

CHAPTER I : GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of West Bengal during the year 2011-12, the State's share of net proceeds of divisible Union taxes and duties assigned to the 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:

Table 1.1 – Trend of revenue receipts

(₹ in crore)						
Sl. No.	Receipts	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Revenue raised by the State Government					
	Tax revenue	13,126.33	14,419.15	16,899.98	21,128.74	24,938.16
	Non-tax revenue	1,473.09	4,966.39	2,438.11	2,380.49	1,340.25
	Total	14,599.42	19,385.54	19,338.09	23,509.23	26,278.41
2.	Receipts from the Government of India					
	State's share of net proceeds of divisible Union taxes	10,729.06	11,321.78	11,648.16	15,954.95	18,587.81
	Grants-in-aid	4,838.90	6,197.07	5,935.40	7,800.02	13,888.82
	Total	15,567.96	17,518.85	17,583.56	23,754.97	32,476.63
3.	Total receipts of the State Government (1 and 2)	30,167.38	36,904.39	36,921.65	47,264.20	58,755.04¹
4.	Percentage of 1 to 3	48	53	52	50	45

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 26,278.41 crore) was 45 *per cent* of the total revenue receipts against 50 *per cent* in the preceding year. The balance 55 *per cent* of receipts during 2011-12 was received from the Government of India as State's share of net proceeds of divisible Union taxes and grants-in-aid.

¹ For details, please see Statement No. 11 – Detailed statement of revenue by minor heads in the Finance Accounts of the Government of West Bengal for the year 2011-12. Figures under the heads 0020-Corporation tax, 0021 - Taxes on income other than corporation tax, 0032 - Taxes on wealth, 0037 – Customs duty, 0038 - Union excise duties and 0044 - Service tax mentioned in the Statement under caption "A - Tax revenue" have been excluded from the revenue raised by the State and included in the State's share of divisible union taxes.

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

Table 1.2 - Details of Tax revenue

(₹ 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.	Tax on Sales, trade etc.	8,060.46	8,955.09	10,509.64	13,275.77	15,888.41	(+) 19.68
2.	Stamp duty and registration fees	1,416.96	1,509.49	1,814.22	2,265.21	2,731.68	(+) 20.59
3.	State excise	935.46	1,082.94	1,443.81	1,783.34	2,117.04	(+) 18.71
4.	Land revenue	1,039.58	983.78	928.92	1,253.66	1,872.23	(+) 49.34
5.	Taxes on vehicles	532.07	608.01	774.34	936.01	1,007.23	(+) 7.61
6.	Other taxes and duties on Commodities and Services	341.18	367.15	393.11	441.18	477.39	(+) 8.21
7.	Other taxes on Income and Expenditure-Taxes on Profession, Trades, Callings and Employment	295.06	321.60	362.40	388.54	426.68	(+) 9.82
8.	Taxes and duties on electricity	506.69	587.52	664.57	769.09	408.19	(-) 46.93
9.	Other taxes	(-)1.13	3.57	8.97	15.94	9.31	(-) 41.59
	Total	13,126.33	14,419.15	16,899.98	21,128.74	24,938.16	(+) 18.03

The increase in tax revenue receipts in 2011-12 over the preceding year from Sales Tax (19.68 per cent), Stamp Duty and Registration Fees (20.59 per cent), State excise (18.71 per cent), Land Revenue (49.34 per cent), Taxes on vehicles (7.61 per cent), other Taxes and duties on Commodities and Services (8.21 per cent) and other Taxes on income and expenditure (9.82 per cent) was attributed by the departments mainly to higher receipts on collection under Central Sales Tax Act and Value Added Tax (VAT) Act; increase in receipts on sale of non-judicial stamps and collection of registration fees; higher receipts of excise duty from country spirits, malt liquors and foreign liquors; higher receipts from surcharge on land revenue under Rural Employment and Production Act, 1976 and Rural Employment and Education cess on Coal Mines, collection of royalties

from Mines and Minerals and Public Works cess; higher tax collection under State Motor Vehicles Act; higher collection under West Bengal Entertainment & Luxuries Tax Act 1972, collection of cess on sale of motor spirit, high speed diesel, L.P. gas used for commercial, industrial purposes and collection from holders of VCD/VCR sets and higher collection of taxes on Profession, Trades, Callings and Employment respectively.

The decrease in taxes and duties on electricity (46.93 *per cent*) was due to lower receipts of electricity duty in cash payable by West Bengal State Electricity Distribution Company Ltd, West Bengal State Electricity Board and Calcutta Electric Supply Corporation and waiving of electricity duty under West Bengal Incentive Scheme, 1993.

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

Table 1.3 - Details of Non-Tax revenue

(₹ 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	689.96	3,999.90	362.83	716.84	291.54	(-)59.33
2.	Police	63.02	66.88	68.67	103.62	152.79	(+)47.45
3.	Forestry and wildlife	49.84	45.33	64.17	75.49	92.47	(+)22.49
4.	Medical and public health	42.83	66.36	47.34	67.03	82.13	(+)22.53
5.	Dairy development	26.94	29.84	27.43	26.84	28.37	(+)5.70
6.	Roads and Bridges	13.66	18.58	25.90	22.52	23.34	(+)3.64
7.	Education, sports, art and culture	21.42	44.62	73.04	65.21	20.54	(-)68.50
8.	Housing	9.68	9.07	14.52	11.52	11.94	(+)3.65
9.	Food storage and warehousing	247.71	340.17	1,292.97	877.31	1.55 ²	(-)99.82
10.	Others	308.03	345.64	461.24	414.11	635.58	(+)53.48
	Total	1,473.09	4,966.39	2,438.11	2,380.49	1,340.25	(-)43.70

² During the period from 2007-08 to 2010-11, food subsidies received from the Central Government were included in the receipts from "Food storage and warehousing". In the Finance Account/ State Budget Document of 2011-12, the same was excluded from the non-tax revenue raised by the State and included under grants-in-aid at the instance of audit.

The decrease in non-tax revenues in 2011-12 over the preceding year under education, sports and culture (68.50 *per cent*) and interest receipts (59.33 *per cent*) was mainly due to decrease in receipts under tuition and other fees from elementary and secondary education, grants from the Government of India for post matric students in Hindi and recoveries/fines/forfeitures etc. from general education, technical education etc. and lower interest receipts from West Bengal State Electricity Distribution Company Limited respectively.

1.2 Response of the departments/Government towards audit

Audit observations raised during local inspection are replied by the concerned authorities after issue of inspection report(s). On non-receipt of satisfactory reply/non-settlement of the observations in the departmental Audit Committee meeting(s), the potential observations are converted into draft paragraph(s) and forwarded to the departments/government for reply/comments within six weeks. In case, the reply furnished by the Government is not satisfactory, the draft paragraphs are finally included in the Audit Report. The Secretary to the Government of the concerned department, after laying of the Audit Report in the legislature, forwards explanatory notes on the relevant paragraphs to the committee on public accounts (PAC) for vetting by the Accountant General (AG). After discussion, the PAC makes recommendations for compliance by the Government within six months for final settlement of the paragraphs.

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

The Accountant General (E&RSA) conducts periodic inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These 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 promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial replies to the AG within four weeks from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

Inspection Reports issued upto December 2011 disclosed that 2,780 paragraphs involving ₹ 832.52 crore relating to 673 IRs remained outstanding at the end of June 2012 as mentioned below alongwith the corresponding figures for the preceding two years:

Table 1.4 - Summary of outstanding IRs

	June 2010	June 2011	June 2012
Number of outstanding IRs	1,109	1,007	673
Number of outstanding audit observations	3,012	3,039	2,780
Amount involved (₹ in crore)	4,253.42	4,280.62	832.52

The department-wise details of the IRs and audit observations outstanding as on 30 June 2012 and the amounts involved are mentioned below:

Table 1.5 - Department wise details of outstanding IRs

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Finance	Sales Taxes/ VAT	152	893	304.98
		Electricity duty	29	43	22.61
		Amusement Tax	15	26	1.36
		Profession Tax	60	153	6.21
		Stamps duty and registration fees	143	316	70.78
2.	Excise	State excise	22	111	85.50
3.	Land and Land Reforms	Land Revenue	77	573	184.25
		Receipts from minor minerals	85	359	134.13
4.	Transport	Taxes on motor vehicles	89	305	22.63
5.	Directorate of State Lotteries	Departmental Receipts	01	01	0.07
Total			673	2,780	832.52

Even the first replies required to be received from the heads of offices within four weeks from the date of issue of the IRs were not received for 182 IRs issued upto December 2011. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

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

1.2.2 Departmental Audit Committee meetings

The Government sets up Audit Committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the Audit Committee meetings held during the year 2011-12 and the paragraphs settled are mentioned in the following table:

Table 1.6 - Details of Departmental Audit Committee meetings

Departments	Number of meetings held	Number of paragraphs		Money Value of paragraphs settled (₹ in lakh)
		Discussed	Settled	
Land and Land Reforms	3	76	33	351.78
Commercial Tax	1	120	08	16.35
TOTAL	4	196	41	368.13

Thus, out of six departmental³ Audit Committees, two committees held four meetings during 2011-12 and settled 41 paragraphs involving money value of ₹ 368.13 lakh. The other departments did not hold any Audit Committee meeting during 2011-12 despite being requested.

The Government may consider holding Audit Committee meetings of each department at least twice a year.

1.2.3 Response of the departments to the draft audit paragraphs

We issued 33 draft paragraphs (DP) and three Performance Audits (PA) to four departments proposed for inclusion in the Audit Report 2011-12. After regular persuasion through reminders, two departments furnished replies in respect of four DPs within stipulated period of six weeks and departments furnished replies in respect of 27 DPs and three PAs after the stipulated period. The departments did not furnish reply in respect of two DPs (December 2012).

The details of DPs issued and reply received are mentioned below:

Table 1.7 - Response of the departments to the DPs

Name of the Department	Head of Revenue	No. of DPs issued	Reply received within due date	Reply received after due date
Finance	Sales Tax/VAT	14+01(PA)	Nil	13+01(PA)
	Stamp Duty and Registration Fees	03	Nil	03
	Profession Tax	01	Nil	01
Excise	State Excise	01	01	Nil
Land and Land Reforms	Land Revenue including Mines and Minerals	08+02(PA)	03	04+02(PA)
Transport	Taxes on Motor Vehicles	06	Nil	06
Total		33+03(PA)	04	27+03(PA)

The Government should issue instructions to the concerned departments for furnishing reply to the DPs within the stipulated period of six weeks.

³ Commerce and Industries Department, Excise Department, Finance (Revenue) Department (comprising of Directorate of Commercial Taxes, Directorate of Registration and Stamp Revenue, Directorate of Electricity), Industrial Reconstruction Department, Land and Land Reforms Department and Transport Department.

1.2.4 Follow up on Audit Reports – summarised position

As per the Rules of Procedure of the Committee on Public Accounts of the West Bengal Legislative Assembly (Internal Working) framed in 1997, the concerned department shall send action taken notes (ATN) on the recommendations contained in the Report of the PAC within six months from the date of its presentation to the House. However, the departments failed to submit ATNs within the stipulated period of six months in respect of 34 paragraphs included in the Audit Reports upto the year ended March 2007 of which 20 belonged to the period prior to 2001-02.

The position of outstanding ATNs due from the departments in respect of Audit Reports of last 10 years is mentioned in the following table:

Table 1.8 - Position of outstanding ATNs

Year of Audit Report	No. of paragraphs /PA	No. of paragraphs /PA discussed	PAC Report	Date of presentation in the Assembly	No. of ATNs due
2001-02	53+02(PA)	03	37 th Report of 2010-11	25 March 2011	1
2001-02			20 th Report of 2008-09	17 March 2009	2
2003-04	34+02(PA)	01+01(PA)	2 nd Report of 2006-07	28 November 2006	8
2006-07	53+03(PA)	05+02(PA)	23 rd Report of 2008-09	24 March 2009	2
2006-07			35 th Report of 2010-11	25 March 2011	1

The Government should put in place a monitoring mechanism to watch and ensure timely action on the recommendations with a view to safeguard the interests of revenue of the State.

1.2.5 Compliance with the earlier Audit Reports

The Committee on Public Accounts discusses the Audit Reports (Receipt) and presents its own reports and recommendations for compliances by the Government. Normally 20 *per cent* of the total numbers of paragraphs of the Audit Report are selected every year for discussion. The remaining paragraphs are disposed of on the basis of replies of the Government.

As of 31 March 2012, the Government had not furnished explanatory notes in respect of 10 selected paragraph including one sub-paragraph and 1,019 unselected paragraphs including 510 sub-paragraphs of Audit Reports from 1981-82 to 2009-10. The lack of response from the Government would adversely affect the revenue realisation.

1.2.5.1 Recovery of accepted cases of earlier Audit Reports

During the years 2006-07 to 2010-11, the Departments/Government accepted audit observations involving ₹ 1,967.00 crore of which an amount of ₹ 18.79 crore was recovered till March 2012 as mentioned in the following table:

Table 1.9 - Recovery of accepted cases of earlier Audit Reports

(₹ in crore)			
Year of Audit Report	Total money value of the Audit Report	Total money value of the accepted cases	Amount recovered
2006-07	2,483.81	1,008.60	1.01
2007-08	616.07	193.74	0.49
2008-09	784.58	495.00	14.83
2009-10	236.97	88.24	0.85
2010-11	558.70	181.42	1.61
Total	4,680.13	1,967.00	18.79

Thus, recovery in respect of accepted cases was very low (0.96 per cent) compared to the accepted money value.

The Government may take action to install a mechanism to pursue and monitor prompt recovery in accepted cases.

1.3 Analysis of the mechanism for dealing with the issues raised by Audit

Transport Department

The succeeding paragraphs 1.3.1 to 1.3.2 discuss the action taken by the **Transport Department** to deal with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2002-03 to 2011-12.

1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2012 are tabulated below:

Table 1.10 - Position of Inspection Reports

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2002-03	355	956	38.63	18	153	3.84	1	5	3.86	372	1104	38.61
2003-04	372	1104	38.61	16	90	3.81	8	74	0.25	380	1120	42.17
2004-05	380	1120	42.17	22	133	7.39	3	124	0.92	399	1129	48.64
2005-06	399	1129	48.64	9	69	2.58	0	7	0.02	408	1191	51.20
2006-07	408	1191	51.20	17	64	3.02	2	3	0.01	423	1252	54.21
2007-08	423	1252	54.21	6	37	4.88	2	9	0.11	427	1280	58.98
2008-09	427	1280	58.98	8	38	14.68	0	12	0.90	435	1306	72.76
2009-10	435	1306	72.76	8	49	5.41	332	1015	59.83	111	340	18.34
2010-11	111	340	18.34	7	53	5.31	10	53	4.35	108	340	19.30
2011-12	108	340	19.30	18	307	156.76	21	154	85.79	105	493	90.27

The department settled lesser number of paragraphs as compared to additions during the last 10 years except in the years 2009-10 and 2010-11.

It would be seen from the above table that the pace of clearance was very slow except 2009-10. Since with the passage of time the chances of recovery of the receipts become remote, the department may settle the audit observations promptly.

The department did not hold any Audit Committee meetings during the year 2011-12 to settle outstanding IRs/paras despite being requested.

1.3.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the department and the amount recovered are mentioned below:

Table 1.11 - Recovery of accepted cases

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Position of recovery of cases as on 31.03.2012
2002-03	6	1.92	5 ⁴	1.30	Nil
2003-04	5	5.56	2	1.35	Nil
2004-05	6	3.40	6	3.03	0.03
2005-06	5	0.81	1	0.14	Nil
2006-07	6	132.90	5	68.36	Nil
2007-08	4	4.66	4	1.09	Nil
2008-09	5	10.69	5	1.17	Nil
2009-10	42	14.41	9	4.76	Nil
2010-11	4	73.97	4	9.05	0.07
2011-12	6	4.28	5	2.15	0.02
Total	89	252.60	42	92.40	0.12

The department accepted 42 paragraphs involving ₹ 92.40 crore during the last 10 years but realised ₹ 12 lakh (0.13 per cent) till 31 March 2012 which is very low. This indicates that the recovery mechanism of the department needs improvement.

1.4 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

⁴ One fully accepted and four partly accepted.

revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during last five years etc.

During the year 2011-12, the audit universe consisted of 210 auditable units out of 515 units. 172 units were audited against the 168 planned units. The details are shown in the **Annexure-I** of the report.

Besides Compliance Audit mentioned above, three Performance Audits on “e-Services in the Directorate of Commercial Taxes” (an IT audit), “Management of Government Land” and “Receipts from Major Minerals” were also taken up to examine the efficacy of the tax administration of these receipts.

1.5 Results of Audit

1.5.1 Position of local audit conducted during the year

Test check of records of 168 units of commercial tax, state excise, land and land reforms, transport, stamp duty and registration fees and other departmental offices conducted during the year 2011-12 revealed underassessments/short levy/loss of revenue aggregating to ₹ 1,037.55 crore in 1,409 cases. During the year, the departments concerned accepted underassessments and other deficiencies in 716 cases involving ₹ 187.02 crore of which 493 cases involving ₹ 147.95 crore were pointed out during 2011-12 and the rest in the earlier years. The departments collected ₹ 83.15 lakh in 48 cases during 2011-12.

1.5.2 This Report

This report contains 28 paragraphs and three Performance Audits on “e-Services in the Directorate of Commercial Taxes”, “Management of Government Land” and “Receipts from Major Minerals” involving financial effect of ₹ 530.97 crore. The departments/Government has accepted audit observations involving ₹ 286.12 crore of which ₹ 1.48 crore has been recovered. Replies in the remaining cases have not been received (December 2012). These are discussed in succeeding chapters II to VII.