

CHAPTER-I

GENERAL

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1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Andhra Pradesh during 2012-13, the State's share of divisible Union taxes and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are shown in Table 1.1:

Table 1.1 - Trend of revenue receipts

(₹ in crore)						
Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
I	Revenue raised by the State Government					
	• Tax revenue	33,358.29	35,176.68	45,139.55	53,283.41	59,875.05 ¹
	• Non-tax revenue	9,683.40	7,802.26	10,719.72	11,694.34	15,999.14
	Total	43,041.69	42,978.94	55,859.27	64,977.75	75,874.19
II	Receipts from the Government of India					
	• State's share of divisible Union taxes	11,801.50	12,141.71	15,236.75	17,751.15	20,270.77
	• Grants-in-aid	8,015.26	9,557.70	9,900.28	10,824.79	7,685.32
	Total	19,816.76	21,699.41	25,137.03	28,575.94	27,956.09
III	Total receipts of the State (I + II)	62,858.45	64,678.35	80,996.30	93,553.69	1,03,830.28
IV	Percentage of I to III	68	66	69	69	73

During the year 2012-13, revenue raised by State Government from its own tax and non-tax resources constituted 73 *per cent* of the total revenue receipts of the Government. The balance 27 *per cent* of the receipts during 2012-13 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 Andhra Pradesh for the year 2012-13. 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, 0037-Customs, 0038-Union excise duties, 0044-Service tax and 0045-Other taxes and duties on commodities and services - share of net proceeds assigned to states booked in the Finance Accounts under A-Tax revenue' have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this table.

1.1.2 Table 1.2 presents the details of tax revenue raised during the period from 2008-09 to 2012-13.

Table 1.2 - Details of Tax revenue

(₹ in crore)

Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13 ²	Percentage of increase (+)/decrease (-) in 2012-13 over 2011-12
1.	Value Added Tax (VAT)	20,596.47	22,278.14	27,443.24	33,251.87	38,783.14	(+) 16.63
	Central Sales Tax	1,255.19	1,362.07	1,701.61	1,658.14	1,931.53	(+) 16.49
2.	State Excise	5,752.61	5,848.59	8,264.67	9,612.36	9,129.41	(-) 5.02
3.	Stamp duty and registration fee	2,930.99	2,638.63	3,833.57	4,385.25	5,115.24	(+) 16.65
4.	Taxes and duties on electricity	218.54	159.25	285.88	304.95	308.96	(+) 1.31
5.	Taxes on vehicles	1,800.62	1,995.30	2,626.75	2,986.41	3,356.60	(+) 12.40
6.	Taxes on goods and passengers	15.88	10.28	9.48	12.06	11.73	(-) 2.74
7.	Other taxes on income and expenditure, tax on professions, trades, callings and employments	374.46	430.36	490.33	539.90	580.00	(+) 7.43
8.	Other taxes and duties on commodities and services	203.13	170.01	206.28	234.46	325.13	(+) 38.67
9.	Land revenue	130.35	221.56	170.74	140.56	61.78	(-) 56.05
10.	Taxes on immovable property other than agricultural land	80.05	62.49	107.00	157.45	271.53	(+) 72.45
Total		33,358.29	35,176.68	45,139.55	53,283.41	59,875.05	(+) 12.37

Compared to 2011-12, tax revenues have increased by 12.37 per cent in 2012-13.

² Source : Statement 11 of Finance Accounts 2012-13

1.1.3 Table 1.3 presents the details of non-tax revenue raised during the period from 2008-09 to 2012-13:

Table 1.3 - Details of Non-Tax revenue

(₹ in crore)

Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13 ³	Percentage of increase (+)/decrease (-) in 2012-13 over 2011-12
1.	Interest receipts	3,487.40	4,851.52	5,774.29	6,278.82	9,625.54	(+) 53.30
2.	Other non-tax receipts	1,187.74	1126.82	1,497.02	2,044.67	2,335.85	(+) 14.24
3.	Forestry and wild life	93.22	103.11	139.06	149.22	168.78	(+) 13.11
4.	Non-ferrous mining and metallurgical industries (mines and minerals)	1,684.98	1,887.26	2,064.86	2,336.74	2,771.04	(+) 18.59
5.	Miscellaneous general services	2,944.06	(-) 617.71	806.97	255.17	159.79	(-) 37.38
6.	Power	15.77	26.12	27.61	38.43	28.12	(-) 26.83
7.	Major and medium irrigation	38.33	81.88	65.32	72.28	193.25	(+) 167.36
8.	Medical and public health ⁴	48.43	70.58	67.50	109.30	284.84	(+) 160.60
9.	Co-operation	20.09	37.51	29.21	18.29	26.29	(+) 43.74
10.	Public works	7.65	7.52	9.60	7.45	6.47	(-) 13.15
11.	Police	105.36	130.09	170.99	246.01	261.91	(+) 6.46
12.	Other administrative services	50.37	97.56	67.30	137.96	137.26	(-) 0.51
	Total	9,683.40	7,802.26	10,719.72	11,694.34	15,999.14	(+) 36.81

³ Source : *Statement 11 of Finance Accounts 2012-13.*

⁴ Reasons for increase in revenue in 2012-13 is attributed to increase in collections under the minor head 'other receipts.'

1.2 Response of the Departments/Government towards audit

Accountant General (AG) conducts test check of the transactions of Government Departments and communicates audit observations through Inspection Reports (IRs). Heads of offices report compliance to these observations in IRs within one month from the date of issue of IRs.

Paragraphs remaining unsettled are expedited by the audit committees set up for the purpose. Serious audit observations converted to draft paragraphs proposed for inclusion in Audit Report are communicated to the Department/Government. Government is required to furnish the replies to such draft paragraphs within six weeks of their issue. Departmental explanatory notes to the paragraphs included in Audit Reports are required to be submitted within three months of an Audit Report being presented to the State Legislature.

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

Accountant General (Economic and Revenue Sector Audit) conducts periodical inspection of 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 IRs, incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the offices inspected with a copy to the next higher authorities for taking prompt corrective action. Heads of offices/Government are required to promptly comply with observations contained in the IRs, rectify the defects/omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to Heads of Departments and Government.

Details regarding IRs issued upto 31 December 2012 revealed that 32,118 paragraphs involving ₹ 12,909.94 crore relating to 10,925 IRs remained outstanding at the end of 30 June 2013 as mentioned below, alongwith corresponding figures for the preceding two years:

Table 1.4 - Summary of outstanding audit observations

	June 2011	June 2012	June 2013
Number of outstanding IRs	11,417	11,444	10,925
Number of outstanding audit observations	32,322	34,117	32,118
Amount involved (₹ in crore)	12,175.14	12,873.06	12,909.94

Department-wise details of the IRs and audit observations outstanding as on 30 June 2013 and amounts involved are mentioned below:

Table 1.5 - Department wise details of outstanding audit observations
(₹ in crore)

Sl. No.	Department	Nature of receipt	No. of outstanding IRs	No. of outstanding audit observations	Money value involved
1.	Commercial Taxes	VAT/ST/LT/ET	3,990	14,165	3,553.37
2.	Land Revenue	Water Tax, Conversion Tax	3,026	6,324	2,359.03
3.	Registration and Stamps	Stamp duty & Registration fees	2,279	6,036	779.64
4.	Prohibition and Excise	State Excise Duty	742	1,899	196.25
5.	Transport	Taxes on vehicles	468	2,475	2,640.83
6.	Mines and Minerals	Mineral Receipts	310	1,056	1,790.93
7.	Sugar and Cane	Purchase tax	87	136	249.55
8.	Energy	Electricity duty	16	20	809.45
9.	Municipal Administration and Urban Development	Royalty on water	2	2	83.19
10.	Finance and Planning	Interest	1	1	117.65
11.	Irrigation and Command Area Development	Road cess	4	4	330.05
Total			10,925	32,118	12,909.94

Even 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 30 IRs issued upto December 31, 2012. This pendency of the IRs due to non-receipt of the replies is indicative of the fact that heads of offices and heads of Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by AG in IRs.

It is recommended that Government may introduce a system for sending prompt and appropriate response to audit observations as well as for taking action against those failing to send replies to IRs/paragraphs as per prescribed time schedules.

1.2.2 Departmental audit committee meetings

Government set up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. During the year 2012-13 twelve Audit Committee Meetings of Land Revenue department were held. During these meetings 304 paras were settled involving an amount of ₹ 0.90 crore.

As pendency of IRs and paragraphs has increased, it is recommended that the Government may urge all the Departments to conduct more audit committee meetings to expedite clearance of outstanding objections.

1.2.3 Non-production of records to Audit for scrutiny

Programme of local audit is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit to the Departmental offices to enable them to keep the relevant records ready for audit scrutiny.

During 2012-13, audit of 231 offices was conducted. Out of these, in 36 offices, certain important records like Sales Tax assessment files, DCB registers, Receipt books, Daily collection registers etc., were not produced to audit though the audit programme was intimated well in advance.

It is recommended that Government may issue suitable instructions to Heads of Departments concerned for timely production of all relevant records for audit scrutiny.

1.2.4 Response of the Departments to draft audit paragraphs

Draft paragraphs/performance audits proposed for inclusion in the Audit Report are forwarded by AG to Principal Secretaries of Departments concerned through demi-official letters. According to instructions issued (September 1995) by Government, all Departments are required to furnish their remarks on draft paragraphs/reviews within six weeks of their receipt. The fact of non-receipt of replies from Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Twenty six paragraphs and one Performance Audit report are proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2013. These were forwarded to Principal Secretaries concerned at Government level and copies endorsed to the Heads of Departments concerned between March and December 2013. Of these, reply to only one draft paragraph and partial reply to another paragraph have been received from the Government.⁵

1.2.5 Follow up on Audit Reports – Summary

As per instructions issued by Finance and Planning Department in November 1993, Departments of Government are required to prepare and send to Andhra Pradesh Legislative Assembly Secretariat, detailed explanations (Departmental notes) on audit paragraphs within three months of an Audit Report being laid on the table of the Legislature.

A review of the position in this regard revealed that as of March 2014, 13 Departments had not furnished the Departmental notes in respect of 220 paragraphs included in Audit Reports for the years 2000-01 to 2011-12 due between June 2002 and October 2013. Delays ranged from five months to over 11 years as mentioned in the following table:

⁵ Responses received from the Department on preliminary audit findings have been duly considered.

Table 1.6 - Status of Departmental notes due

Sl. No.	Department	Year of the Audit Report	Dates of presentation to the Legislature	Last date by which Departmental notes were due	No. of paragraphs for which the Departmental notes were due	Delay in months
1.	Commercial Taxes	2007-08 to 2011-12	September 2009 to June 2013	November 2009 to October 2013	86	5 to 52
2.	State Excise	2008-09 to 2011-12	July 2010 to June 2013	October 2010 to October 2013	8	5 to 51
3.	Transport	2010-11 & 2011-12	March 2012 & June 2013	June 2012 & October 2013	13	5 to 21
4.	Registration and Stamps	2009-10 to 2011-12	March 2011 to June 2013	June 2011 to October 2013	25	5 to 33
5.	Co-operation	2000-01 & 2008-09	March 2002 & July 2010	June 2002 & October 2010	4	41 to 141
6.	Irrigation	2000-01 & 2006-07	March 2002 & March 2008	June 2002 & June 2008	4	69 and 141
7.	Land Revenue	2001-02 to 2011-12	March 2003 to June 2013	June 2003 to October 2013	67	5 to 129
8.	Industries & Commerce	2004-05, 2005-06 & 2010-11	March 2006, March 2007 & March 2012	June 2006, June 2007 & June 2012	6	93, 81 & 21
9.	Energy	2010-11	March 2012	June 2012	1	21
10.	Municipal Administration and Urban Development	2002-03 & 2003-04	July 2004 & October 2005	October 2004 & January 2006	3	98 and 113
11.	Forests	2007-08	September 2009	November 2009	1	52
12.	General Administration	2005-06	March 2007	June 2007	1	81
13.	Finance	2001-02	March 2003	June 2003	1	129
	Total	2000-01 to 2011-12	Between March 2002 and June 2013	Between June 2002 and October 2013	220	5 to 141

This indicates that executive failed to take prompt action on the important issues highlighted in Audit Reports that involved large sums of unrealised revenue.

1.2.6 Compliance with earlier Audit Reports

During the years 2007-08 to 2011-12, Departments/Government accepted audit observations involving ₹ 2,198.55 crore, out of which ₹ 14.85 crore were recovered till September 2013 as mentioned in the following table:

Table 1.7 - Recovery of accepted audit observations

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2007-08	443.46	177.31	4.56
2008-09	628.76	342.25	3.95
2009-10	1,168.41	1,046.51	4.36
2010-11	772.43	548.39	1.12
2011-12	244.70	84.09	0.86
Total	3,257.76	2,198.55	14.85

The percentage of recovery was only 0.67 per cent of the accepted money value.

It is recommended that the Government may advise the Departments concerned to take necessary steps for speedy recovery, especially in cases where Departments have accepted audit contention.

1.3 Analysis of arrears of revenue

As per the information furnished by the Departments, arrears of revenue as on 31 March 2013 in respect of some principal heads of revenue amounted to ₹ 12,833.53 crore of which ₹ 7,572.11 crore were outstanding for more than five years as detailed in the following table:

Table 1.8 - Reported arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than five years as on 31 March 2013	Remarks
1	State Excise Duties	5,923.18	5,441.42	More than 90 <i>per cent</i> of the amount was outstanding for more than five years.
2	Land revenue	420.77	315.73	75 <i>per cent</i> amount was outstanding for more than five years.
3	Taxes on vehicles	3,685.20	1,660.99	₹ 3682.47 crore are due from APSRTC and ₹ 2.73 crore are due from other individual cases.
4	Taxes and duties on electricity	2,680.77	153.97	Accumulation of arrears was very high during the last five years.
5	Mines and minerals	123.61	NA	Amount outstanding for more than five years not furnished by the Department.
Total		12,833.53	7,572.11	

1.4 Non-reconciliation of remittance figures with those of treasury

As per para 19.6 of AP Budget Manual read with Government instructions issued from time to time, Departmental Receipt and Expenditure figures should be reconciled every month with those booked by the treasury in order to detect, in time, misclassification or other accounting errors, fraudulent drawals and spurious challans etc., if any.

During scrutiny of records pertaining to conversion of agricultural land into non-agricultural purposes of 16 Revenue Divisional Offices (RDOs)⁶, audit noticed that conversion tax of ₹ 234.04 crore was collected by RDOs between 2006-07 and 2011-12 but no reconciliation was conducted by these offices from 2006 till date except by RDO, Chevella, where reconciliation was due from 2009 onwards.

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

Succeeding paragraphs 1.5.1 and 1.5.2 discuss the performance of Transport Department in dealing with cases detected during course of local audit conducted during the last six years and also the cases included in Audit Reports for the years 2007-08 to 2011-12.

1.5.1 Position of Inspection Reports

Summarised position of Inspection Reports (IR) issued during the last six years, paragraphs included in these reports and their status as on 31 March 2013 are shown in the following table indicating sub-optimal performance in clearance of IR paragraphs:

Table 1.9–Position of IRs of Transport Department

(₹ in crore)

Year	Opening balance			Addition 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
2007-08	306	1247	2126.26	44	230	74.16	67	276	7.28	283	1201	2193.14
2008-09	283	1201	2193.14	44	242	80.81	12	38	0.68	315	1405	2273.27
2009-10	315	1405	2273.27	43	277	69.18	0	29	6.16	358	1653	2336.29
2010-11	358	1653	2336.29	44	259	115.09	1	98	18.19	401	1814	2433.19
2011-12	401	1814	2433.19	44	230	74.96	0	5	0.01	445	2039	2508.14
2012-13	445	2039	2508.14	34	197	147.92	10	185	24.81	469	2051	2631.25

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

1.5.2.1 Recovery of accepted cases

Position of paragraphs included in Audit Reports of last five years, those accepted by Department and amount recovered are mentioned in the following table.

⁶ Bhongir, Chevella, Guntur, Kadapa, Kakinada, Kurnool, Mahabubnagar, Medak, Nellore, Ongole, Rajahmundry, Ranga Reddy (East), Sangareddy, Vijayawada, Visakhapatnam and Warangal.

Table 1.10–Recovery of accepted cases of Transport Department

(₹ in crore)

Year of AR	Number of paragraphs/reviews included	Money value of the paragraphs	Number of cases involved	Number of cases accepted	Money value of accepted cases	Cumulative position of recovery of accepted cases
2007-08	6	63.18	194	126	13.92	3.46
2008-09	11	68.93	143	68	14.62	1.80
2009-10	6	39.79	102	49	2.31	2.34
2010-11	6	72.24	132	73	8.34	0.66
2011-12	6	32.19	223	110	16.02	0.22
Total	35	276.33	794	426	55.21	8.48

Against the money value of ₹ 55.21 crore involved in the accepted cases, only ₹ 8.48 crore was collected. There is no mechanism in Transport Department to prioritise and monitor the recovery of amounts relating to accepted cases.

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

Report on Performance Audit conducted by AG during April-November 2009 was forwarded to Departments concerned/Government for their information with a request to furnish their replies. This was also discussed in exit-conference (November 2009) and Department's/Government's views were included, while finalising the review for the Audit Report 2008-09.

Out of the five recommendations made by Audit in the Performance Audit Report on Transport Department, two were accepted by the Department/Government. Status of action taken by the Department/ Government was as follows:

Year of AR	Name of the Review	Number of recommendations	Details of recommendations accepted	Status
2008-09	Citizen Friendly Services in Transport Department (CFST)	5	2 1) Ensure that the validation controls are built into the system to avoid entry of unauthorised and inconsistent data 2) Undertake the training of staff on priority basis. This will also reduce dependency on the outsourcing agency and it will be in the interest of data integrity	Government in their explanatory notes have stated that 1) the inconsistencies/improbabilities noticed by audit were tested and proper validations were put in place in all the offices in State. 2) efforts were being made to develop the technical expertise in the department by identifying the technical personnel within the department and by giving suitable training. This para is however yet to be discussed by the Committee on Public Accounts.

1.6 Analysis of 'Action Taken On Accepted Audit Findings in Audit Reports'

Every year Audit Reports in respect of Revenue Sector feature a paragraph detailing statistical information relating to compliance and amounts accepted by the departments concerned on the draft paragraphs and reviews printed in the earlier Audit Reports. Government/ Departments after acceptance of draft paragraphs/reviews issue show cause notices (SCNs), revise assessments and intimate the action taken by way of correspondence or during Exit Conferences.

An analysis of action taken on accepted cases with high money value was conducted under each revenue head i.e., VAT/Sales Tax, State Excise Duties, Stamp duty and Registration fees, Land Revenue, Taxes on Vehicles, Interest Receipts, Mines and Minerals etc. Accepted audit findings that featured in the Audit Reports (Revenue Receipts/Revenue Sector) in the preceding five years i.e., 2007-08 to 2011-12 were considered. Of the 1,046 accepted cases, a sample of 301 cases, each with a tax effect of ₹ five lakhs and above, covering 176 offices were selected for detailed scrutiny. Total amount involved in these cases was ₹ 1,715.97 crore. Latest status of action taken on the selected cases was obtained during the audit of unit offices/departments from February to April 2013. Accepted cases relating to six out of the 11 Performance Audits that appeared in the Audit Reports 2007-08 to 2011-12 were also selected for this analysis.

With respect to the selected cases, the following aspects were examined:

- Whether action on audit observation was completed and recovery made; where recovery had been made the following aspects were checked such as:
 - Whether amount had been fully or partly recovered after revision;
 - Whether revised demand had been dropped/resulted in refund;
 - Any rectificatory action had been taken to set right irregularities (procedural lapses) noticed by audit.
- Where any action had been initiated but not completed, following aspects were checked
 - Whether show cause notices (SCN) issued / demands were taken to Demand, Collection and Balance (DCB) Registers;
 - Whether amount had been partly recovered;
 - Whether assessments were revised but no further action had been taken;
 - Whether cases were under revision;
- Whether matter had been referred to higher authorities/authorities concerned

- Whether action was initiated under Revenue Recovery (RR) Act 1864.
- Whether the audit observation was initially accepted but later contested;
- Whether the matter was *sub judice*;
- Cases where there have been no progress;
- Information was not furnished/action not taken

Analysis of action taken by Departments on these accepted cases has been indicated in Annexure-I.

1.6.1 Results of analysis

1.6.1.1 Cases where action was completed

It is noticed from analysis that action had been completed only in 42 cases (out of 301 cases selected for analysis) involving ₹ 92.81 crore. The departmental authorities replied that assessments were revised as per audit observations and recoveries made. Details of action taken in these 42 cases are given below.

In Commercial Taxes Department, Registration and Stamps Department and Mines and Geology Department recoveries amounting to ₹ 1.23 crore were fully made in ten cases. In Commercial Tax Department, 31 cases were revised resulting in recoveries amounting to ₹ 1.95 crore made and refunds amounting to ₹ 1.83 crore against ₹ 91.42 crore pointed out by audit. In one case (₹ 16 lakhs) relating to Land Revenue Department, incorrect carry forward of closing balance was rectified.

1.6.1.2 Cases where action was initiated but not completed

In 152 out of 301 cases involving ₹ 336.62 crore selected for analysis, department had initiated action but the action had not been completed. Department-wise details are as follows.

It was seen from analysis that action had been taken with respect to only 20 *per cent* of the amount involved (₹ 336.62 crore out of ₹ 1,715.97 crore) in accepted audit observations. Of this, 90 *per cent* of the amount (₹ 303.14 crore out of ₹ 336.62 crore) involved in these cases had been referred to higher authorities for taking necessary action by Registration and Stamps, Industries and Commerce Departments etc. Although partial recovery of ₹ 5.97 crore had been made in 57 *per cent* of cases (87 out of 152), this amount constituted only 1.77 *per cent* of the amount involved (₹ 5.97 crore out of ₹ 336.62 crore).

1.6.1.3 Cases initially accepted but later contested

Although departments initially accepted the audit observations worth ₹ 988.71 crore (57.6 *per cent*) in 17 cases, they later contested the findings on various grounds. Analysis of significant cases that were initially accepted but later contested is given below:

- Finance and Planning Department contested four audit observations with money value of ₹ 976.82 crore that featured in Audit Report 2009-10 (Performance Audit on Interest Receipts) pertaining to review on interest receipts on loans sanctioned by Government. Government replied (July 2013) that the payment of interest was not being insisted upon as the loans had been given to Public Sector Undertakings for implementing various welfare programmes. Insisting on interest payments would inflate budgetary figures of the government and the capital cost of the programmes.
- In remaining 13 cases Government / Departments initially accepted the audit findings at the time of communication of draft paragraphs but were contested later by unit offices.

Before communicating acceptance to audit paragraphs/performance audits, Government/Departments should have given due consideration and coordinated with each other to work out means of realising.

1.6.1.4 Cases which have become *sub judice*

Though Government/departments accepted audit observations in 30 cases with a revenue impact of ₹ 76.96 crore (4.48 *per cent*), they have become *sub judice* as the dealers/ parties preferred appeal. Registration and Stamps Department accounts for 59 *per cent* (₹ 45.31 crore) of money value of such cases, followed by the Commercial Taxes Department accounting for 38 *per cent* (₹ 29.42 crore).

1.6.1.5 Miscellaneous cases

Transport, Roads and Buildings Department had initially accepted an audit observation on “Non-levy of penalty on belated payments” in 28 cases with revenue impact of ₹ 9.26 crore, but Government issued order⁷ in July 2009 with retrospective effect from July 2003 rendering audit objection irrelevant. Out of the two cases relating to Commercial Taxes Department involving ₹ 23 lakh, in one case department, instead of taking any action on the accepted audit observation, replied that assessee had closed business. In the other case, no reply was furnished. In one case involving ₹ 57 lakh relating to Registration and Stamps Department and in another case involving ₹ 56 lakh relating to Tribal Welfare Department, disciplinary actions were initiated against employees, but revenue was not recovered/remitted.

1.6.1.6 Action not taken

In three cases (₹ 1.39 crore) relating to Transport Roads and Buildings Department, one case (₹ five lakh) of Registration and Stamps Department, two cases (₹ 14 lakh) pertaining to State Excise Department and in other 18 cases (₹ 183.30 crore), no action was taken.

⁷ G.O.Ms.No.165 Transport Roads & Buildings (TRI) dated 21 July 2009

1.6.1.7 Information not furnished to audit

In two cases (₹ 30 lakh), one each relating to Commercial Taxes Department and Transport Roads and Buildings Department, no information on action taken was furnished by the departments during the course of this analysis.

It is recommended that Government may advise Departments to take prompt action and ensure immediate recovery of the accepted amounts pointed out by audit.

1.7 Audit planning

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* includes examination of critical issues in Government revenues and tax administration highlighted through the Finance Minister's 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 impact thereof during the past five years etc.

Besides the compliance audit of individual unit offices under various Departments, a Performance Audit on 'Functioning of Registration and Stamps Department including Information Technology (IT) audit of Computerised Administration in Registration Department (CARD)' was also conducted to verify adequacy, efficiency and effectiveness of procedures relating to collection of stamp duty and internal control mechanism in the Department.

1.8 Results of audit

1.8.1 Position of compliance audits conducted during the year

Test check of records of 231 units of commercial tax, stamp duty and registration fees, state excise, motor vehicles, land revenue and other Departmental offices conducted during the year 2012-13 revealed preliminary audit findings involving under assessments/short levy/loss of revenue aggregating to ₹ 1,726.23 crore in 939 cases. During the course of the year, the departments concerned accepted under-assessments and other deficiencies of ₹ 177.37 crore involved in 1,752 cases of which 77 cases involving ₹ 94.88 crore were pointed out in audit during 2012-13 and the rest in earlier years. The Departments collected ₹ 3.36 crore in 141 cases during 2012-13.

1.8.1.1 Amendment made subsequent to audit observation

During the course of compliance audit of Prohibition and Excise Department, Audit pointed out the deficiency in the newly introduced A.P Excise (Grant of license of selling by Shop and conditions of license) Rules, 2012, in which the provision for fixing responsibility on the successful applicants of license for

liquor shop for loss occurred due to default on their part as contained in Rule 20 of A.P Excise (Grant of license of selling by Shop and conditions of license) Rules, 2005 was not incorporated. After being pointed out (November 2012) Government has amended the rule through Government Order⁸ dated 22 June 2013.

1.8.2 This Report

This report contains 26 paragraphs involving ₹ 1,351.74 crore (selected from the preliminary audit observations made during local audits referred to above and during earlier years which could not be included in earlier reports) and a performance audit on functioning of Registration and Stamps Department with monetary impact of ₹ 150.86 crore. Out of the total financial effect of ₹ 1502.60 crore, the Departments/Government have accepted audit observations involving ₹ 94.15 crore. Of these accepted cases, only ₹ 0.90 crore is reported to have been recovered. The replies in the remaining cases have not been received (March 2014). These are discussed in the succeeding Chapters II to VIII.

⁸ G.O.Ms.No. 357 Revenue(Excise II) Department dated 22 June 2013.