

CHAPTER I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Haryana during the year 2012-13, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India (GOI) during the year and the preceding four years are mentioned in **Table 1.1**.

Table 1.1
Trend of revenue receipts

(₹ in crore)

Sr. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Revenue raised by the State Government					
	• Tax revenue	11,655.28	13,219.50	16,790.37	20,399.46	23,559.00
	• Non-tax revenue	3,238.45	2,741.40	3,420.94	4,721.65	4,673.15
	Total	14,893.73	15,960.90	20,211.31	25,121.11	28,232.15
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties ¹	1,724.62	1,774.47	2,301.75	2,681.55	3,062.13
	• Grants-in-aid	1,833.96	3,257.29	3,050.62	2,754.93	2,339.25
	Total	3,558.58	5,031.76	5,352.37	5,436.48	5,401.38
3.	Total revenue receipts of the State Government (1 and 2)	18,452.31	20,992.66	25,563.68	30,557.59	33,633.53
4.	Percentage of 1 to 3	81	76	79	82	84

The above table indicates that during the year 2012-13, the revenue raised by the State Government (₹ 28,232.15 crore) was 84 *per cent* of the total revenue receipts. The balance 16 *per cent* of receipts during the year 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 the Government of Haryana for the year 2012-13. Figures under the head 0021 - Taxes on income other than corporation tax - 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 statement.

1.1.2 The details of tax revenue raised during the period 2008-09 to 2012-13 are given in **Table 1.2**.

Table 1.2
Details of Tax Revenue raised

(₹ in crore)

Sr. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase(+)/decrease(-) in 2012-13 over 2011-12
1.	Taxes on sales, trade etc./value added tax (VAT)	8,154.73	9,032.37	11,082.01	13,383.69	15,376.58	(+) 14.89
2.	State excise	1,418.53	2,059.02	2,365.81	2,831.89	3,236.48	(+) 14.29
3.	Stamps and registration fees						
	Stamps – judicial	1,030.90	945.91	848.09	99.76	169.19	(+) 69.60
	Stamps – non-judicial	267.27	341.86	1,450.33	2,646.35	3,043.15	(+) 14.99
	Registration fees	28.22	5.79	20.86	46.89	113.91	(+) 142.93
4.	Taxes on goods and passengers	370.29	391.45	387.14	429.32	470.76	(+) 9.65
5.	Taxes on vehicles	239.30	277.07	457.36	740.15	887.29	(+) 19.88
6.	Taxes and duties on electricity	106.31	119.58	130.27	166.43	191.96	(+) 15.34
7.	Land revenue	8.58	9.43	10.02	10.95	12.98	(+) 18.54
8.	Other taxes and duties on commodities and services	31.15	37.02	38.48	44.03	56.70	(+) 28.78
	Total	11,655.28	13,219.50	16,790.37	20,399.46	23,559.00	(+) 15.49

The following reasons for increase were reported by the Departments concerned:

- **Taxes on sales, trade / value added tax (VAT):** The increase in revenue receipts (15 per cent) was mainly due to Gross Domestic Product (GDP) growth and inflation. Large variations, however, was because of buoyancy in economy.

- **State Excise:** The increase in revenue receipts (14 *per cent*) was mainly due to increase in the quota of Country Liquor (CL) and Indian Made Foreign Liquor (IMFL) and as well as increase in license fee of CL and IMFL.
- **Stamp duty and registration fee:** The increase in revenue receipts was mainly due to registration of more documents of immovable/movable property.
- **Taxes on vehicles:** The increase in revenue receipts (20 *per cent*) was mainly due to better checking by the enforcement staff and efforts to realise tax.
- **Taxes and duties on electricity:** The increase in revenue receipts (15 *per cent*) was mainly due to realisation of more electricity duty from the consumers by the Power utilities.

1.1.3 The details of non-tax revenue raised during the period 2008-09 to 2012-13 are indicated in the **Table 1.3**.

Table 1.3
Details of Non-tax revenue raised

(₹ in crore)

Sr. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase(+)/ decrease(-) in 2012-13 over 2011-12
1.	Urban development	884.50	133.70	974.54	1,039.35	990.70	(-) 4.68
2.	Interest receipts	776.28	667.88	689.34	864.96	1,058.21 ²	(+) 22.34
3.	Road transport	645.04	699.57	761.72	852.96	999.87	(+) 17.22
4.	Non-ferrous mining and metallurgical industries	195.97	247.49	82.59	75.53	75.49	(-) 0.05
5.	Other administrative services	120.95	96.81	115.63	99.95	125.86	(+) 25.92
6.	Miscellaneous general services	89.39	95.93	(-) 9.75 ³	128.49	312.30	(+) 143.05
7.	Major and medium irrigation	74.01	218.56	202.26	583.16	139.12	(-) 76.14

² Includes ₹ 454.33 crore as book adjustment of interest on irrigation project capital interest.

³ Due to more refunds than receipts.

Sr. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase(+)/ decrease(-) in 2012-13 over 2011-12
8.	Education, sports, art and culture	156.10	285.10	270.37	295.72	385.43	(+) 30.34
9.	Police	55.22	35.11	61.53	62.64	63.73	(+) 1.74
10.	Forestry and wildlife	40.74	56.13	44.32	39.12	41.36	(+) 5.73
11.	Medical and public health	30.94	30.23	47.06	54.79	78.01	(+) 42.38
12.	Other non-tax receipts	169.31	174.89	181.33	624.98	403.07	(-) 35.51
Total		3,238.45	2,741.40	3,420.94	4,721.65	4,673.15	(-) 1.03

The following reasons for variations were reported by the Departments concerned:

- **Interest receipts:** The increase in revenue receipts (22 per cent) was due to higher receipts from Public Sector Undertakings.
- **Miscellaneous General Services:** The increase in revenue receipts (143 per cent) was due to more receipts of Guarantee Fee.

The other Departments did not inform the reasons for variations over the previous year, despite being requested (November 2013).

1.2 Variation between the budget estimates and actuals

The variation between the budget estimates and the actual receipts under the principal heads of tax and non-tax revenue for the year 2012-13 is given in Table 1.4.

Table 1.4
Details of budget estimates and actuals

(₹ in crore)						
Sr. No.	Revenue head	Budget estimates	Actual receipts	Variation increase (+)/ decrease (-)	Percentage	
• Tax revenue						
1.	Taxes/VAT on sales, trade etc.	16,450.00	15,376.58	(-) 1,073.42	(-) 7	
2.	State excise	3,000.00	3,236.48	(+) 236.48	(+) 8	
3.	Stamp duty and registration fees	3,000.00	3,326.25	(+) 326.25	(+) 11	
4.	Taxes on vehicles	750.00	887.29	(+) 137.29	(+) 18	
5.	Taxes and duties on electricity	160.00	191.96	(+) 31.96	(+) 20	

Sr. No.	Revenue head	Budget estimates	Actual receipts	Variation increase (+)/ decrease (-)	Percentage
6.	Land revenue	15.28	12.98	(-) 2.3	(-) 15
7.	Other taxes and duties on commodities and services	48.00	56.70	(+) 8.70	18
8.	Taxes on goods and passengers – Tax on entry of goods into local area	450.00	470.76	(+) 20.76	(+) 5
• Non-tax revenue					
1.	Non-ferrous mining and metallurgical industries	225.00	75.49	(-) 149.51	(-) 66
2.	Forestry and wildlife	45.00	41.36	(-) 3.64	(-) 8
3.	Water rates (medium irrigation)	6.76	8.20	(+) 1.44	(+) 21
4.	Interest receipts	1,080.04	1,058.21	(-) 21.83	(-) 2
5.	Urban development	1,150.00	990.70	(-) 159.3	(-) 14
6.	Police	83.22	63.73	(-) 19.49	(-) 23
7.	Medical and public health	109.63	78.01	(-) 31.62	(-) 29
8.	Public works	15.40	10.22	(-) 5.18	(-) 34

The reasons for variations between the budget estimates and actual receipts as furnished by the Departments are mentioned below:

- **Stamp duty and registration fee:** The increase in revenue receipts (11 *per cent*) was due to increase in transactions of immovable property.
- **Taxes on vehicles:** The increase in revenue receipts (18 *per cent*) was due to better checking by the enforcement staff and efforts to realise tax.
- **Land revenue:** The decrease in revenue receipts (15 *per cent*) was due to less recovery of mutation fee, copying fee and revenue talbana⁴.
- **Forestry and wildlife:** The decrease in revenue receipts (8 *per cent*) was due to less cutting of trees in reduction of area of trees by widening of roads.
- **Urban development:** The decrease in revenue receipts (14 *per cent*) was due to more refund of licence fee during 2012-13.

The other Departments did not inform the reasons for variation in actual receipts from that of the budget estimates despite being requested (November 2013).

⁴ Charges for serving summons.

1.3 Cost of collection of major revenue receipts

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2010-11 to 2012-13 along with the relevant all India average of percentage of expenditure of collection to gross collection for 2011-12 are mentioned in **Table 1.5**.

Table 1.5
Cost of collection of Major revenue receipts

(₹ in crore)

Sr. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2011-12
1.	Taxes/VAT on sales, trade etc.	2010-11	11,082.01	87.82	0.79	0.83
		2011-12	13,383.69	87.65	0.65	
		2012-13	15,376.58	95.85	0.62	
2.	State excise	2010-11	2,365.81	21.57	0.91	2.98
		2011-12	2,831.89	22.39	0.79	
		2012-13	3,236.48	23.87	0.74	
3.	Stamp duty and registration fee	2010-11	2,319.28	11.39	0.49	1.89
		2011-12	2,793.00	11.57	0.41	
		2012-13	3,326.25	11.70	0.35	
4.	Taxes on vehicles	2010-11	457.36	13.38	2.93	2.96
		2011-12	740.15	13.07	1.77	
		2012-13	887.29	14.39	1.62	

Source: Finance Accounts.

It would be seen from the above table that the cost of collection in respect of all the taxes was less than the All India Average for each of them.

1.4 Analysis of arrears of revenue in terms of total outstanding and outstanding for more than five years

The arrears of revenue as on 31 March 2013 in respect of some principal heads of revenue as reported by the Departments was ₹ 4,486.51 crore of which ₹ 3,166.09 crore were outstanding for more than five years as detailed in **Table 1.6**.

Table 1.6
Arrears of revenue outstanding for more than five years

(₹ in crore)

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than five years as on 31 March 2013	Remarks
1.	Taxes on sales, trade/VAT etc.	3,899.19	2,895.03	Recovery of ₹ 597.28 crore was stayed by the High Court and other judicial authorities, ₹ 9.87 crore was stayed due to the order of the Government. ₹ 19.28 crore were held up due to the dealers

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than five years as on 31 March 2013	Remarks
				becoming insolvent, ₹ 43.71 crore were proposed to be written off, ₹ 139.33 crore were held up due to rectification, review and appeal. Recovery of ₹ 170.47 crore was outstanding due to cases pending with the official liquidator/Board of Industrial and Financial Reconstruction (BIFR). Recovery of ₹ 2.71 crore was being made in instalments. Balance amount of ₹ 2,916.54 crore was at different stages of action.
2.	State excise	132.85	85.05	Recovery of ₹ 13.38 crore was stayed by High Court and other judicial authorities, ₹ 42.90 lakh was likely to be written off. Recovery of ₹ 4.97 crore was outstanding due to case pending with official liquidator/BIFR. Recovery of ₹ 1.43 crore was being made in instalment. Recovery of ₹ 15.17 crore and ₹ 9.65 crore were due to Inter State and Inter districts arrears respectively. ₹ 1.81 lakh was held up for review/rectification application. Balance of ₹ 87.80 crore was outstanding at different stages of action.
3.	Taxes and duties on electricity	140.67	85.07	₹ one crore was recoverable from M/s Haryana Concast Hisar, ₹ 38 lakh from M/s Rama Fibers Bhiwani, ₹ 30 lakh from M/s Dadari Cements, Charkhidadri and ₹ 16 lakh from M/s Competent Alloys Ballabgarh. The remaining amount of ₹ 138.83 crore was pending against the consumers of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL)/Uttar Haryana Bijli Vitran Nigam Limited.
4.	Taxes on goods and passengers	51.32	18.03	An amount of ₹ 8.05 lakh was stayed by High Court and other judicial authorities, ₹ 27,000 was written off and balance ₹ 51.24 crore was outstanding at different stages of action.
	Tax on entry of goods into local areas (Local Area Development Tax)	209.95	47.40	Recovery of ₹ 163.15 crore was stayed by the High Court, judicial and other Departmental authorities. Recovery of ₹ 35.25 lakh was being made in instalments. Balance amount of ₹ 46.45 crore was outstanding at different stages of action.

Sr. No.	Heads of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than five years as on 31 March 2013	Remarks
5.	Police	12.91	8.11	Recovery of ₹ 7.38 core was outstanding from Indian Oil Corporation, ₹ 29 lakh from Bhakra Beas Management Board (BBMB), ₹ 44.68 lakh from four States ⁵ and the remaining ₹ 4.79 crore was recoverable from three other States ⁶ in respect of deployment charges for Election Duty.
6.	Other taxes and duties on commodities and service Receipts under entertainment duty and show tax	14.12	13.56	Recovery of ₹ 13.78 crore had been stayed by the High court and other judicial authorities, ₹ 1.26 lakh were likely to be written off. Balance amount of ₹ 32.59 lakh was at different stages of action
7.	Non-ferrous mining and metallurgical industries	25.50	13.84	Demand of ₹ 16.51 crore were covered by recovery certificates. Recoveries of ₹ 58.04 lakh were stayed by High Court and other judicial authorities. ₹ 1.31 crore was likely to be written off. ₹ 4.98 crore were due as Inter State and Interdistrict arrears. ₹ 2.12 crore was being made in instalments.
	Total	4,486.51	3,166.09	

It would be seen from the table that recovery of ₹ 3,166.09 crore is outstanding for more than five years and no sincere efforts were being made to recover them. The position of arrears of revenue at the end of 2012-13 in respect of other Departments were not furnished (November 2013) despite being requested.

⁵ Gujarat: ₹ 1.24 lakh; Punjab: ₹ 2.33 lakh; Uttar Pradesh: ₹ 39.55 lakh and West Bengal: ₹ 1.56 lakh.

⁶ Andhra Pradesh: ₹ 42.28 lakh; Kerala: ₹ 1.89 lakh and Uttar Pradesh: ₹ 4.35 crore.

1.5 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessments of sales tax/VAT cases during the year 2012-13 and the corresponding figures for the preceding four years as furnished by the Excise and Taxation Department are mentioned in **Table 1.7**.

Table 1.7
Analysis of collection

(₹ in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment	Penalty for delay in payment of taxes and duties	Amount refunded	Net collection as per Department (3+4+5-6)
1	2	3	4	5	6	7
Taxes/VAT on sales, trade etc.	2008-09	8,132.08	470.14	58.28	101.34	8,559.16
	2009-10	9,973.05	393.21	1.24	133.09	10,234.41
	2010-11	11,224.83	2,022.92	1.17	623.04	12,625.88
	2011-12	14,286.78	417.66	7.48	603.72	14,108.20
	2012-13	15,556.42	419.44	8.69	654.87	15,329.68

It would be seen from the above table that the revenue collected at the pre-assessment stage was more than 90 per cent of total revenue collection.

1.6 Evasion of tax

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and demands raised as reported by the Department are given in **Table 1.8**.

Table 1.8

Heads of Department	Cases pending as on 31 March 2012	Cases detected during 2012-13	Total (2+3)	Number of cases in which assessments/ investigation completed and additional demand including penalty etc. raised during the year 2012-13		Number of pending cases as on 31 March 2013
				No. of cases	(₹ in crore)	
Taxes on sales, trade/VAT etc.	55	1,955	2,010	1,936	8.48	74
State excise	821	2,094	2,915	2,251	1.51	664
Taxes on goods and passengers	1,153	9,189	10,342	9,034	8.70	1,308
Total	2,029	13,238	15,267	13,221	18.69	2,046

It would be seen from the above table that the number of cases pending at the close of year has slightly increased from the number of cases pending at the start of the year.

1.7 Pendency of Refund cases

The number of refund cases pending at the beginning of year 2012-13, claims received during the year, refunds allowed during the year and cases pending at the close of the year, as reported by the concerned Departments is given in **Table 1.9**.

Table 1.9

(₹ in crore)

Sr. No.	Particulars of claims	Sales tax/VAT		State excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	384	107.24	12	0.15
2.	Claims received during the year	2,932	653.33	1,214	16.09
3.	Refunds made during the year	2,942	665.30	1,203	15.90
4	Balance outstanding at the end of the year	374	95.27	23	0.34

The Haryana Sales Tax and Haryana VAT Acts provide for payment of interest at the rate of one per cent per month, if the excess amount is not refunded to the dealer within 90 days of the order and thereafter at the rate of two per cent per month till the refund is made. The department may dispose of the refund cases quickly to avoid the interest liability.

1.8 Response of the Government Departments towards Audit

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

The Principal Accountant General (Audit) Haryana (PAG) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of the 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 reply to the PAG 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. Some of these are reported through Report of the Comptroller and Auditor General of India (Audit Report) to the State Legislature every year. The Departments are requested to submit their replies to the Public Accounts Committee (PAC) which examines them in their meetings and give their reports to the State Legislature.

IRs issued upto December 2012 disclosed that 4,464 paragraphs involving ₹ 1,871.65 crore relating to 1,890 IRs remained outstanding at the end of June 2013 as mentioned below along with the corresponding figures for the preceding two years in **Table 1.10**.

Table 1.10

	June 2011	June 2012	June 2013
Number of IRs pending for settlement	2,313	2,268	1,890
Number of outstanding audit observations	4,734	4,507	4,464
Amount involved (₹ in crore)	1,484.56	1,023.95	1,871.65

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2013 and the amount involved are given in **Table 1.11**.

Table 1.11

Sr. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Excise and Taxation	Sales tax/VAT	307	1672	1,691.98
		State excise	102	183	67.79
		Taxes on goods and passengers	149	277	18.81
		Entertainment duty and show tax	18	20	10.95
2.	Revenue	Stamps and registration fees	771	1,567	55.52
		Land revenue	127	186	0.50
3.	Transport	Taxes on vehicles	301	413	9.49
4.	Power	Taxes and duties on electricity	8	8	0.46
5.	Mines and Geology	Non-ferrous mining and metallurgical industries	107	138	16.15
Total			1,890	4,464	1,871.65

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 112 IRs issued upto December 2012. This 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 did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

It is recommended that the Government may take suitable steps to put in place an effective procedure for prompt and appropriate response to audit observations. The Government may take action against officers/officials who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also those who fail to 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 in September 1985 to monitor and expedite the progress of the settlement of IRs including paragraphs. The Audit Committees may be formed for each Administrative Department under the chairmanship of Administrative Secretary. The meetings of these committees may be arranged once in three months to review the progress of the settlement of audit paras and monitor the pace of work in this behalf. The Chief Secretary has also impressed upon the Administrative Secretaries (August 1998) to ensure holding of Departmental Audit Committee meetings on quarterly basis and inform the Finance Department of the outcome of such meetings.

We observed that Departmental Audit Committee meetings during the year 2012-13 were not held as per the prescribed schedule.

The details of the Audit Committee meetings held during the year 2012-13 and the paragraphs settled are mentioned in **Table 1.12**.

Table 1.12

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount (₹ in crore)
Stamp Duty	1	31	2.21
Taxes on sales, trade etc./VAT	2	36	2.15
State Excise	2	15	1.54
Total	5	82	5.90

During the year 2012-13, only three out of nine Departments dealing with nine major heads of tax and non-tax revenue had convened five meetings of the Audit Committee. Thus, these Departmental Audit Committees were not functioning effectively since most of the Government Departments had not taken initiatives for disposal/settlement of the pending audit paragraphs/objections through these meetings.

The Government should ensure holding of periodical meetings of the committees for effective progress.

1.8.3 Non-production of records

The programme of local audit parties of VAT receipts in the offices of Deputy Excise and Taxation Commissioner (DETC) 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 2012-13, 83 VAT assessment cases out of 4,698 cases, pertaining to two DETCs were not made available to audit. Thus, VAT assessment cases involving revenue of ₹ 8.75 crore could not be checked in audit. Break-up of these cases are given in **Table 1.13**.

Table 1.13

Name of DETC	Year in which it was to be audited	Number of assessment cases not audited	Number of cases in which revenue involved could be ascertained	Revenue involved (₹ in crore)
Panipat	2012-13	68	68	8.12
Jagadhri	2012-13	15	15	0.63
	Total	83	83	8.75

1.8.4 Response of the Departments to the draft audit paragraphs

The Finance Department had issued directions to all the Departments on 5 January 1982 to send their response to the draft audit paragraphs proposed for inclusion in the Audit Report within six weeks. The draft paragraphs are forwarded by the PAG to the Secretaries of the Departments concerned through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments is invariably indicated at the end of each paragraph included in the Audit Report.

Twenty five draft paragraphs and two Performance Audits proposed for inclusion in the Audit Report (Revenue Sector) for the year ended 31 March 2013 were forwarded to the Secretaries of the Departments concerned during April to September 2013 through demi-official letters. No reply has been received, however, 23 paragraphs and one performance audit was discussed in the exit conferences and replies have been suitably incorporated.

1.8.5 Follow up on the Audit Reports-summarised position

According to the instructions issued by the Finance Department in October 1995 and reiterated in July 2001, the Administrative Departments were required to initiate suo motu positive and concrete action on all paragraphs and performance audits featuring in the Audit Report (Revenue Sector) regardless of the fact that the cases were taken up for examination by the PAC or not. They were also required to furnish detailed notes duly vetted by Audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Report to the Legislature.

The position of paragraphs which have appeared in the Audit Report and those pending discussion as on 30 September 2013 has been mentioned in **Annexure I**. Eighty two paragraphs pertaining to the period 2008-09 to 2011-12 were pending for discussion by the PAC. The Administrative Departments failed to submit action taken notes (ATNs) in respect of 30 out of

82 paragraphs within three months from the date of presentation⁷ of the Audit Reports to the Legislature.

Further, the response of the Administrative Departments towards the recommendations of the PAC was not encouraging as 740 recommendations pertaining to the period 1979-80 to 2007-08 were still pending for want of final action by the concerned Departments (**Annexure II**).

1.8.6 Compliance with the earlier Audit Reports

During the years between 2007-08 and 2011-12, the Department/Government accepted audit observations involving revenue of ₹ 2,107.11 crore out of which an amount of ₹ 10.72 crore was recovered till 31 March 2013 as detailed in **Table 1.14**.

Table 1.14

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2007-08	122.75	29.65	1.93
2008-09	82.74	75.64	0.70
2009-10	346.97	72.76	3.42
2010-11	324.73	183.13	4.05
2011-12	1,746.01	1,745.93	0.62
Total	2,623.20	2,107.11	10.72

The recovery in respect of the accepted cases was 0.51 *per cent* only which indicated lack of adequate action to enforce recoveries.

The Government may advise the concerned Departments to take necessary steps for speedy recovery.

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

To analyse the system of addressing the issues highlighted in the IRs/Audit Report by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Report of the last 10 years in respect of Excise and Taxation Department (State Excise Duty) is evaluated and included in this Audit Report.

The succeeding paragraphs 1.9.1 to 1.9.2.2 discuss the performance of the Excise and Taxation Department (State Excise Duty) 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 Report for the years 2003-04 to 2011-12.

⁷ 2008-09: March 2010, 2009-10: March 2011, 2010-11: March 2012 and 2011-12: 11 March 2013.

1.9.1 Position of Inspection Reports

The IRs incorporating irregularities detected during inspections of the various offices of the Excise and Taxation Department (State Excise) are issued to the heads of the offices inspected/next higher authorities for taking prompt corrective action. The heads of offices/Department/Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly. They were also required to report compliance through initial reply to the PAG within four weeks from the date of issue of the IRs. Serious financial irregularities are also reported to the head of the Department (Excise and Taxation Commissioner) and Government through demi-official letter for examination and taking prompt action and offering comments thereon, if any, within six weeks from the date of issue of the advance para. In case of non-receipt of reply within six weeks, reminders are issued after 50 days from the date of issue of the IRs and thereafter every month. Half-yearly position of the outstanding audit observations are also issued through demi-official letter to the Administrative Department and Excise and Taxation Commissioner.

The summarised position of IRs issued during the last 10 years, paragraphs included in these reports and their status as on March 2013 are given in **Table 1.15**.

Table 1 15 .

(₹ 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
2003-04	115	196	135.86	15	27	20.16	13	20	19.02	117	203	137.00
2004-05	117	203	137.00	17	33	23.79	20	30	23.11	114	206	137.68
2005-06	114	206	137.68	13	22	10.73	11	28	13.04	116	200	135.37
2006-07	116	200	135.37	09	11	5.27	19	34	12.58	106	177	128.06
2007-08	106	177	128.06	21	39	15.33	16	28	18.23	111	188	125.16
2008-09	111	188	125.16	34	65	20.92	25	45	74.50	120	208	71.58
2009-10	120	208	71.58	36	55	11.04	40	92	23.70	116	171	58.92
2010-11	116	171	58.92	19	60	29.07	30	53	17.48	105	178	70.51
2011-12	105	178	70.51	14	33	4.89	13	33	20.30	106	178	55.10
2012-13	106	178	55.10	27	80	20.87	34	87	13.28	99	171	62.69

The year-wise details of closing balance of IRs, paragraphs and amount involved is given in **Annexure-III**. Out of 171 audit observations involving revenue of ₹ 62.69 crore in 99 IRs, 35 audit observations involving revenue of ₹ 32.46 crore (52 per cent) in 27 IRs were more than five years old.

We observed that despite issuing periodical reminders and convening of periodical meetings of the audit committee, there was large pendency of IRs/audit observations which was indicative of failure on the part of the heads of the offices/Excise and Taxation Commissioner and Administrative Department to initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

To ensure that the revenue due does not become time barred, the Government may ensure that:

- an effective procedure exists for prompt and appropriate response to the audit observations;
- action is taken against officials/officers failing to take effective steps to get the audit observations settled at the earliest after initiating appropriate action on audit observations; and
- action is taken to recover loss/outstanding demands in a time bound manner.

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

1.9.2.1 Recovery in accepted cases

The position of paragraphs included in the Audit Report of the last 10 years, those accepted by the Department and the amount recovered are given in **Table 1.16**.

Table 1.16

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraph	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases
2002-03	2	1.45	2	1.45	1	0.21
2003-04	1	11.36	1	11.36	-	-
2004-05	4	2.90	4	2.90	2	0.08
2005-06	-	-	-	-	-	-
2006-07	2	0.48	2	0.48	1	0.01
2007-08	2	1.23	2	1.23	1	0.03
2008-09	4	2.35	4	2.35	3	0.09
2009-10	2	5.65	2	5.65	2	0.10
2010-11	-	-	-	-	-	-
2011-12	3	4.75	3	4.75	1	0.05
Total	20	30.17	20	30.17	11	0.57

The recovery in respect of the accepted cases for the last ten years was only two *per cent*.

The Government may advise the Department to take necessary steps for speedy recovery.

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

The draft performance audits conducted by the PAG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies within 45 days. These performance audits are also discussed in an exit conference and the Departments/Government's views are included while finalising the performance audits for the Reports of the Comptroller and Auditor General of India.

The issues highlighted in the Performance Audits including recommendations on the Excise and Taxation Department relating to State Excise Duty featured in the Report of Comptroller and Auditor General of India. The Head of the Departments/Government had not intimated their acceptance or any action taken on the nine recommendations (**Annexure- IV**) included in the two Reports of the Comptroller and Auditor General of India during the years 2003-04 to 2011-12 for the levy and realisation of State Excise Duty.

We observed that the Excise and Taxation Department (State Excise)/Government had sent their replies to the PAC relating to performance audits included in the Report of Comptroller and Auditor General of India for the years 2003-04 to 2007-08. But they had not given any reply either accepting or otherwise of the conclusions and recommendations of the Report of the Comptroller and Auditor General of India for the year 2005-06. They had not furnished replies to the PAC for the Audit Reports for the years 2009-10 to 2011-12.

The Government may advise the Excise and Taxation Department (State Excise) to take suitable steps to ensure the compliance of the recommendations or give their comments, if any.

1.10 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue earning, past trends of audit observations etc. The annual audit plan is prepared on the basis of risk analysis which inter-alia includes 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 2012-13, 265 units were planned and audited out of 497 auditable units constituting audit of 53 *per cent* of the total units. The details of auditable units and units selected are shown in the **Annexure-V**.

Besides the compliance audit, two Performance Audits namely ‘Delay in disposal of remand and revision cases’ and ‘Receipts from taxes on motor vehicles’ were also taken up to examine the efficacy of the tax administration of these receipts.

1.11 Results of audit

1.11.1 Position of local audit conducted during the year

Test check of the records of 265 units of sales tax/VAT, stamp duty and registration fee, State excise, motor vehicles and other Departmental offices conducted during the year 2012-13 noticed underassessments/short levy/loss of revenue in 7,508 cases aggregating ₹ 1,735.68 crore. During the course of the year, the concerned Departments accepted underassessments and other deficiencies of ₹ 19.19 crore involved in 2,285 cases, out of which ₹ 9.86 crore involved in 2,147 cases were pointed out in audit during 2012-13 and the rest in the earlier years. The Departments collected ₹ 1.36 crore in 207 cases during the year 2012-13 for the cases of earlier year.

1.11.2 About this Report

This Report contains two **Performance Audits on “Delay in disposal of remand and revision cases”** and **“Receipts from taxes on motor vehicles”**, and 16 paragraphs relating to short/non-levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 636.10 crore.

The Departments/Government have accepted audit observations involving ₹ 629.33 crore out of which ₹ 1.75 crore has been recovered. The replies in the remaining cases had not been received (November 2013). These are discussed in succeeding Chapters II to VI.