

## EXECUTIVE SUMMARY

<b>What we have highlighted in this chapter</b>	<p>In this Chapter we present the trend of Revenue Receipts of the State Government, variations between budget estimates and actual receipts, response of the Government/Departments towards Audit, position of the Departmental Audit Committee Meetings, position of compliance made by the Government to the earlier Audit Reports, action taken by the Government/ Departments to deal with the issues raised by Audit, position of outstanding paragraphs in Inspection Reports (IRs), action taken by the Government on the recommendations made in various Audits of State Excise Department included in previous Audit Reports and impact of audit.</p>
<b>Trend of revenue receipts of State Government</b>	<p>The revenue receipts of the Government of Uttar Pradesh comprises of tax and non-tax revenue raised by the State Government, the State's share of net proceeds of divisible Union taxes and duties assigned to State and Grants-in-aid received from the Government of India.</p> <p>During the year 2012-13, the revenue raised by the State Government was ₹ 71,068.34 crore which was 49 <i>per cent</i> of total revenue receipts. The balance 51 <i>per cent</i> of receipts of ₹ 74,835.65 crore during 2012-13 were from the Government of India.</p>
<b>Non compliance of observations included in Inspection Reports (IRs)</b>	<p>Inspection Reports issued upto December 2012 disclosed that 30,694 paragraphs relating to 10,808 IRs involving ₹ 6,305.36 crore remained outstanding at the end of June 2013 for want of compliances.</p> <p>The first reply required to be received from the Head of Offices within one month from the date of issue of the IRs were not received (30 June 2013) for 1,147 IRs issued upto March 2013. This pendency of the IRs due to non-receipt of replies is indicative of the fact that the Heads of Offices and Heads of Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the Accountant General in the IRs.</p>
<b>Very low recovery of the amount pointed out in earlier Audit Reports</b>	<p>In respect of Audit Reports pertaining to the years 2007-08 to 2011-12, the Government/Departments accepted audit observations involving ₹ 1,437.76 crore, of which only ₹ 36.19 crore (2.52 <i>per cent</i>) was recovered till 31 December 2013.</p>

**Departmental audit committee meetings (ACM)**

We noticed that during the year 2012-13 only three Departments<sup>1</sup> had convened 61 Audit Committee Meetings (ACMs) wherein 300 paragraphs involving money value of ₹ 1.46 crore were settled, while other Departments did not take any initiative to hold ACMs.

It is recommended that Government may ensure convening of periodical ACMs by all the Departments for effective and expeditious settlement of outstanding paragraphs.

**Our conclusion**

Audit observations involving financial effect of ₹ 2045.28 crore were issued during the year 2012-13. The Government/Departments have accepted observation involving ₹ 3.35 crore in 496 cases and recovered ₹ 1.24 crore in 359 cases.

The amounts outstanding as arrears of revenue for more than five years were 60.70 *per cent* of the total arrears. Government may make efforts to ensure speedy recovery of the arrears.

Government may take suitable steps to introduce an effective procedure for prompt and appropriate response to audit observations as well as taking action against the officials for inaction to send the replies to the IRs/paragraphs as per the prescribed time schedule and also for not taking action to recover outstanding revenue in a time bound manner.

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<sup>1</sup> Commercial Tax, Stamps and Registration and State Excise Department.

## CHAPTER-I GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Uttar Pradesh during the year 2012-13, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in the table no. 1.1:

**Table No. 1.1**

(₹ in crore)						
Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
<b>1.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	28,658.97	33,877.60	41,355.00	52,613.43	58,098.36
	• Non-tax revenue	6,766.55	13,601.09	11,176.21	10,145.30	12,969.98
	<b>Total</b>	<b>35,425.52</b>	<b>47,478.69</b>	<b>52,531.21</b>	<b>62,758.73</b>	<b>71,068.34</b>
<b>2.</b>	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes	30,905.72	31,796.67	43,218.90	50,350.95	57,497.86 <sup>2</sup>
	• Grants-in-aid	11,499.49	17,145.59	15,433.65	17,760.02	17,337.79
	<b>Total</b>	<b>42,405.21</b>	<b>48,942.26</b>	<b>58,652.55</b>	<b>68,110.97</b>	<b>74,835.65</b>
<b>3.</b>	<b>Total revenue receipts of the Government (1 and 2)</b>	<b>77,830.73</b>	<b>96,420.95</b>	<b>1,11,183.76</b>	<b>1,30,869.70</b>	<b>1,45,903.99</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>46</b>	<b>49</b>	<b>47</b>	<b>48</b>	<b>49</b>

Source: Finance Accounts of the Government of Uttar Pradesh.

The above table indicates that during the year 2012-13, the revenue raised by the State Government was 49 per cent of the total revenue receipts (₹ 1,45,903.99 crore) against 48 per cent in the preceding year. The balance 51 per cent of receipts were from the Government of India.

**1.1.2** The table no. 1.2 presents the details of tax revenue raised during the period 2008-09 to 2012-13:

**Table No. 1.2**

(₹ in crore)								
Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Increase or decrease (-) in 2012-13 over 2011-12	Percentage of increase or decrease over 2011-12
1.	Taxes on sales, trade etc. (0040)	17,482.05	20,825.18	24,836.52	33,107.34	34,870.16	1,762.82	05.32
2.	State Excise (0039)	4,720.01	5,666.06	6,723.49	8,139.20	9,782.49	1,643.29	20.19
3.	Stamps and Registration Fees (0030)	4,138.27	4,562.23	5,974.66	7,694.40	8,742.17	1,047.77	13.62
4.	Taxes on Vehicles (0041)	1,124.66	1,403.50	1,816.89	2,375.86	2,992.92	617.06	25.97
5.	Taxes on Goods and Passengers (0042)	266.49	271.05	241.69	4.81	1.04	(-) 3.77	(-) 78.38
6.	Taxes and Duties on Electricity (0043)	216.72	272.16	357.00	458.20	484.91	26.71	05.83
7.	Land Revenue (0029)	549.28	663.14	1,134.16	490.68	804.64	313.96	63.98
8.	Other taxes and duties on commodities and services (0045)	140.58	193.34	245.15	312.46	385.08	72.62	23.24
9.	Hotel Receipts (0023)	20.91	20.94	25.44	30.46	34.95	4.49	14.74
	<b>Total</b>	<b>28,658.97</b>	<b>33,877.60</b>	<b>41,355.00</b>	<b>52,613.41</b>	<b>58,098.36</b>	<b>5,484.95</b>	<b>10.43</b>

Source: Finance Accounts of the Government of Uttar Pradesh.

<sup>2</sup> For details, please see Statement No. 11 - detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2011-12. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - Share of net proceeds assigned to States booked in the Finance Accounts under 'A - Tax revenue' have been excluded from revenue raised by the State and included in 'State's share of divisible Union taxes' in this statement.

Reasons for variations have not been received (December 2013) despite request (September 2013).

**1.1.3:** The table no. 1.3 presents the details of the non-tax revenue raised during the period 2008-09 to 2012-13:

**Table No. 1.3**

(₹ in crore)								
Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Increase or decrease (-) in 2012-13 over 2011-12	Percentage of increase or decrease over 2011-12
1.	Misc. general services (0075)	1,698.79	8,075.13	5,120.67	4,035.23	4,494.11	458.88	11.37
2.	Interest receipts (0049)	963.87	603.66	689.32	789.22	1,186.41	397.19	50.33
3.	Forestry and wild life (0406)	271.92	271.29	280.34	285.88	332.08	46.20	16.16
4.	Non-ferrous mining and metallurgical industries (0853)	427.31	604.97	653.39	593.28	722.13	128.85	21.72
5.	Co-operation (0425)	26.46	16.39	9.38	9.78	11.99	2.21	22.60
6.	Miscellaneous <sup>3</sup>	2,499.74	3,203.40	3,711.37	3,484.40	5,535.76	2,051.36	58.87
7.	Others <sup>4</sup>	878.46	826.25	711.74	947.51	687.50	(-)260.01	(-) 27.44
	<b>Total</b>	<b>6,766.55</b>	<b>13,601.09</b>	<b>11,176.21</b>	<b>10,145.30</b>	<b>12,969.98</b>	<b>2,824.68</b>	<b>27.84</b>

Source: Finance Accounts of the Government of Uttar Pradesh.

Reasons for variations have not been received (December 2013) despite request (September 2013).

## 1.2 Variations between budget estimates and actual receipts

Variations between budget estimates (BEs) and actual receipts for the year 2012-13 in respect of Major Heads of tax and non-tax revenue are mentioned in the table no. 1.4:

**Table No. 1.4**

(₹ in crore)					
Sl. No.	Head of Revenue	Budget estimates	Actual receipts	Variation Excess (+) or Shortage (-)	Variation percentage
<b>A. Tax Revenue</b>					
1.	Tax on sales, trade etc. (0040)	38,492.18	34,870.16	(-) 3,622.02	(-)9.41
2.	State Excise (0039)	10,068.28	9,782.49	(-) 285.79	(-) 2.84
3.	Stamps and Registration Fees (0030)	9,308.00	8,742.17	(-) 565.83	(-) 6.08
4.	Taxes on Vehicles, Goods and Passengers (0041) & (0042)	3,093.90	2,993.96	(-) 99.94	(-) 3.23
5.	Taxes and Duties on Electricity (0043)	411.00	484.91	73.91	17.98
6.	Land Revenue (0029)	299.96	804.64	504.68	168.25
7.	Other taxes and duties on commodities and services (0045)	348.34	385.08	36.74	10.55
8.	Hotel Receipts (0023)	35.38	34.95	(-) 0.43	(-) 01.22
<b>B. Non-Tax Revenue</b>					
9.	Misc. General Services (0075)	3,264.23	4,494.11	1,229.88	37.68
10.	Interest receipts (0049)	924.36	1,186.42	262.06	28.35
11.	Forestry and wild life (0406)	353.93	332.08	(-) 21.85	(-) 6.17
12.	Non-ferrous mining and metallurgical industries (0853)	954.00	722.13	(-) 231.87	(-) 24.31
13.	Co-operation (0425)	11.25	11.99	0.74	06.58

<sup>3</sup> Miscellaneous include receipts from following:  
Medium Irrigation, Minor Irrigation, Education, Sports, Art and Culture, Other administrative services, Police, Crop husbandry, Social Security and Welfare, Medical and Public Health, Road and Bridges, Public Works etc.

<sup>4</sup> Others include receipts from following:  
Other Fiscal Services, Dividends and Profits, Public Service Commission, Stationery and Printing, Family Welfare, Water Supply and Sanitation, Housing, Urban Development, Information and Publicity, Labour and Employment etc.

It can be seen from the above table that variations between BEs and actuals ranged between (-) 24.31 per cent and 168.25 per cent.

Reasons for variations have not been received (December 2013) despite request (September 2013).

### 1.3 Cost of collection of major revenue receipts

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during 2012-13 along with All India Percentage of expenditure on collection in 2011-12 are mentioned in the table no. 1.5:

Table No. 1.5

(₹ in crore)				
Head of revenue	Gross collection	Expenditure on collection	Percentage of expenditure to collection	All India average percentage of collection of 2011-12
Tax on sales, trade etc.	34,870.16	430.31	1.23	0.83
State Excise	9,782.49	116.88	1.19	2.98
Stamps and Registration Fees	8,742.17	237.57	2.72	1.89
Taxes on Vehicles, Goods and Passengers	2,993.96	95.45	3.19	2.96

Source: Finance Accounts of the Government of Uttar Pradesh.

The above table indicates that the percentage of expenditure on collection was higher than all India average percentage collection of preceding year under the heads of revenue 'Tax on sales, trade etc., Stamps and Registration Fee and Taxes on Vehicles, Goods and Passengers.' The Departments need to look into the matter and take steps to reduce the higher cost of collection. However, we appreciate that the cost of collection was below the all India average percentage of preceding year under the heads of revenue 'State Excise'.

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

The arrears of some principal heads of revenue as on 31 March 2013 as reported by the Departments<sup>5</sup> amounted to ₹ 23,573.67 crore of which ₹ 14,310.37 crore was outstanding for more than five years are shown in the table no. 1.6:

Table No. 1.6

(₹ in crore)			
Sl. No.	Head of Revenue	Arrears upto 31 March 2013	Arrears more than five years old upto 31 March 2013
1.	Tax on sales, trade etc.	22,850.53	14,256.01
2.	State Excise	54.06	48.51
3.	Stamps and Registration Fees	586.67	Not available
4.	Taxes on Vehicles	53.83	Not available
5.	Entertainment Tax	28.58	5.85
	<b>Total</b>	<b>23,573.67</b>	<b>14,310.37</b>

The details of arrears outstanding for more than five years were not available with Stamps and Registration Department and Transport Department.

<sup>5</sup> Commercial Tax, State Excise, Stamps and Registration, Transport and Entertainment Tax Department.

The amounts outstanding as arrears of revenue for more than five years were 60.70 per cent of the total arrears.

**We recommend that the State Government may make efforts to ensure the recovery of the outstanding amounts at the earliest.**

### 1.5 Arrears in assessment/scrutiny

As per sub Section 3 of Section 29 of UP Value Added Tax Act, the time limit for assessment has been prescribed for three years from the end of any assessment year.

The details of assessments relating to Commercial Tax Department for the year ending 31 March 2013 as intimated by the Department are mentioned in the table no. 1.7:

Table No. 1.7

Number of assessment cases pending at the beginning of the year 2012-13	Number of cases which became due for assessment during the year	Number of cases disposed during the year	Number of cases pending at the end of the year 2012-13
1,84,052	4,58,225	4,95,505	1,46,772

The Department needs to complete the pending assessment cases within the prescribed time limit.

### 1.6 Response of the Departments/Government towards Audit

The Accountant General (E&RSA), Uttar Pradesh (AG) 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 Office 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 Department and the Government.

#### 1.6.1 Outstanding Inspection Reports and audit observations

We reviewed the IRs issued upto December 2012 and found that 30,694 paragraphs involving ₹ 6,305.36 crore relating to 10,808 IRs remained outstanding at the end of June 2013, as mentioned in the table no. 1.8 along with the corresponding figures for the preceding two years:

Table No. 1.8

Sl. No.	Description	June 2011	June 2012	June 2013
1.	Number of inspection reports pending settlement	10,349	11,538	10,808
2.	Number of outstanding audit observations	25,501	28,455	30,694
3.	Amount of revenue involved (₹ in crore)	4,445.39	5,234.12	6,305.36

Age-wise breakup of the outstanding paragraphs and IRs at the end of June 2013 is mentioned in table no. 1.9:

Table No. 1.9

Sl. No.	Description	Up to 10 years old	11 to 20 years old	Above 20 years old	Total
1.	Number of inspection reports pending settlement	6,751	2,945	1,112	10,808
2.	Number of outstanding audit observations	22,986	5,951	1,757	30,694
3.	Amount of revenue involved (₹ in crore)	5,399.73	862.10	43.53	6,305.36

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2013 and the amounts involved are mentioned in the table no. 1.10:

Table No. 1.10

Sl. No.	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Amount of revenue involved (₹ in crore)	Year to which the observations relate
1.	Tax on sales, trade etc. including Entry Tax	4,854	16,796	2,582.71	1984-85 to 2012-13
2.	State Excise	1,169	2,315	335.17	1984-85 to 2012-13
3.	Taxes on Vehicles	1,066	3,871	805.30	1984-85 to 2012-13
4.	Stamps and Registration Fees	2,803	5,445	332.23	1984-85 to 2012-13
5.	Electricity Duty	177	222	171.89	1988-89 to 2012-13
6.	Entertainment Tax	162	272	12.65	1997-98 to 2012-13
7.	Forestry and Wild life	515	1,406	1,590.92	2003-04 to 2012-13
8.	Non-ferrous mining and metallurgical industries	62	367	474.49	2010-11 to 2012-13
<b>Total</b>		<b>10,808</b>	<b>30,694</b>	<b>6,305.36</b>	

### 1.6.2 Compliance to audit observations

The first reply required to be received from the Heads of offices within one month from the date of issue of IRs were not received for 1,147 IRs issued upto March 2013. This pendency of IRs is indicative of the fact that the Heads of Offices/Departments did not initiate action to rectify the lapses, omissions and irregularities pointed out by the AG in IRs.

**We recommend that the Government may take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as initiate action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules and/or recover outstanding demand in a time bound manner.**

### 1.7 Departmental audit committee meetings

The Government sets up audit committees during various periods to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the Audit Committee Meetings held during the year 2012-13 and the paragraphs settled are mentioned in the table no. 1.11:

**Table No. 1.11**

Name of Department	Number of meetings held	Number of paragraphs settled	Amount (₹ in crore)	Period of the IRs in respect of paragraphs settled
Commercial Tax	32	262	0.88	1995-96 to 2012-13
Stamps and Registration	24	06	0.02	2010-11
State Excise	05	32	0.56	1996-97, 1998-99 to 2002-03 and 2009-10 to 2012-13
<b>Total</b>	<b>61</b>	<b>300</b>	<b>1.46</b>	

Audit will like to appreciate the efforts made by State Government in convening a sizable number of audit committee meetings.

In addition to Audit Committee Meetings, 552 paragraphs of ₹ 11.12 crore were settled during the year 2012-13 through spot discussions and replies received from the Departments as detailed in table no. 1.12:

**Table No. 1.12**

Name of Department	Number of paragraphs settled	Amount (₹ in crore)
Commercial Tax	426	4.79
Stamps and Registration	30	0.24
State Excise	73	5.32
Transport	05	0.13
Land Revenue	07	0.44
Geology and Mining	02	0.19
Entertainment Tax	09	0.01
<b>Total</b>	<b>552</b>	<b>11.12</b>

In order to expedite clearance of outstanding audit observations, it is necessary that Audit Committees should meet regularly and ensure appropriate action on all audit observations leading to their settlement.

### **1.8 Response of the Departments to the draft audit paragraphs**

The Department of Finance issued directions to all the Departments to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. We forward the draft paragraphs to the Secretaries of the concerned Departments through demi-official letters by the AG, drawing their attention to the audit findings and requesting them to send their response within six weeks. In case of non-receipt of replies from the Departments the fact is invariably indicated at the end of each paragraph included in the Audit Report.

Fifty five draft paragraphs and one review (clubbed into 48 paragraphs and one review included in this Report) were forwarded to the Secretaries of the Departments concerned in July 2013 through demi-official letters. The Secretaries of the Departments concerned sent replies for one review and 53 draft paragraphs. Replies of two draft paragraphs of Commercial Tax Department have not been received so far (December 2013).



## 1.9 Follow-up on Audit Reports - summarised position

To ensure accountability of the executive in respect of all the issues dealt in the various Audit Reports (ARs), the Department of Finance issued instructions in June 1987 to initiate *suo moto* action on all paragraphs/reviews featured in the Audit Reports irrespective of whether the cases were taken up for examination by the Public Accounts Committee (PAC) or not. Out of 169 paragraphs/reviews included in Audit Reports relating to the period 2007-08 to 2011-2012 which have already been laid before the State Legislature, explanatory notes (ENs) in respect of 87 paragraphs/reviews were not received in our office as on November 2013. The outstanding ENs dating back to 2007 are as mentioned in the table no. 1.13:

Table No. 1.13

Year of Report	Date of presentation of Audit Report to the legislature	No. of paragraphs/reviews included in the Audit Reports	No. of paragraphs/reviews on which ENs have been received from the Departments	No. of paragraphs/reviews on which ENs have not been received from the Departments
2007-08	17 February 2009	16	14	2
2008-09	28 January 2010	13	9	4
2008-09 (Stand Alone Report on State Excise)	5 August 2011	29	29	0
2009-10	8 August 2011	20	13	07
2010-11	30 May 2012	35	17	18
2011-12	16 September 2013	56	0	56
<b>Total</b>		<b>169</b>	<b>82</b>	<b>87</b>

There are specific provisions regarding Action Taken Note/Report (ATN/ATR) that it should be intimated within six months of the PAC meetings. However, no ATNs/ATRs have been intimated by the Department so far.

## 1.10 Analysis of the mechanism for dealing with the issues raised by Audit in State Excise Department

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last five years in respect of **State Excise Department** has been evaluated and included in this Audit Report.

The succeeding paragraphs 1.10.1 to 1.10.2 discuss the performance of the State Excise Department in dealing with the cases detected in the course of local audit conducted during the last six years and also the cases included in the Audit Reports for the years 2007-08 to 2011-12.

### 1.10.1 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last six years, paragraphs included in these reports and their status as on March 2013 are mentioned in the table no. 1.14:

Table No. 1.14

(₹ in crore)

Year	Opening balance			Addition 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
2007-08	773	1,135	399.21	65	90	49.16	68	92	42.90	770	1,133	405.47
2008-09	770	1,133	405.47	69	111	14.98	45	72	10.73	794	1,172	409.72
2009-10	794	1,172	409.72	87	190	26.51	45	69	12.99	836	1,293	423.24
2010-11	836	1,293	423.24	79	171	119.00	55	112	4.21	860	1,352	538.03
2011-12	860	1,352	538.03	190	567	246.02	35	74	17.27	1,015	1,845	766.78
2012-13	1,015	1,845	766.78	120	320	47.83	11	49	1.04	1,124	2,116	813.57

During the years 2008-09 to 2012-13, 371 paragraphs involving money value ₹ 49.99 crore were settled in 19 Audit committee meetings.

## 1.10.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

### 1.10.2.1 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 in the table no. 1.15:

Table No. 1.15

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered (up to 31.12.2013)
2007-08	2	1.26	01	0.76	0.26
2008-09	29	1,344.56	09	4.24	3.93
2009-10	03	1.44	0	0	0
2010-11	11	1.03	05	3.04	0.52
2011-12	08	12.08	02	0.49	0.12
<b>Total</b>	<b>53</b>	<b>1,360.37</b>	<b>17</b>	<b>8.53</b>	<b>4.83</b>

The foregoing table shows that the acceptance of the paragraphs is very low. The amount of recovery of accepted paragraphs is only 57 per cent.

**We recommend that the Department ensure that it recovers at least the amounts involved in the accepted paragraphs.**

## 1.11 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* include critical issues in Government revenues and tax administration i.e. budget speech, White Paper on State finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years etc.

During the year 2012-13, the audit universe comprised of 2,581 auditable units, of which 1,285 units were audited. The details are shown in the table no. 1.16:

Table No. 1.16

Sl. No.	Name of Department	Total number of auditable units	Total number of audited units
1.	Commercial Tax	1,643	616
2.	State Excise	296	148
3.	Transport	72	72
4.	Entertainment tax	72	24
5.	Stamps and Registration	425	352
6.	Geology and Mining	73	73
<b>Total</b>		<b>2,581</b>	<b>1,285</b>

While planning units under high risk had been given preference over medium and low risk units for audit.

Besides the compliance audit mentioned above, a review of “**Working of Enforcement Wing in Commercial Tax Department**” has also been attempted.

## 1.12 Impact of audit

### 1.12.1 Status of compliance of Audit Reports (2007-08 to 2011-12)

In our Audit Reports for the years 2007-08 to 2011-12, cases of underassessment, non/short levy of taxes, loss of revenue, failure to raise demands, etc. involving ₹ 3,517.44 crore were reported. As of November 2013, the Departments concerned have accepted observations of ₹ 1,437.76 crore and recovered ₹ 36.19 crore. Audit Report-wise details of cases accepted and recovered are mentioned in the table no. 1.17:

Table No. 1.17

Year of Audit Report	Total money value	Accepted money value	Recovery made (up to 31.12.2013)
2007-08	1,035.85	927.83	12.83
2008-09	109.07	12.23	2.28
2008-09 (Stand Alone Report on State Excise)	1,344.56	4.24	3.93
2009-10	69.51	8.77	3.18
2010-11	100.50	46.28	11.37
2011-12	857.95	438.41	2.60
<b>Total</b>	<b>3,517.44</b>	<b>1,437.76</b>	<b>36.19</b>

The recovery in respect of the accepted cases is extremely low (2.52 per cent).

**The Government needs to take necessary steps for prompt recovery of the amounts involved, especially in the accepted cases.**

### 1.12.2 Status of compliance to outstanding Inspection Reports (2007-08 to 2011-12)

In our 5,492 Inspection Reports of 2007-08 to 2011-12, total number of 18,912 cases of underassessment, non/short levy of taxes, non-levy of penalties and other deficiencies involving ₹ 3,763.83 crore were reported. The Departments concerned accepted underassessments and other deficiencies of ₹ 31.25 crore involved in 2,501 cases. The Departments recovered ₹ 15.72 crore in 1,371 cases. Details of outstanding IRs are given in the table no. 1.18:

Table No. 1.18

(₹ in crore)

Sl. No.	Name of Department	Number of outstanding IRs	Number of outstanding audit observations	Amount of revenue involved	Accepted money value	Recovery made (up to 31.12.2013)
1.	Commercial Tax	2,578	11,022	2,084.95	17.93	2.48
2.	State Excise	1,169	2,315	335.17	2.65	2.65
3.	Transport	347	2,034	694.75	10.13	10.13
4.	Stamps and Registration	1,336	3,174	174.47	0.54	0.46
5.	Geology and Mining	62	367	474.49	0	0
<b>Total</b>		<b>5,492</b>	<b>18,912</b>	<b>3,763.83</b>	<b>31.25</b>	<b>15.72</b>

The recovery in respect of the accepted cases is low.

### 1.12.3 Status of compliance to Inspection Reports (2012-13)

Our test check of the records of 1,285 units relating to Tax in Sales, trade etc., State Excise, Taxes on Vehicles, Goods and Passengers, Stamps and Registration fees and Other Tax and Non Tax Receipts conducted during the year 2012-13 revealed cases of underassessment/short levy and other deficiencies aggregating ₹ 2045.28 crore in 6,373 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 3.35 crore in 496 cases and recovered ₹ 1.24 crore in 359 cases.

#### **This report**

This Report contains 49 paragraphs including one review of “**Working of Enforcement Wing in Commercial Tax Department**” relating to short/non-levy of tax, duty, interest and penalty etc., involving financial effect of ₹ 427.93 crore. The Departments/Government has accepted audit observations involving ₹ 103.91 crore out of which ₹ 2.05 crore has been recovered (December 2013).