

## CHAPTER-I : GENERAL

### 1.1 Trend of Revenue Receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Karnataka during the year 2012-13, the State's share of divisible Union taxes and 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:

**Table 1.1: Trend of revenue receipts**

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	27,645.66	30,578.60	38,473.12	46,475.96	53,753.55
	• Non-tax revenue	3,158.99	3,333.80	3,358.29	4,086.86	3,966.11
	<b>Total</b>	<b>30,804.65</b>	<b>33,912.40</b>	<b>41,831.41</b>	<b>50,562.82</b>	<b>57,719.66</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes	7,153.77	7,359.98	9,506.32	11,075.04	12,647.14 <sup>1</sup>
	• Grants-in-aid	5,332.25	7,883.32	6,868.51	8,168.41	7,809.42
	<b>Total</b>	<b>12,486.02</b>	<b>15,243.30</b>	<b>16,374.83</b>	<b>19,243.45</b>	<b>20,456.56</b>
<b>III.</b>	<b>Total receipts of the State</b>	<b>43,290.67</b>	<b>49,155.70</b>	<b>58,206.23</b>	<b>69,806.27</b>	<b>78,176.22</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>71</b>	<b>69</b>	<b>72</b>	<b>72</b>	<b>74</b>

The table above indicates that during the year 2012-13, the revenue raised by the State Government (₹ 57,719.66 crore) was 74 per cent of the total revenue receipts. The balance 26 per cent of receipts was from the Government of India.

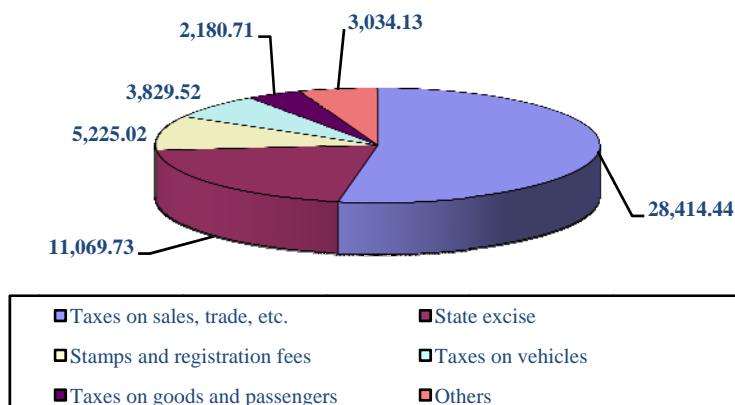
<sup>1</sup> Figures under the major heads of account 0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties, 0044-Service Tax and Share of net proceeds assigned to States booked in the Finance Accounts of the Government of Karnataka for 2012-13, under 'A-Tax Revenue' have been excluded from the revenue raised by the State Government and included in the State's share of divisible Union taxes.

**1.1.2** The following table presents the details of tax revenue realised 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	Percentage of increase (+)/ decrease (-) in 2012-13 over 2011-12
1.	Taxes on sales, trade, etc.	14,622.73	15,832.67	20,234.69	25,020.02	28,414.44	(+) 13.57
2.	State excise	5,749.57	6,946.32	8,284.74	9,775.43	11,069.73	(+) 13.24
3.	Stamps and registration fees	2,926.72	2,627.57	3,531.08	4,623.20	5,225.02	(+) 13.02
4.	Taxes on Vehicles	1,681.16	1,961.60	2,550.02	2,956.72	3,829.52	(+) 29.52
5.	Taxes on Goods and Passengers	1,085.02	1,291.13	1,525.55	1,690.17	2,180.71	(+) 29.02
6.	Taxes and duties on Electricity	370.59	678.69	663.49	654.24	928.80	(+) 41.97
7.	Other taxes on income and expenditure	538.79	527.21	549.74	600.20	692.89	(+) 15.44
8.	Other taxes and duties on commodities and services	406.15	576.83	946.95	926.01	1,185.26	(+) 28.00
9.	Land Revenue	255.65	127.88	177.53	214.93	204.92	(-) 4.66
10.	Taxes on agricultural income	9.28	8.70	9.33	15.04	22.26	(-) 48.01
<b>Total</b>		<b>27,645.66</b>	<b>30,578.60</b>	<b>38,473.12</b>	<b>46,475.96</b>	<b>53,753.55</b>	<b>15.66</b>

Graph 1.1: Tax Revenue 2012-13  
(Rupees in crore)



The following reasons for variations from 2011-12 were reported by the Departments concerned:

**Taxes on sales, trade etc:** The increase was attributed to increase in the rate of tax and better compliance due to e-administration.

**Taxes on vehicles:** The increase was attributed to increase in growth rate of vehicles and continuous monitoring by the enforcement staff resulting in more revenue collection.

The other Departments did not inform (December 2013) the reasons for variation, though called for (July 2013).

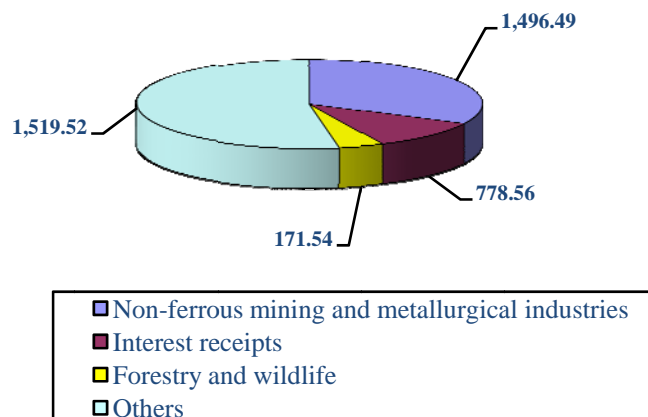
**1.1.3** The following table presents the details of major non-tax revenue realised during the period 2008-09 to 2012-13:

Table 1.3: Details of major non-tax revenue

							(₹ in crore)
Sl. 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.	Non-ferrous mining and metallurgical industries	556.07	859.50	1,185.96	1,326.84	1,496.49	(+) 12.79
2.	Interest receipts	337.17	383.86	575.07	434.23	778.56	(+) 79.30
3.	Forestry and wildlife	126.92	212.48	163.74	168.32	171.54	(+) 1.91
4.	Others <sup>2</sup>	2,138.83	1,877.96	1,433.52	2,157.47	1,519.52	(-) 29.57
<b>Total</b>		<b>3,158.99</b>	<b>3,333.80</b>	<b>3,358.29</b>	<b>4,086.86</b>	<b>3,966.11</b>	<b>2.95</b>

<sup>2</sup> Contributions and recoveries towards pensions and other retirement benefits, Other administrative services, Education, Sports, Art and Culture, Medical and Public Health, Police Receipts, Other General Economic Services, Co-operation, Village and Small Industries, Public Works, Roads and bridges, Major and Medium Irrigation, Dividends and Profits, Housing, Crop husbandry, Miscellaneous General Services, Public Service Commission, Jails, Family Welfare, Water Supply and Sanitation, Housing, Urban Development, Power, Labour & Employment, Civil Aviation, Food Storage and Warehousing, Social Security and Welfare, Stationery and Printing, Ports and Light Houses, Shipping, Minor Irrigation, Other Social Services, Fisheries, Animal Husbandry, Industries, Other Rural Development Programmes, Tourism, Information & Publicity, Inland Water Transport, Civil Supplies, Land Reforms, Family Welfare, Other Agricultural Programmes etc.

Graph 1.2: Non tax revenue 2012-13  
(Rupees in crore)



The reasons for variations from 2011-12 were not reported by the concerned Departments except Mines and Geology who stated that the increase was attributed to increase in gold price, auction of seized iron ore and increase of royalty rates.

## 1.2 Response of the Departments/Government towards Audit

The Principal Accountant General (Economic and Revenue Sector Audit), Karnataka (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 one month from the date of receipt of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

### 1.2.1 Outstanding Inspection Reports and Audit Observations

A total of 3,363 IRs containing 7,283 paragraphs involving ₹ 1,550.33 crore issued upto December 2012 remained outstanding at the end of June 2013 as mentioned below along with the corresponding figures for the preceding two years:

Table 1.4: Outstanding Inspection Reports and Audit Observations

	June 2011	June 2012	June 2013
Number of outstanding IRs	3,738	3,115	3,363
Number of outstanding audit observations	7,610	6,668	7,283
Amount involved (₹ in crore)	2,205.10	1,589.45	1,550.33

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

**Table 1.5: Department wise details of outstanding IRs/paragraphs**

(₹ in crore)

Sl. No.	Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money Value
1.	Finance	(a) Taxes on sales, trade etc, entry tax, entertainment tax, luxury tax, professions tax, betting tax and agricultural income tax	1,663	4,370	444.78
		(b) State excise	619	954	378.91
2.	Energy	Electricity tax	6	11	5.62
3	Revenue	Stamps and Registration fees	589	980	303.54
4.	Transport	Taxes on motor vehicles	353	599	51.09
5.	Commerce and Industries	Mineral receipts	133	369	366.39
<b>Total</b>			<b>3,363</b>	<b>7,283</b>	<b>1,550.33</b>

Even the first replies required to be received from the heads of the offices within one month from the date of receipt of the IRs were not received for 86 IRs issued up to December 2012. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of the offices and heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by audit in the IRs.

**We recommend that the Government may take suitable steps to install an effective procedure for prompt/appropriate response to the audit observations and take action against those who fail to take action to recover loss/outstanding demand in a time bound manner.**

### 1.2.2 Adhoc Committee meetings

The Government set up 'Adhoc Committees' to expedite the clearance of audit observations contained in the IRs. As per Government instructions, these committees are required to meet periodically and in any case, at least once in a quarter. Details of Adhoc Committee meetings held during the year 2012-13 were as under:

**Table 1.6: Details of Adhoc Committee meetings held**

Department	Number of meetings held	Number of paragraphs discussed	Number of paragraphs settled	Amount involved in the paragraphs settled (₹ in lakh)
Commercial Taxes	3	85	32	2,714.51
Mines and Geology	1	73	6	90.50
<b>Total</b>	<b>4</b>	<b>158</b>	<b>38</b>	<b>2,805.01</b>

In respect of the other Departments, no adhoc committee meeting was held during the year.

**We recommend that the Government may ensure convening periodical adhoc committee meetings for effective and expeditious settlement of outstanding paragraphs.**

### **1.2.3 Non-production of records to audit for scrutiny**

We prepare the programme of local audit of all the offices planned for audit sufficiently in advance and issue intimations to the Department, usually one month before the commencement of audit, to enable them to keep the relevant records ready for audit scrutiny.

A total of 596 records relating to 79 offices of Commercial Taxes Department (CTD) were not made available to audit during 2012-13, out of which, 506 re-assessment files pertaining to 58 Audit offices of the Commercial Taxes Department were not produced.

In the office of the Director, Department of Mines and Geology, files relating to procurement of automatic water level recorders during the year 1999-2000 to 2010-11 were not produced.

**We recommend that the Government/Department may issue suitable directions to all the offices for making available all these files as well as for production of all records to audit at the time of audit itself.**

### **1.2.4 Response of the Departments to Draft Audit Paragraphs**

We forward Draft Audit Paragraphs/Performance Audit Reports proposed for inclusion in the Audit Report to the Principal Secretaries of the concerned Departments through demi-official letters. According to the instructions issued (April 1952) by the Government, all Departments are required to furnish their remarks on the draft audit paragraphs/Performance Audit Reports within six weeks of their receipt. We have indicated the fact of non-receipt of replies from the Government at the end of each observation included in the Audit Report, wherever applicable.

We forwarded 38 draft audit paragraphs (including two Performance Audit Reports) proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2013 to the concerned Principal Secretaries to Government with copies endorsed to concerned heads of Departments during May - September 2013.

We received the replies of the Department to 13 draft paragraphs of which the replies of 11 draft paragraphs were forwarded by the Government and the same were considered while finalising the Report. However, we have not received any reply (December 2013) to 25 draft paragraphs from the Departments and 27 draft paragraphs from the Government. We discussed the two draft Performance Audit Reports in an Exit Conference held in October 2013 with the Principal Secretary, Finance Department.

### 1.2.5 Follow-up of Audit Reports – summarised position

According to the Rules of Procedure (Internal Working) of the Public Accounts Committee (PAC), within four months (three months up to March 1994) of an Audit Report being laid on the table of the Legislature, the Departments of Government are to prepare and send to the Karnataka Legislative Assembly Secretariat detailed explanations (Departmental notes) on the audit paragraphs. The Rules further require that before such submission, the Departmental notes are to be got vetted by the PAG.

We reviewed the position in this regard, which revealed that as of September 2013, 11 Departments have not furnished the Departmental notes in respect of 126 paragraphs included in Audit Reports for the years 1992-93 to 2011-12 (due between July 1994 and June 2013) for vetting. The delay ranged from three months to over 19 years, as detailed below:

**Table 1.7: Details of pending Departmental Notes**

Sl. No.	Department	Year of Audit Report	Dates of presentation to the Legislature	Last date by which Departmental Notes were due	Number of Paragraphs for which Departmental Notes were due	Delay <sup>3</sup> (months)
1.	Finance	1996-97, 2002-03 to 2004-05, 2009-10 to 2011-12	May 1998 to February 2013	September 1998 to June 2013	30	3 to 180
2.	Transport	2011-12	February 2013	June 2013	3	3
3.	Revenue	1992-93 to 1996-97, 2009-10 to 2011-12	March 1994 to February 2013	July 1994 to June 2013	40	3 to 230
4.	Energy	2011-12	February 2013	June 2013	2	3
5.	Forest	2002-03	July 2004	November 2004	02	94
6.	Urban Development	1998-99, 2002-03 to 2004-05 and 2006-07	March 2000 to July 2008	July 2000 to November 2008	05	58 to 159
7.	Commerce and Industries	1996-97, 2002-03, 2011-12	May 1998 to December 2012	September 1998 to April 2013	37	5 to 180
8.	Co-operation	2005-06 and 2007-08	July 2007 and February 2009	November 2007 and June 2009	02	51 to 70
9.	Health and Family Welfare	1997-98	March 1999	July 1999	01	170
10.	Public Works	2004-05 and 2008-09	March 2006 and March 2010	July 2006 and July 2010	02	38 to 86
11.	Minor Irrigation	2006-07 and 2007-08	July 2008 and February 2009	November 2008 and June 2009	02	51 to 58
<b>Total</b>					<b>126</b>	

<sup>3</sup> Excluding the month in which these were due.

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

### 1.2.6 Compliance with earlier Audit Reports

In the Audit Reports 2007-08 to 2011-12, 43,015 cases of underassessment, non/short levy of taxes, loss of revenue, failure to raise demands, etc. were included involving ₹ 4,887.41 crore. Of these, to the end of September 2013, the Departments concerned have accepted 25,036 cases involving ₹ 1,869.09 crore and recovered ₹ 39.20 crore in 2,381 cases. Audit Report wise details of cases accepted and recovered are as under:

**Table1.8: Compliance with earlier Audit Reports**

(₹ in crore)

Audit Report	Included in Audit Report		Accepted by the Department		Recovered	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
2007-08	5,080	331.77	2,410	166.51	386	9.24
2008-09	16,905	336.61	16,741	286.66	695	2.86
2009-10	7,040	439.54	1,385	104.32	154	17.90
2010-11	13,677	275.84	2,267	18.68	1,098	1.39
2011-12 <sup>4</sup>	7,969	3,503.65	2,233	1,292.92	48	7.81
<b>Total</b>	<b>50,671</b>	<b>4,887.41</b>	<b>25,036</b>	<b>1,869.09</b>	<b>2,381</b>	<b>39.20</b>

(The Audit Report (Revenue Receipts) for the year 2011-12 contains 21 paragraphs including two Performance Audits involving ₹ 89.20 crore. The other cases/amount relate to stand alone report on “Controls and Systems for Sustainable Mining in Karnataka”)

From the above, it is observed that only 2.09 *per cent* of the revenue involved in the cases accepted by the Department was recovered during the last five years.

**We recommend that the Government may take measures to ensure expeditious recovery of revenue at least in respect of the cases that have been accepted by the Department.**

### 1.3 Analysis of the mechanism for dealing with the issues raised by Audit in Department of Mines and Geology

The succeeding paragraphs 1.3.1 and 1.3.2 discuss the performance of the Department of Mines and Geology (DMG) in dealing with the cases detected in the course of local audit conducted during the last five years and also the cases included in the Audit Reports for the years 2008-09 to 2012-13.

<sup>4</sup> Five cases involving 1,74,509 Mineral Dispatch Passes (MDPs) pertain to transport of building stones without issue of MDPs were noticed in 2012-13. These cases have been included in separate Audit Report on “Controls and Systems for Sustainable Mining in Karnataka” which has already been laid in the State Legislature in December 2012.



### 1.3.1 Position of Inspection Reports

The summarised position of IRs issued during the last five years, paragraphs included in these reports and their status as on 31 March 2013 are tabulated below:

Table 1.9: Position of IRs in DMG

(₹ in crore)

Year	Opening balance		Additions during the year		Clearance during the year		Closing balance	
	IRs/Para-graphs	Money value	IRs/Para-graphs	Money value	IRs/Para-graphs	Money value	IRs/Para-graphs	Money value
2008-09	70/247	193.89	9/25	15.07	6/30	49.51	73/242	159.45
2009-10	73/242	159.45	14/72	25.71	3/26	6.03	84/288	179.13
2010-11	84/288	179.13	21/79	148.45	5/24	12.31	100/343	315.27
2011-12	100/343	315.27	15/17	11.99	4/17	8.48	111/343	318.78
2012-13	111/343	318.78	22/38	49.05	0/12	1.44	133/369	366.39
<b>Total</b>			<b>81/231</b>	<b>250.27</b>	<b>18/109</b>	<b>77.77</b>		

During the five year period, we issued 81 IRs with 231 paragraphs involving ₹ 250.27 crore and cleared 18 IRs 109 paragraphs involving ₹ 77.77 crore.

### 1.3.2 Assurances given by the Departments/Government on the issues highlighted in the Audit Reports

#### 1.3.2.1 Recovery of accepted cases

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

Table 1.10: Compliance with earlier Audit Reports by DMG

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount <sup>5</sup>	Number	Amount <sup>5</sup>
2008-09	2	0.19	1	0.06	1	0.04
2009-10	3	0.58	2	0.23	0	0
2010-11	0	0	0	0	0	0
2011-12	47	3,414.45	9	1,212.12	3	7.22
2012-13	04	1.10	01	0.40	0	0
<b>Total</b>	<b>56</b>	<b>3,416.32</b>	<b>13</b>	<b>1,212.81</b>	<b>4</b>	<b>7.26</b>

From the above, it is observed that only 0.60 per cent of the revenue involved in the cases accepted by the Department was recovered during the last five years.

**We recommend that the Government may take measures to ensure expeditious recovery of revenue at least in respect of the cases that have been accepted by the Department.**

<sup>5</sup> Indicates the amount of acceptance and recovery in respect of individual cases included in the respective paragraphs.

### 1.3.2.2 Action taken on the recommendations accepted by the Departments/Government

The Draft Report of the Performance Audit conducted by the PAG is forwarded to the concerned Departments/Government for their information with a request to furnish their replies. The Performance Audit is also discussed in an Exit Conference and the Department's/Government's views are included while finalising the Performance Audit for the Audit Reports.

A Performance Audit on 'Controls and Systems for Sustainable Mining in Karnataka' was laid before State Legislature in December 2012 as a standalone Report of the Comptroller & Auditor General of India. We had suggested 16 recommendations for improvement in the system for ensuring and regulating sustainable mining without compromising on socio-economic and environmental concerns to serve as a roadmap for sustainable mining in the State.

**Table1.11: Recommendations to DMG in earlier Audit Report**

Year of AR	Name of the review	Details of the recommendations
2012	A Performance Audit on 'Controls and Systems for Sustainable Mining in Karnataka'	<ol style="list-style-type: none"> <li>1. The Government may consider putting in place a system for monitoring the implementation of the KMP in a time bound manner so that desired objectives of the KMP are achieved within a fixed time frame.</li> <li>2. The Government may, in line with the suggestions made in the Five year plan 2007-12, consider creation of a Mineral Development Fund to undertake the task of building infrastructure in mining areas and make efforts to get the railway lines commissioned to augment the transport facilities in mining areas.</li> <li>3. The Department may ensure proper maintenance of DCB Register for all minerals.</li> <li>4. A system may be established for proper coordination with the Departments responsible for deducting royalty at source to ensure that the royalty due is collected and remitted in an efficient manner.</li> <li>5. The Government may fix norms for waste rock generation in ornamental stone quarries apart from directing the Department for maintaining proper accounts as per Rules.</li> <li>6. The Government may consider prescribing a time limit for declaring the cases of arrears involved in expired leases as arrears of land revenue and stipulate a fixed time limit for issue of demand notices after finalisation of annual assessments.</li> <li>7. Internal Audit Manual codifying the practices and procedures relating to conduct of internal audit may be prepared by the Department. The coverage of internal audit may be enlarged and timely compliance ensured.</li> </ol>

Year of AR	Name of the review	Details of the recommendations
		<ol style="list-style-type: none"> <li data-bbox="783 275 1385 331">8. Applications for lease should be processed within the time frame as per statutory provisions.</li> <li data-bbox="783 353 1385 499">9. The Government may introduce a system for periodical review of mining leases, ensure that rules prescribed for renewal of the mining leases are strictly followed and stamp duty is levied correctly and collected promptly.</li> <li data-bbox="783 521 1385 723">10. The Government may consider putting in place a mechanism to prescribe parameters for fixation of targets of annual production giving due importance to the areas proposed for dumping the overburden in the mining plan so as to discourage unauthorised dumping.</li> <li data-bbox="783 768 1385 947">11. It would be advisable to establish proper coordination among various Departments/ Authorities/Agencies involved in mining activities like IBM, CTD, Transport Department, Forest Department, etc. with DMG to ensure better control over mining activities.</li> <li data-bbox="783 969 1385 1149">12. It is essential to prescribe a proforma/format for maintaining vehicle check register so as to record all the details required for enforcement purposes and fixing the targets for inspection of vehicles at check posts and for the mobile squad to prevent illegal transportation of minerals.</li> <li data-bbox="783 1171 1385 1283">13. Technological advances such as GPS on trucks, load sensors at check points etc., should be leveraged by DMG to improve enforcement activities.</li> <li data-bbox="783 1305 1385 1451">14. The Government may issue instructions for taking necessary measures for proper accounting of the plantations raised by the lessees and monitor their periodical survival status in coordination with Forest Department.</li> <li data-bbox="783 1473 1385 1608">15. The Government may take up the matter for framing the guidelines/standards for controlling air, noise and water pollution in respect of minor mineral quarries with MoEF.</li> <li data-bbox="783 1630 1385 1798">16. The Government may consider evolving a participatory approach by involving local population after a thorough study of likely impact on life, lifestyle and livelihood of the communities for greater common good before grant of mining leases.</li> </ol>

The above recommendations were discussed in the exit conference held in September 2012. The Director while appreciating the audit findings stated that recommendations suggested would have far reaching effect in streamlining the mining industry in the State. However, the Departmental Notes due on this report by April 2013 has not been received (December 2013).

## **1.4 Audit Planning**

We categorised the unit offices under various Departments into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. We prepared the annual audit plan 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, the audit universe comprised 865 auditable units, of which 383 units were planned and audited during the year, which is 44.28 *per cent* of the total auditable units.

We also conducted two Performance Audits besides the compliance audit mentioned above 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**

We test checked records of 383 units of commercial taxes, taxes on motor vehicles, stamps and registration fees, state excise and Department of mines and geology during the year 2012-13. Further, we conducted two Performance Audits during the year 2012-13. These revealed underassessment, non/short levy of taxes, loss of revenue, failure to raise demands and other irregularities aggregating ₹ 345.43 crore in 1,100 paragraphs containing 93,188 cases<sup>6</sup>. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 29.52 crore in 5,979 cases. The Department recovered ₹ 10.95 crore in 459 cases at the instance of audit.

### **1.5.2 This Report**

This Report contains 32 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) including two Performance Audit Reports involving financial effect of ₹ 224.16 crore. The Departments accepted audit observations involving ₹ 9.86 crore, of which ₹ 5.08 crore had been recovered upto December 2013. These are discussed in the succeeding Chapters II to VI.

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<sup>6</sup> Five cases involving 1,74,509 Mineral Dispatch Passes (MDPs) pertain to transport of building stones without issue of MDPs. These cases have been featured in separate Audit Report on “Controls and Systems for Sustainable Mining in Karnataka” which has already been laid in the State Legislature in December 2012.