

Chapter I

General

CHAPTER-I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Kerala during the year 2013-14, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-aid received from Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table - 1.1.1**.

Table - 1.1.1
Trend of revenue receipts

(₹ in crore)						
Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Revenue raised by the State Government					
	• Tax revenue	17,625.02	21,721.69	25,718.60	30,076.61	31,995.02
	• Non-tax revenue *	1,852.22 (1,633.22)	1,930.79 (1,739.58)	2,592.18 (2,228.97)	4,198.51 (3,272.25)	5,575.03 (4,059.49)
	Total	19,477.24 (19,258.24)	23,652.48 (23,461.27)	28,310.78 (27,947.57)	34,275.12 (33,348.86)	37,570.05 (36,054.51)
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	4,398.78	5,141.85	5,990.36	6,840.65	7,468.68
	• Grants-in-aid	2,233.38	2,196.62	3,709.22	3,021.53	4,138.20
	Total	6,632.16	7,338.47	9,699.58	9,862.18	11,606.88
3.	Total revenue receipts of the State Government (1 and 2)	26,109.40 (25,890.40)	30,990.95 (30,799.74)	38,010.36 (37,647.15)	44,137.30 (43,211.04)	49,176.93 (47,661.39)
4.	Percentage of 1 to 3	75	76	74	78	76

Source : Finance Accounts prepared by PAG (A&E), Kerala

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹ 37,570.05 crore) was 76 per cent of the total revenue receipts. The balance 24 per cent of the receipts during 2013-14 was from the Government of India.

* The difference between the figures shown in column and bracket represent expenditure on prize winning tickets of lotteries conducted by the Government.

1.1.2 The details of the tax revenue raised during the period 2009-10 to 2013-14 are given in **Table - 1.1.2**.

Table - 1.1.2
Details of Tax Revenue raised

Sl. No.	Head of revenue	(₹ in crore)											
		2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	0040 - Tax on sales, trade etc	12,733.94	12,770.89	15,125.69	15,833.11	19,427.90	18,938.83	23,450.52	22,511.09	28,456.62	24,885.25	21.35	10.55
2.	0030-Stamps and Registration fees	2,728.63	1,896.41	2,187.51	2,552.49	3,252.17	2,986.55	3,775.71	2,938.38	4,207.01	2,593.29	11.42	(-) 11.74
3.	0041 - Taxes on vehicles	958.63	1,131.10	1,301.88	1,331.37	1410.73	1,587.13	1,694.49	1,924.62	2,570.65	2,161.09	51.71	12.29
4.	0039 - State Excise	1,440.52	1,514.81	1,836.21	1,699.54	2,059.05	1,883.18	2,550.65	2,313.95	2,801.75	1,941.72	9.84	(-) 16.09
5.	0029 - Land Revenue	52.50	53.93	155.13	55.97	162.84	60.75	127.72	121.58	135.49	88.78	6.08	(-) 26.98
6.	0043 - Taxes and Duties on Electricity	47.24	24.78	64.40	20.71	29.31	21.28	250.00	24.71	284.15	42.25	13.66	70.98
7.	0022 - Taxes on Agricultural Income	8.52	27.73	12.00	46.97	14.49	42.86	15.98	18.92	23.99	21.55	50.13	13.90
8.	Others [†]	258.30	205.37	289.04	181.53	285.06	198.02	257.14	223.36	291.44	261.09	13.34	16.89
	Total	18,228.28	17,625.02	20,971.86	21,721.69	26,641.55	25,718.60	32,122.21	30,076.61	38,771.10	31,995.02	20.70	6.38

Source : Budget Estimates and Finance Accounts of the respective years.

The respective Departments reported the following reasons for variation. The data to back the reasons however has not furnished.

Tax on sales, trade etc.: There was increase in revenue receipts during the year as compared with the last year. The receipts showed a decrease when compared to budget estimates due to fall in collection from Kerala State Beverages Corporation, motor vehicles and rubber.

State Excise: The short fall in revenue over budget estimates was due to decrease in sale volume of liquor, beer, non issue of fresh FL-1 licences during the year. Though the actual collection during the year 2013-14 decreased drastically, the department failed to explain the reasons.

Stamp duty and Registration fees: The decrease in revenue during the year when compared to budget estimates and receipt of previous year was due to decrease in rate of stamp duty of exchange and conveyance deeds.

[†] Taxes on immovable property other than agricultural land, Luxury tax and Entertainment tax.

Taxes and duties on electricity: The increase in revenue receipts for 2013-14 over 2012-13 was due to revised inspection fee, increase in arrear collection and increase in electricity duty due to increase in electricity charge. Non-remittance of electricity duty and surcharge by Kerala State Electricity Board resulted in short fall of receipts than the budget estimate.

Taxes on agricultural income: There was increase in revenue over previous year. The receipts showed a shortfall when compared to budget estimates due to fall in collection from cardamom.

The other Departments despite being requested (June 2014) did not furnish the reasons for variations in receipts from that of the previous year (October 2014).

1.1.3 The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table - 1.1.3**.

Table - 1.1.3
Details of Non-Tax Revenue raised

Sl. No.	Head of revenue	₹ in crore)											
		2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	0075-Miscellaneous General Services 103 – State Lotteries	300.35	405.07	464.60	380.25	462.05	919.53	1,381.20	1,747.51	2,307.00 [‡]	2,280.15 [§]	67.03	30.48
2.	0406 – Forestry and Wild Life	227.80	272.80	360.11	274.10	330.12	220.52	321.26	237.33	328.83	329.95	2.36	39.03
3.	0202 – Education, Sports, Art and Culture	128.95	130.62	164.25	150.83	183.61	164.96	222.07	182.78	259.18	308.13	16.71	68.58
4.	Others**	629.23	824.73	1,095.35	934.40	1,306.25	923.96	1,092.08	1,104.63	1,333.56	1,141.26	22.11	3.32
	Total	1,286.33	1,633.22	2,084.31	1,739.58	2,282.03	2,228.97	3,016.61	3,272.25	4,228.57	4,059.49	40.18	24.06

Source: Budget estimates and Finance Accounts of the respective years

The Departments reported the following reasons for variation between the actual receipts over budget estimates for 2013-14 and also between receipts for 2013-14 over the receipts for 2012-13.

[‡] From gross receipts (budget estimates) of ₹ 3,000 crore, expenditure on prize winning tickets of lotteries (Budget estimate) of ₹ 693 crore has been deducted, but other expenditure like commission to agents (budget estimate - ₹ 809 crore), establishment expenses (budget estimates - ₹ 200 crore) have not been deducted.

[§] From gross receipts of ₹ 3,795.69 crore, expenditure of ₹ 1,515.54 crore on prize winning tickets has been deducted, but other expenditure like commission to agents (₹ 1,256.49 crore), establishment expenses (₹ 210.65 crore) etc. have not been deducted.

** Receipts from Interest receipts, Medical and Public Health, Crop Husbandry, Animal Husbandry, Public Works, Other Administrative Services, Police, Co-operation, Major Irrigation Projects, Judiciary, Jail, Stationery, etc.

State Lotteries: The increase in gross revenue receipts during the year over the gross budget estimates for 2013-14 and the gross receipts for 2012-13 was due to restoration of lotteries on daily draw.

Forestry and Wild Life: Increase in revenue receipts over previous year was due to increase in sale of timber and its price.

The other Departments despite being requested (June 2014) did not furnish the reasons for variations in receipts from that of the previous year (October 2014).

1.2 Analysis of arrears of revenue

As per the details furnished by the departments concerned, the arrears of revenue as on 31 March 2014 under nine principal heads amounted to ₹ 7,529.67 crore. The details of revenue pending collection for more than five years were furnished by five departments only which amounted to ₹ 414.97 crore. In the remaining four cases, the details were not furnished by the departments. The details are given in the **Table - 1.2**.

Table - 1.2
Arrears of revenue

(₹ in crore)				
Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2014	Amount outstanding for more than 5 years as on 31 March 2014	Replies of Departments
1	0040 - Tax on sales, trade etc	6,516.49	Not furnished	Not furnished by the Department
2	0029 - Land Revenue	299.43	Not furnished	Not furnished by the Department
3	0022 - Taxes on Agricultural Income	49.42	Not furnished	Not furnished by the Department
4	0406 - Forestry and Wild Life	278.96	165.75	The Department stated (August 2014) that steps to recover arrears of revenue have been taken against the defaulters through District Collectors concerned. To realise defaulted arrears of lease rent and other dues from departments and Public Sector Undertakings (PSUs), necessary action has been taken to realise the same through discussions at Government level. An amount of ₹ 0.67 crore is due from Government of India, ₹ 0.27 crore from other State Governments, ₹ 3.36 crore from PSUs of Government of India, ₹ 261.47 crore from PSUs of Government of Kerala and other States and ₹ 13.18 crore from individuals, private companies etc.
5	0039 - State Excise	187.86	187.86	The Department stated (July 2014) that it had taken revenue recovery action and introduced Amnesty Scheme for speedy recovery of arrears. The abkari arrears due are ₹ 0.53 lakh from PSUs of Government of Kerala, ₹ 187.33 crore from

(₹ in crore)				
Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2014	Amount outstanding for more than 5 years as on 31 March 2014	Replies of Departments
				individuals, private firms, private companies etc.
6	0055 - Police	151.43	51.53	The Department stated (June 2014) that the nature of arrear is cost of police guard and the arrears have been demanded and follow up action is being taken to realise the arrears. An amount of ₹ 68.12 crore is due from Government of India, ₹ 0.28 crore from other State Governments, ₹ 50.97 crore from PSUs of Government of India, ₹ 30.55 crore from PSUs of Government of Kerala and ₹ 1.52 crore from individuals, private firms, private companies etc.
7	0070-60-110- Fees for Government audit	30.48	Not furnished	The Local Fund Audit Department stated (July 2014) that to realise the arrears from various auditee institutions, proposals have been submitted to Government, strict instructions have been sent to the auditee institutions to remit the pending audit charge and demand notices are being sent to them. The arrears of revenue pending collection towards audit charge are ₹ 14.27 crore from universities, ₹ 1.47 crore from Devaswoms, ₹ 0.78 crore from temples and ₹ 13.97 crore from miscellaneous and other institutions.
5	0058 - Stationery and printing	14.97	9.66	The Department stated (July 2014) that the defaulters are being reminded regularly to remit the arrears. The amounts due are ₹ 0.16 crore from Government of India, ₹ 0.02 crore from PSUs of Government of India and ₹ 0.96 crore from Government of Kerala.
6	0853 - Non-Ferrous Mining and Metallurgical Industries	0.63	0.17	The Mining and Geology Department stated (June 2014) that the delay in collection of revenue was due to disputes regarding claims, court stays and Government stays. It has stated that steps are under way to redress the disputes and to vacate the stays. The arrears of revenue pending collection are ₹ 2.09 lakh from Co-operative Society, ₹ 25.92 lakh from PSUs of Government of Kerala and ₹ 35.10 lakh from individuals, private firms, private companies etc.
	Total	7,529.67	414.97	

No details have been furnished by other Departments (October 2014) despite being requested (June 2014).

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year 2013-14 furnished by the Commercial Taxes Department were as shown in **Table - 1.3**.

Table - 1.3
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2013-14	Total assessment cases due	No. of assessment cases assessed during 2013-14	Balance at the end of the year	Percentage of assessments done (col. 5 to 4)
1	2	3	4	5	6	7
0040 - Tax on sales, trade, etc.	7,042	6,206	13,248	8,197	5,051	61.87
0022 - Taxes on agricultural income	4,473	1,966	6,439	3,083	3,356	47.88

During the year 2013-14, the Commercial Taxes Department completed 61.87 *per cent* and 47.88 *per cent* of assessments on sales tax and agricultural income tax respectively.

The item wise details of arrears in assessments such as motor spirit tax, luxury tax, tax on works contracts etc. called for (September 2014) were not furnished by the Commercial Taxes Department (October 2014).

The details of arrears in assessment in respect of building tax and plantation tax called for (June 2014) from Revenue & Disaster Management Department were not furnished till date (October 2014).

1.4 Evasion of tax detected by the department

The details of cases of evasion of tax detected by the Excise Department, cases finalised and the demands of additional tax raised as reported by the Department are given in **Table - 1.4**.

Table - 1.4
Evasion of Tax

							(₹ in crore)
Sl. No.	Head of revenue	Cases pending as on 31 March 2013	Cases detected during 2013-14	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for realisation as on 31 March 2014
					Number of cases	Amount of demand	
1.	0039-State Excise	840	1	841	46	235.70	795

The Power Department stated (October 2014) that no case of evasion of tax was detected by the Department.

The details of cases of evasion of tax detected though called for by Audit (August 2014) have not been furnished by other departments (October 2014).

1.5 Pendency of Refund cases

The details of refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2013-14 as reported by the Excise Department are given in **Table - 1.5**.

Table - 1.5
Details of pendency of refund cases

		(₹ in crore)	
Sl. No.	Particulars	State Excise	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year 2013-14	7	2.79
2.	Claims received during the year	0	0
3.	No. of cases in which refunds made during the year	3	1.11
4.	Balance cases outstanding at the end of the year 2013-14	4	1.68

The details of refund cases called for from Commercial Taxes Department (August 2014) have not been furnished (October 2014).

1.6 Analysis of stay granted

The categorisation of arrears of revenue which were under various stages of collection revealed that the arrears pending collection as on 31 March 2014 included collections stayed by various authorities at various stages in respect of some principal heads of revenue as detailed in **Table - 1.6**.

Table - 1.6
Stages of stay granted

(₹ in crore)							
Sl. No.	Head of revenue	Total arrear amount	Stage wise details of stay			Total amount under stay	% of stay to total arrear
			Stay by Court	Stay by Government	Stay by Appellate Authorities		
1	0040-Tax on sales, trade etc.	6,516.49	1,251.27	221.46	1,671.11	3,143.84	48.24
2	0022-Taxes on Agricultural Income	49.42	15.90	17.83	5.59	39.32	79.56
3	0039-State Excise	187.86	12.58	0	0	12.58	6.70
4	0029-Land Revenue	299.43	47.16	39.63	12.69	99.48	33.23
	Total	7,053.20	1,326.91	278.92	1,689.39	3,295.22	46.72

The details though called for (September 2014), have not been furnished by other Departments (October 2014).

1.7 Response of the Government/departments to Audit

The Accountant General (E&RSA), Kerala, conducts periodical inspection of the Government Departments to test check the transactions and verifies the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with 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 AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

Inspection reports issued upto December 2013 disclosed that 23,324 paragraphs involving financial implication of ₹ 6,018.52 crore relating to 3,027 IRs were outstanding at the end of June 2014 as mentioned below with the corresponding figures for the preceding two years in **Table - 1.7**.

Table - 1.7
Details of pending Inspection Reports

	June 2012	June 2013	June 2014
Number of IRs pending for settlement	2,751	2,906	3,027
Number of outstanding audit observations	20,629	22,189	23,324
Amount of revenue involved (₹ in crore)	2,102.05	2,794.17	6,018.52

1.7.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in the **Table - 1.7.1**.

Table - 1.7.1
Department-wise details of IRs

(₹ in crore)					
Sl. No.	Name of the Departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Taxes	Tax on sales, trade, etc.	1,592	18,024	2,651.96
		Taxes on agricultural income	168	781	89.87
2.	Revenue and Disaster Management	Land revenue	352	1,511	1.98
3.	Transport	Taxes on vehicles	314	1,736	53.37
4.	Registration	Stamp duty and registration fees	353	706	9.74
5.	Excise	Excise duty	213	466	33.66
6.	Power	Taxes and duties on electricity	18	78	3,176.24
7.	Lotteries	Lotteries	17	22	1.70
Total			3,027	23,324	6,018.52

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs for 112 IRs issued during 2013-14. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

1.7.2 Departmental audit committee meetings

The Government has set up audit committees to monitor and expedite the progress of settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2013-14 and the paragraphs settled are mentioned in **Table - 1.7.2**.

Table - 1.7.2
Details of Departmental audit committee meetings

(₹ in crore)				
Head of revenue	Number of meetings held	No. of audit observations pending as on 31 March 2013	Number of paragraphs settled	Amount involved in settled paras
0041-Taxes on vehicles	5	1,540	317	4.08
0040-Tax on sales, trade etc.	1	18,246	215	3.76
0030-Stamps and registration fees	1	811	7	0.02
0029-Land Revenue	2	1,504	64	0.38
Total	9	22,101	603	8.24

The progress of settlement of paragraphs pertaining to the Commercial Taxes Department, Registration Department and Revenue and Disaster Management Department was negligible compared to the huge pendency of the local audit reports and paragraphs despite holding departmental audit committee meetings.

1.7.3 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue/Non-tax Revenue offices 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 the year 2013-14, as many as 5,653 assessment files, refunds, registers and other relevant records were not made available during audit of offices under Commercial Taxes Department. Break up of these cases are given in **Appendix I**.

In respect of other departments, no cases of non-production of records have been noticed.

1.7.4 Response of the Departments to the draft paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are sent by the Accountant General to the Principal Secretaries/Secretaries of the respective departments drawing their attention to audit findings and requesting their response within six weeks. The fact of non-receipt of the replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Ninty five draft paragraphs were sent to the Principal Secretaries/Secretaries of the respective departments by name between July and October 2014. The Principal Secretaries/Secretaries of the Department did not send replies to 80 draft paragraphs despite issue of reminders (October 2014) and the same have been included in this Report without the response of the Department. This is indicative

of lack of seriousness of State Government Departments towards Audit observations.

1.7.5 Follow up on the Audit Reports-summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. 204 paragraphs included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Kerala for the year ended 31 March 2008, 2009, 2010, 2011 and 2012 were placed before the State Legislative Assembly between 03 March 2009 and 19 March 2013. The action taken explanatory notes from the Departments concerned on these paragraphs were received late in respect of each of these Audit Reports. Action taken explanatory notes in respect of 32 paragraphs from four departments (Commercial Tax, Revenue and Disaster Management, Motor Vehicles, Excise) had not been received for the Audit Report for the year ended 31 March 2013 so far (October 2014).

The PACs discussed 123 paragraphs pertaining to the Audit Reports for the years from 2008 to 2012 and its recommendations on 119 paragraphs were incorporated in the Reports brought out during their respective tenure for the period 2008-16. However, ATN have not been received in respect of 75 recommendations of the PACs from the Departments concerned as mentioned in the **Table - 1.7.5**.

Table - 1.7.5

Year of PAC s*	Name of Department									Total
	Taxes	Excise	Transport	Land Revenue	Forest & Wildlife	Finance	Home	Education	Power	
2008-11	4	-	-	4	-	-	-	-	-	8
2011-14	14	1	12	12	-	-	-	-	2	41
2014-16	20	-	-	-	2	1	2	1	-	26
Total	38	1	12	16	2	1	2	1	2	75

* Year represent the tenure of the PAC

1.8 Status of the mechanism for dealing with the issues raised in audit

To appreciate the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs included in the Audit Reports of the last 10 years for one Department is analysed and included in this Audit Report.

The following two paragraphs discuss the performance of the Motor Vehicles Department under revenue head 0041- Taxes on vehicles and cases detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2003-04 to 2012-13.

1.8.1 Position of Inspection Reports

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2014 are tabulated below in **Table - 1.8.1**.

Table - 1.8.1
Position of Inspection Reports

(₹ in crore)													
Sl No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance		
		IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
1	2003-04	431	2,253	10.57	65	535	3.24	55	624	1.07	441	2,164	12.74
2	2004-05	441	2,164	12.74	66	646	2.69	251	1432	6.43	256	1,378	9.00
3	2005-06	256	1,378	9.00	64	513	2.72	42	470	0.40	278	1,421	11.32
4	2006-07	278	1,421	11.32	72	522	3.10	78	585	4.34	272	1,358	10.08
5	2007-08	272	1,358	10.08	61	505	2.11	34	503	1.32	299	1,360	10.87
6	2008-09	299	1,360	10.87	66	689	2.72	83	609	3.52	282	1,440	10.07
7	2009-10	282	1,440	10.07	64	656	9.84	97	904	3.44	249	1,192	16.47
8	2010-11	249	1,192	16.47	63	683	8.19	27	388	2.70	285	1,487	21.96
9	2011-12	285	1,487	21.96	64	674	14.34	58	526	2.87	291	1,635	33.43
10	2012-13	291	1,635	33.43	68	571	9.51	74	666	5.19	285	1,540	37.75

The Government arranges audit committee meetings between the Department and office of the Accountant General to settle the old paragraphs. As would be evident from the above table, against 431 outstanding IRs with 2253 paragraphs as on start of 2003-04, the number of outstanding IRs decreased to 285 with 1540 paragraphs at the end of 2012-13. This is indicative of the fact that appropriate steps were taken by the Department in this regard resulting in reduction of the old outstanding IRs and paragraphs.

1.8.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table - 1.8.2**.

Table - 1.8.2

(₹ in crore)							
Sl. No.	Year of Audit Report	Number of paragraphs included	Money value of paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03.2013
1	2003-04	5	9.31	5	9.31	0.04	0.04
2	2004-05	7	1.45	4	0.33	0.01	0.01
3	2005-06	3	0.28	1	0.02	-	-
4	2006-07	1	0.18	1	0.18	-	-
5	2007-08	1	0.70	1	0.70	-	0.20
6	2008-09	16	2.36	6	1.52	0.09	0.12
7	2009-10	8	362.78	1	0.14	-	0.04
8	2010-11	5	1.11	5	1.11	0.31	0.51
9	2011-12	5	1.78	5	1.78	0.03	0.14
10	2012-13	5	1.69	5	1.69	0.04	0.04

It is evident from the above table that the progress of recovery in accepted cases was slow throughout the last ten years. The recovery of accepted cases was to be pursued as arrears recoverable from the parties concerned. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government. Further, the arrear cases including accepted audit observations were not available with the office of the Commissioner, Motor Vehicles Department. In the absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases.

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

The draft performance reviews conducted by the Accountant General are forwarded to the Department concerned/Government for their information with a request to furnish their replies. These reviews are also discussed in an Exit Conference and the Department's/Government's views are included while finalising the reviews for the Audit Reports.

The details of reviews on the Departments of Commercial Taxes, Excise and Transport featured in the Reports for the last five years along with recommendations and their status are given in **Appendix II**.

1.10 Audit planning

The unit offices under various departments were 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 was prepared on the

basis of risk analysis which *inter-alia* include critical issues in government revenue, tax administration i.e. budget speech, white paper on finances, reports of the Finance Commission (State and Central), recommendation of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during the past five years etc.

During the year 2013-14, there were 840 audit units, of which 432 units were planned and 414 units had been audited, which is 49.29 *per cent* of the total audit units. Due to diversion of large number of staff to election duty and resultant shortage of staff, 18 planned units could not be audited.

1.11 Results of audit

Position of local audit conducted during the year

Test check of the records of 403 units^{††} of Sales Tax/Value Added Tax, State Excise, Motor Vehicles and other Departmental offices conducted during the year 2013-14 showed under-assessment/short levy/loss of revenue aggregating ₹ 484.91 crore in 2,481 cases. During the course of the year, the Departments concerned accepted under-assessment and other deficiencies of ₹ 18.26 crore involved in 277 cases which were pointed out in audit during 2013-14. The Departments collected ₹ 17.82 crore in 922 cases during 2013-14, pertaining to the audit findings of previous year.

1.12 Coverage of this Report

The Report contains 30 Paragraphs involving financial effect of ₹ 98.13 crore. The Department/Government have accepted audit observations involving ₹ 27.33 crore out of which ₹ 0.98 crore had been recovered. The replies in the remaining cases have not been received (October 2014). These are discussed in succeeding Chapters II to VII.

^{††} In the case of remaining 11 units, IRs were issued during the year 2014-15.