	4.88	312.33 ⁷
2007-08	842.65	153.76	35.33	189.79
2008-09	1,171.03	88.57	26.43	220.64
2009-10	237.97	48.74	23.03	36.99
2010-11	1,051.61	644.77	25.36	25.36
Total	3,894.36	1,136.92	115.03	785.11

1.7 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 **Excise and Prohibition Department** to deal with the cases detected in the course of local audit conducted during 2002-03 to 2011-12 and also the cases included in the Audit Reports for the years 2002-03 to 2011-12 was evaluated. The succeeding paragraphs 1.7.1 and 1.7.2 discuss the result of our analysis.

1.7.1 Position of Inspection Reports

The summarised position of inspection reports issued during 2002-03 to 2011-12 in respect of the **Excise and Prohibition Department**, paragraphs included in these reports and their status as on 31 March 2012 are tabulated in the following table:

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IR	Para-graphs	Money value	IR	Para-graphs	Money value	IR	Para-graphs	Money value	IR	Para-graphs	Money value
2002-03	187	1,112	71.73	12	67	21.20	-	-	-	199	1,179	92.93
2003-04	199	1,179	92.93	8	52	27.64	1	85	0.28	206	1,146	120.29
2004-05	206	1,146	120.29	26	209	59.57	-	53	0.31	232	1,302	179.55
2005-06	232	1,302	179.55	17	126	29.16	-	33	0.06	249	1,395	208.65
2006-07	249	1,395	208.65	12	82	21.82	-	9	-	261	1,468	230.47
2007-08	261	1,468	230.47	8	57	72.54	-	36	-	269	1,489	303.01
2008-09	269	1,489	303.01	18	110	82.40	101	510	21.90	186	1,089	363.51
2009-10	186	1,089	363.51	9	48	29.78	104	501	97.36	91	636	295.93
2010-11	91	636	295.93	16	92	211.74	28	203	93.07	79	525	414.60
2011-12	79	525	414.60	19	122	96.33	2	52	11.13	96	595	499.80
Total	1,959	11,347	2,280.67	145	965	652.18	236	1,482	224.11	1,868	10,830	2,708.74

During the period 2002-03 to 2011-12, we issued 145 IRs containing 965 paragraphs with financial implication of ₹ 652.18 crore. At the same time 236 IRs involving 1,482 paragraphs with monetary value of ₹ 224.11 crore

⁶ Figures are based on data/information furnished by the Commercial Taxes, Excise and Prohibition, Mines and Geology and the Transport Department.

⁷ Though the accepted money value was ₹ 201.08 crore, ₹ 153.76 crore and ₹ 88.57 crore, for the Audit Report 2006-07, 2007-08 and 2008-09 respectively, the Government reported recovery of ₹ 312.33 crore, ₹ 189.79 crore and ₹ 220.64 crore after reviewing and accepting cases pointed out in audit.

were settled by conducting audit committee meetings with the Department and through regular interactions with them.

1.7.2 Recovery of accepted cases

During the period 2002-03 to 2011-12, we included 44 paragraphs including one Performance Audit on "**Levy and Collection of State Excise Receipts**" having financial implication of ₹ 443.66 crore in the Audit Reports. The Department has so far accepted 17 paragraphs involving ₹ 26.23 crore⁸. However, during 2007-08 to 2011-12, the Department effected recovery of ₹ 1.42 crore against accepted cases of ₹ 16.00 crore which amounts to only nine *per cent* of the cases accepted during this period.

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

1.7.2.1 Action taken on the recommendations accepted by the Departments/Government

A Performance Audit on "**Levy and collection of State Excise Receipts**" pertaining to the Excise and Prohibition Department was featured in the Audit Report (Revenue Receipts) of the Comptroller and Auditor General of India for the year ended March 2008, wherein the recommendations made by us were that the Government should:

- formulate provision for levy and collection of import pass fee on import of rectified spirit;
- formulate provision for levy of interest on belated payment of dues in Bihar Excise Act;
- prescribe a time limit for instituting and finalising certificate cases; and
- revive Internal Audit and the Excise Intelligence Bureau to ensure timely detection and correction of errors in levy and collection of revenue.

The Government/Department was requested (August 2012) to intimate the system adopted to monitor the action to be taken/action taken on the recommendations included in the Performance Audit and assurances given by them in the exit conference held in September 2008. We have not received any reply in this connection from the Department (February 2013).

1.8 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

⁸ Includes accepted recoverable cases having financial implication of ₹ 1.05 crore for the period 2011-12.

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 2011-12, the audit universe comprised of 440 auditable units,⁹ of which 117 units were audited during the year. The details are mentioned in the following table:

Sl. No.	Principal Head	Total no. of units	Units audited during 2011-12
1	VAT/Taxes on Sales, Trade etc.	46	21
2	Taxes on Vehicles	27	17
3	Stamps and Registration Fees	41	13
4	State Excise	23	19
5	Land Revenue	270	30
6	Non-ferrous Mining and Metallurgical Industries	33	17
Total		440	117

Besides the compliance audits mentioned in the table above, a Performance Audit on “**Working of Mines and Geology Department in respect of Mining receipts**” was also taken up to examine the efficacy of the tax administration of these receipts.

1.9 Results of audit

1.9.1 Position of local audit conducted during the year

Our test check of the records of 117 units of Commercial Taxes, State Excise, Motor Vehicles, Land Revenue, Stamps and Registration Fees, Electricity Duty and Mines and Geology conducted during 2011-12, revealed underassessment/short levy/loss of revenue aggregating ₹ 1,117.79 crore in 31,791 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 306.28 crore involved in 19,193 cases of which 19,192 cases involving ₹ 306.12 crore was pointed out during 2011-12 and remaining one case in 2010-11.

1.9.2 This Report

This report (Chapters II to VII) contains 25 paragraphs including one Performance Audit on “**Working of Mines and Geology Department in respect of Mining receipts**” relating to short/non-levy of tax, duty and interest, penalty etc. involving financial implications of ₹ 484.72 crore, of which ₹ 404.09 crore is recoverable and the remaining amount of ₹ 80.63 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 ₹ 311.07 crore including avoidable notional loss of ₹ 80.63 crore in respect of State Excise and effected recovery of ₹ 1.49 crore. The replies in the remaining cases have not been received (February 2013).

⁹ Excluding the units of Forest and Environment and Water Resources Department.