



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended 31 March 2015**



Government of Chhattisgarh
Report No. 3 of the year 2015

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2015

(REVENUE SECTOR)

GOVERNMENT OF CHHATTISGARH

Report No. 3 of the year 2015

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2015 has been prepared for submission to the Governor of Chhattisgarh under Article 151 of the Constitution of India.

The Report contains significant findings of audit of Receipts and Expenditure of major Revenue earning Departments under the Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2014-15 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

This Report contains 20 paragraphs including two Performance Audits and one Long paragraph involving ₹ 51.65 crore relating to non/short levy of revenue, non-imposition of penalty, irregular/avoidable expenditure etc. Some of the major findings are mentioned below:

I. General

Total receipts of the Government of Chhattisgarh for the year 2014-15 were ₹ 37,988.01 crore. The revenue raised by the State Government amounted to ₹ 20,637.17 crore comprising tax revenue of ₹ 15,707.26 crore and non-tax revenue of ₹ 4,929.91 crore. The receipts from Government of India were ₹ 17,350.84 crore (States' share of divisible Union taxes: ₹ 8,363.03 crore and Grants-in-aid: ₹ 8,987.81 crore). Thus, the State Government's own contribution was 54 *per cent* of the total revenue.

(Paragraph 1.1)

The number of inspection reports (IRs) and paragraphs issued up to December 2014 but not settled by June 2015 stood at 2,811 and 11,073 respectively involving ₹ 7,132.64 crore. We are yet to receive even first replies for 112 IRs out of 147 IRs issued during 2014-15 though these were required to be furnished within one month of their receipt.

(Paragraph 1.6.1)

We conducted test check of the records relating to Commercial Taxes, State Excise, Stamp Duty and Registration, Land Revenue, Mining Receipts, Taxes on Vehicles, Forestry and Wildlife and Electricity Duty in 84 units during the year 2014-15 and observed under-assessment/short levy/loss of revenue aggregating ₹ 549.77 crore in 27,711 cases. The Departments concerned accepted under assessment and other deficiencies of ₹ 263.73 crore in 23,602 cases which were pointed out in audit during 2014-15.

(Paragraph 1.9)

II. Commercial Tax

Performance Audit on “**System of Assessment under Value Added Tax (VAT)**” indicated the following deficiencies:

- Survey of unregistered dealers under Section 57A of CGVAT Act to bring new dealers under tax net was not conducted during the period 2010-11 to 2014-15.

(Paragraph 2.2.8)

- Growth rate of revenue over previous year drastically reduced from 24 *per cent* to six *per cent* during the period 2011-12 to 2014-15 in spite of increase in number of registered dealers and increase in rate of tax.

(Paragraph 2.2.9)

- The Government extended the time limit for self-assessment by seven to 48 months for the years from 2008-09 to 2013-14. Similarly, time limit for assessment under other Sections was extended by 21 to 31 months for the years from 2008-09 to 2010-11. Such excessive extension in finalisation of assessment cases would result in huge backlog of cases for assessment.

(Paragraph 2.2.14)

- The Commissioner did not select cases for tax audit under Section 21 (3) of CGVAT Act for the years 2008-09 and 2009-10. Further, only 11.59, 3.94 and 0.6 *per cent* of the self-assessment cases were selected for tax audit for the years 2010-11, 2011-12 and 2012-13 respectively.

(Paragraph 2.2.15)

- The Department could not furnish information regarding closing stock of dealers whose registration was cancelled and reversal of ITR thereon. This indicated that there was no monitoring mechanism in cases of cancelled registration to ensure reversal recovery of ITR on closing stock.

(Paragraph 2.2.17)

- There was short levy of tax of ₹ 21.82 lakh due to wrong categorization of contract for composition of tax in case of four dealers in three offices.

(Paragraph 2.2.18)

- There was short levy of tax of ₹ 9.16 crore due to incorrect classification of goods and application of lower rate of tax in 26 cases out of 1430 test checked from 5951 dealers in 11 offices.

(Paragraph 2.2.19)

- There were irregularities regarding Input Tax Rebate (ITR) like irregular/non-admissible ITR, excess ITR of ₹ 44.89 lakh in six cases out of 874 test checked from 2766 dealers in six offices.

(Paragraph 2.2.20)

- The Assessing Officers incorrectly determined taxable turnover of ₹ 33.63 crore after taking into consideration the purchase price of material used in works contract, freight, profit etc. while in the light of Hon'ble Supreme court judgement and circular issued by the Government, the taxable turnover should be determined after deducting the expenses relating to the labour from the gross receipts. This resulted in short levy of VAT of ₹ 46.55 lakh.

(Paragraph 2.2.24)

- There was incorrect allowance of exemption against inter-state sale and stock transfer, transit sale and invalid form in case of 20 dealers out of 1282 test checked from 2147 dealers in 12 offices. This resulted in Non/Short levy of tax of ₹ 1.68 crore.

(Paragraph 2.2.25)

Application of incorrect rate of tax by the Assessing Officers (AOs) led to non/short levy of Value Added Tax (VAT) of ₹ 39.47 lakh.

(Paragraph 2.3.1)

The AO allowed Input Tax Rebate (ITR) in respect of whole quantity of coal purchased by the assessee without reducing the part used for generating tax free electricity sold within the State. This resulted in excess allowance of ITR amounting to ₹ 13.34 lakh.

(Paragraph 2.4)

The Assessing Officers short levied Central Sales Tax amounting to ₹ 45.45 lakh on interstate sale not supported by declaration.

(Paragraph 2.5)

Failure on the part of AOs to levy entry tax as per the rate mentioned in the schedules and notification resulted in short realisation of entry tax of ₹ 10.45 lakh.

(Paragraph 2.6)

III. Stamps and Registration fee

Misclassification of instruments by the Sub Registrar resulted in short levy of Stamp Duty and Registration Fee (SD & RF) amounting to ₹ 41.29 lakh.

(Paragraph 3.3)

Properties of more than one seller were clubbed in a single document resulted in undervaluation of property and consequent short realisation of SD & RF amounting to ₹ 27.35 lakh.

(Paragraph 3.4)

Properties situated on the main roads were valued as situated off roads resulting in short realisation of SD & RF amounting to ₹ 24.96 lakh.

(Paragraph 3.5)

Non adherence of provisions of guidelines in valuation of agricultural properties situated in municipal areas resulted in short realisation of SD & RF amounting to ₹ 17.42 lakh.

(Paragraph 3.6)

The SRs overlooked the facts mentioned in the instruments, applied incorrect rates and did not observe the provisions of guidelines which resulted in short realisation of SD & RF amounting to ₹ 16.91 lakh.

(Paragraph 3.7.1 and 3.7.2)

IV. Land Revenue

Non-levy of *Panchayat Cess* on premium and land rent levied on diversion of agricultural land in *gram panchayat* area resulted in non-realisation of ₹ 22.34 lakh.

(Paragraph 4.3)

Agricultural land purchased and mutated for industrial purposes was not diverted for industrial purposes resulted in non-realisation of land revenue amounting to ₹ 26 lakh.

(Paragraph 4.4)

V. Taxes on Vehicles

Long Paragraph on “**Non/Short realisation of tax from the owners of passenger and goods vehicles**” indicated the following deficiencies:

- The RTOs/ARTOs/DTOs did not maintain/update Demand and Recovery Register of tax and Register of Certificate of Registration.

(Paragraph 5.2.9)

- There was short realisation of tax of ₹ 2.25 crore for the period July 2011 to March 2015 from the owners of 133 passenger vehicles out of 2,583 registered passenger vehicles due to non-determination of seating capacity on the basis of wheel base, non-consideration of sleeper (berth) into two seats, allowance of concessional rate of tax to other than educational institution buses etc.

(Paragraph 5.2.10)

- Tax and penalty of ₹ 19.05 crore due for the period between April 2010 to February 2015 from 5,677 vehicle owners out of 1,61,380 registered vehicles pertaining to selected transport offices was neither paid by the owners nor demanded by the Department.

(Paragraph 5.2.11)

VI. Other Non-Tax Receipts

Departmental instructions regarding preparation of pure lots of timber for sale were not followed which resulted in delayed sale of timber and consequent loss of revenue amounting to ₹ 11.57 lakh.

(Paragraph 6.3.1)

During auction of timber lots, timber was sold below its non-commercial value resulting in loss of revenue amounting to ₹ 5.03 lakh.

(Paragraph 6.3.2)

The average annual royalty was calculated incorrectly for the purpose of registration of mining lease. This resulted in short realisation of Stamp Duty and Registration Fee (SD & RF) amounting to ₹ 6.92 crore.

(Paragraph 6.7)

Absence of provisions for payment of differential SD & RF chargeable due to change in extractable quantity of minor minerals resulted in non-realisation of SD & RF amounting to ₹ 14.29 lakh.

(Paragraph 6.8)

VII. Forestry and Wild life (Expenditure)

The Forest Department prepared project and executed teak plantation in the area already covered by forests resulting in doubtful expenditure of ₹ 1.11 crore.

(Paragraph 7.3)

The Forest Department did not adhere to the departmental norms while preparing the plants under MNREGA and prepared projects at higher rates resulting in excess expenditure of ₹ 57.14 lakh.

(Paragraph 7.4)

Non-observance of departmental norms while preparation of projects and execution of plantation works resulted in excess expenditure of ₹ 51.15 lakh besides plantation of lesser number of plants.

(Paragraph 7.5)

VIII. Information Technology Audit

‘e-challan’ is a web enabled software to facilitate capture of online payment made by the taxpayers who have an internet enabled online bank account. It was developed under the supervision of the Directorate of Treasury, Government of Chhattisgarh (GoCG) through National Informatics Centre (NIC), Raipur. The customized challan format wherein government receipts can be accepted through internet via banking gateway and sent to treasury for all Departments was approved by Government of Chhattisgarh vide Rule 64A and 64B of Chhattisgarh Treasury Code.

Performance Audit on “**Implementation of e-Challan**” indicated the following deficiencies:

- Monitoring committee was not formed for the management of the project of e-Challan during its implementation. No parallel run of the software was conducted to evaluate its performance.

(Paragraph 8.8)

- Even though the Department had prepared the System Requirement Specification (SRS) and User Requirement Specification (URS), these remained incomplete as it did not contain the business rules to be mapped, the work flow and the technical specifications required for the new computerised system. Further, the Department did not prepare any System Design Document (SDD).

(Paragraph 8.9)

- Input controls and validation checks were not adequately mapped in e-Challan software.

(Paragraph 8.10)

- There was delay ranging from 10 days to five months in accounting of money in the treasury with respect to the date of receipt in bank through e-challan. Due to lack of monitoring control at treasury level, delay in the accounting remained unnoticed.

(Paragraph 8.12)

- Failure to map business rules regarding enhanced rate of fee for allotment of choice registration number by the Transport Department in the Dealer Point Registration (DPR) software resulted in short realisation of revenue amounting to ₹ 3.56 crore.

(Paragraph 8.17)

- As per terms and conditions of the agreement between dealers of vehicles and Transport Department, the dealers of vehicles were required to deposit online the Government revenue under the relevant head on the day of receipt of tax and fee. However, the dealers deposited Government revenue after a delay ranging between two to 1488 days. Further, the dealers registered old vehicles through Dealer Point Registration though they were authorized to register only new vehicles.

(Paragraph 8.18 and 8.21)

- The Directorate of Treasury failed to integrate the e-challan data with the module of all the user Departments resulting in manual interventions at many stages. Moreover, use of different unconnected software in different departments led to depiction of false payment details, manipulation of challans etc.

(Paragraph 8.16 and 8.22)

- Integrity of master data was not maintained as multiple records of the same challan were present.

(Paragraph 8.23)

- The Commercial Tax Department failed to follow best practices in implementation of e-challan due to which completeness, accuracy and validity of e-challan details submitted by the dealer could not be verified.

(Paragraph 8.24)

- The Commercial Tax Department did not apply input and validation checks in COMTAX software to prevent entry of same challans for payment of different taxes. This resulted in use of same challans for payment of VAT and entry tax.

(Paragraph 8.27)

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Chhattisgarh during the year 2014-15, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table-1.1.1** herein below:

Table 1.1.1
Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Revenue raised by the State Government					
	• Tax Revenue	9,005.14	10,712.25	13,034.21	14,342.71	15,707.26
	• Non-tax Revenue	3,835.32	4,058.48	4,615.95	5,101.17	4,929.91
	Total	12,840.46	14,770.73	17,650.16	19,443.88	20,637.17
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	5,425.19	6,320.44	7,217.60	7,880.22	8,363.03 ¹
	• Grants-in-aid	4,453.89	4,776.21	4,710.33	4,726.16	8,987.81
	Total	9,879.08	11,096.65	11,927.93	12,606.38	17,350.84
3.	Total revenue receipts of the State Government (1 and 2)	22,719.54	25,867.38	29,578.09	32,050.26	37,988.01
4.	Percentage of 1 to 3	57	57	60	61	54

(Source: Finance Accounts of the Government of Chhattisgarh)

The above table indicates that during the year 2014-15, the revenue raised by the State Government (₹ 20,637.24 crore) was 54 per cent of the total revenue receipts. The balance 46 per cent of the receipts during 2014-15 was from the Government of India.

¹ For details, refer "tax revenue" of Statement 11, detailed accounts of revenue by minor heads of the Finance Accounts of the Government of Chhattisgarh 2014-15. The amount under the minor head 901- share of net proceeds assigned to the State booked 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 duty and 0044- Service tax under 'A-tax revenue' have been excluded from the 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 the tax revenue raised during the period 2010-11 to 2014-15 are given in **Table 1.1.2** herein below:

Table 1.1.2
Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Head of Revenue		2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase or decrease (-) in actual receipts in 2014-15 over 2013-14	Percentage of variation between actual receipts and budget estimates in 2014-15
1.	Taxes on sales, trade etc.	BE	4,524.13	6,000.00	7,310.20	8,436.00	9,800.00	6.29	(-) 13.99
		Actual	4,840.79	6,006.25	6,928.65	7,929.51	8,428.61		
2.	State Excise	BE	1,390.00	1,550.00	2,200.00	2,675.00	3,150.00	13.47	(-) 8.18
		Actual	1,506.44	1,596.98	2,485.68	2,549.15	2,892.45		
3.	Taxes and duties on electricity	BE	554.31	600.00	780.00	1,000.00	1,100.00	28.66	19.36
		Actual	502.53	637.97	860.75	1,020.44	1,312.93		
4.	Stamps Duty and Registration Fee	BE	650.35	875.00	950.00	1,150.00	1,250.00	3.34	(-) 18.13
		Actual	785.85	845.82	952.47	990.24	1,023.33		
5.	Taxes on goods and passengers	BE	6.16	700.00	950.00	1,192.00	1,335.00	3.85	(-) 26.45
		Actual	675.14	825.67	954.31	945.44	981.88		
6.	Taxes on vehicles	BE	410.00	475.00	605.71	731.38	800.00	8.05	(-) 12.07
		Actual	427.52	502.18	591.75	651.07	703.48		
7.	Land Revenue	BE	170.00	250.00	346.00	415.00	460.00	46.67	(-) 27.92
		Actual	247.37	270.56	234.11	226.06	331.56		
8.	Other tax receipts	BE	13.90	12.14	19.27	25.62	31.26	7.44	5.85
		Actual	19.50	26.82	26.49	30.80	33.09		
Total		BE	7,718.85	10,462.14	13,161.18	15,625.00	17,926.26	9.51	(-) 12.38
		Actual	9,005.14	10,712.25	13,034.21	14,342.71	15,707.33		

(Source: Finance Accounts of the Government of Chhattisgarh)

It may be seen from the above table that the tax revenue of the State increased in 2014-15 by 9.51 per cent over the receipts in 2013-14. However, as against the Budget estimates (BEs), there was shortfall of actual receipts of 12.38 per cent in 2014-15. The respective Departments reported the following reasons for variation:

(a) Reasons for variation of receipts of 2014-15 over the receipts of 2013-14:

State Excise: The increase (13.47 per cent) was due to increase in annual revenue of shops by 24.34 per cent and addition of process fee received in 2014-15 for auction of shops for 2015-16.

Taxes and duties on Electricity: The increase (28.66 per cent) was due to the receipt of arrears pertaining to the previous years.

Land Revenue: The increase (46.67 per cent) was due to regular recovery of revenue and arrears by the Collectors.

Reasons for variations in respect of other heads of revenue were not furnished by the departments concerned despite request (between April and September 2015).

(b) Reasons for variation of actual receipts from BEs during 2014-15:

Taxes on Sales, Trade etc.: The shortfall (13.99 *per cent*) was due to reduction in sale of petroleum, iron & steel and coal.

Taxes and duties on Electricity: The increase (19.36 *per cent*) was due to the receipt of arrears pertaining to the previous years.

Stamp Duty and Registration fee: The shortfall (18.13 *per cent*) was due to non-revision of targets by the Finance Department in accordance with the actual receipts of the first quarter of the year 2014-15.

Taxes on vehicles: The shortfall (12.07 *per cent*) was due to reduction in monthly tax by 25 to 30 *per cent* by the Government in September 2013.

Land Revenue: The shortfall (27.92 *per cent*) was due to involvement of staff in local bodies elections.

Reason for variation of receipt from BEs in respect of the Taxes on Goods and Passengers was not furnished by the Department concerned despite request (between April and September 2015).

1.1.3 The details of the non-tax revenue raised during the period 2010-11 to 2014-15 are indicated in **Table 1.1.3** herein below:

Table 1.1.3
Details of Non-tax revenue raised

(₹ in crore)

Sl. No.	Head of Revenue		2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase(+) or decrease (-) in actual receipts in 2014-15 over 2013-14	Percentage of variation between BEs and actual receipts in 2014-15
1.	Non-Ferrous Mining and Metallurgical industries	BE	2,150.00	2,700.00	3,105.00	3,510.00	4,100.00	10.40	(-) 12.86
		Actual	2,470.44	2,744.82	3,138.18	3,236.01	3,572.68		
2.	Other non-tax receipts	BE	832.62	852.07	624.54	1,048.86	819.72	(-) 42.58	(-) 48.88
		Actual	666.76	418.96	513.45	729.70	419.00		
3.	Forestry and wildlife	BE	400.00	400.00	405.00	450.00	520.00	(-) 14.09	(-) 32.94
		Actual	305.17	341.64	363.96	405.91	348.72		
4.	Interest receipt	BE	232.63	302.40	321.94	399.14	323.40	(-) 54.84	(-) 46.85
		Actual	170.95	216.57	243.13	380.64	171.89		
5.	Major and Medium irrigation	BE	285.40	282.71	391.46	426.11	421.50	19.79	0.92
		Actual	222.00	336.49	357.23	348.64	417.62		
Total		BE	3,900.65	4,537.18	4,847.94	5,834.11	6,184.62	(-) 3.36	(-) 20.29
		Actual	3,835.32	4,058.48	4,615.95	5,101.17	4,929.91		

(Source: Finance Accounts of the Government of Chhattisgarh)

It may be seen from the above table that the non-tax revenue of the State decreased marginally in 2014-15 by 3.36 *per cent* over the receipts in 2013-14.

However, as against the BEs, there was shortfall of 20.29 *per cent* in actual receipts in 2014-15.

The respective Departments reported the following reasons for variation:

(a) Reasons for variation of receipts of 2014-15 over the receipts of 2013-14:

Non-Ferrous mining and metallurgical industries: The increase (10.40 *per cent*) was due to increase in the rates of royalty of major minerals since September 2014.

Forestry and Wildlife: The decrease (14.09 *per cent*) was due to adjourning the timber auctions in Bilaspur and Surguja circles in the months of December 2014 and January 2015 on account of *Panchayat* and urban local bodies elections.

Major and medium irrigation: The increase (19.79 *per cent*) was due to payment of water taxes by more farmers in previous years and increase in the rates of water tax.

Reasons for variation in respect of 'Interest Receipts' were not furnished by the Department concerned despite request (between April and September 2015).

(b) Reasons for variation of receipts from BEs during 2014-15 :

Non-Ferrous mining and metallurgical industries: The shortfall against the BEs (12.86 *per cent*) was due to decrease in coal production, closure of some mines and deposition of royalty in advance in previous year for coal and iron ore produced this year.

Forestry and Wildlife: The shortfall against the BEs (32.94 *per cent*) was due to fixation of BEs on higher side by the Finance Department which was hard to achieve due to region specific reasons.

Reasons for variation in respect of 'Interest Receipts' and 'Major and Medium Irrigation' were not furnished by the departments concerned despite request (between April and September 2015).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 on some principal heads of revenue amounted to ₹ 1,177 crore of which ₹ 242.59 crore was outstanding for more than five years, as detailed in the **Table 1.2** herein below:

Table 1.2
Arrears of revenue

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2015	Amount outstanding for more than five years as on 31 March 2015	Reply of Department
1	Taxes on Sales, Trade etc.	770.73	198.98	Revenue Recovery Certificates have been issued in the cases involving ₹ 446.43 crore. Revenue amounting ₹ 248.87 crore, ₹ 43.32 crore and ₹ 11.14 crore have been stayed by the Government, High Court and judicial forums respectively. Revenue amounting to ₹ 1.38 crore is likely to be written-off due to insolvency of dealers. Further actions were being taken for recovery of remaining arrears.

2	Taxes and Duties on Electricity	313.18	12.39	Recovery of ₹ 182.37 crore was pending in courts under Revenue Recovery Certificate proceedings. For remaining amount, efforts were being made for recovery.
3	State Excise	28.42	20.86	Arrears were due to non-availability of movable/ immovable assets of defaulters in the Districts and stay orders of the court on recovery proceedings. Action was being taken to vacate the stay orders from the court. Recovery shall be made after that.
4	Land Revenue	30.06	2.99	Demand notices were being issued by the concerned Collectors for recovery.
5	Taxes on Vehicles	10.27	3.52	No reasons were furnished by the Department for non-recovery of arrears.
6	Stamps and Registration Fees	16.68	1.72	Recovery of arrears was being done in accordance with the demand notices issued by the District Registrars.
7	Forestry and Wild Life	6.75	1.22	Field offices had been issued letters for directing them to initiate the recovery of arrears in a planned manner.
8	Non-Ferrous Mining and Metallurgical Industries	0.91	0.91	Directions had been given to the Mining Officers to recover the arrears by conducting a special drive.
TOTAL		1,177.00	242.59	

(Source: Information furnished by the concerned Departments)

It may be seen from the above table that arrears of ₹ 1,177 crore were pending with the departmental authorities. Out of this, arrears amounting ₹ 242.59 crore were pending for more than five years and it was 20.61 per cent of the total outstanding amount and sincere efforts are required to be made to recover them.

1.3 Arrears in assessments

The details of cases pending at the beginning of the year 2014-15, cases becoming due for assessment, cases disposed off during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Tax Department in respect of VAT, Professional tax, Entry tax, Luxury tax and tax on works contracts is mentioned in **Table 1.3** herein below:

Table 1.3
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2014-15	Total assessments due	Cases disposed off during 2014-15	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Value Added Tax	46975	32204	79179	27880	51299	35.21
Professional Tax	13605	6371	19976	7390	12586	36.99
Entry Tax	19240	10236	29476	8382	21094	28.44
Luxury Tax	112	126	238	153	85	64.29
Tax on works contract	398	449	847	519	328	61.28
Total	80330	49386	129716	44324	85392	34.17

(Source: Information furnished by the Department)

It may be seen from the above table that at the end of the year 2014-15, only 34 per cent of the total assessment cases had been disposed off by the Department.

The Government may initiate timely action for expeditious disposal of the pending assessment cases to maximise the revenue.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected, cases finalised and the demands for additional tax raised as reported by the Commercial Tax Department are given in **Table 1.4**:

Table 1.4
Evasion of tax

(₹ in lakh)

Sl. No.	Head of Revenue	Cases pending as on 31 March 2014	Cases detected during 2014-15	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2015
					No. of cases	Amount of Demand	
1.	Taxes on Sales, Trade etc.	166	29	195	59	10851.31	136
Total		166	29	195	59	10851.31	136

(Source: Information furnished by the Department)

1.5 Pendency of refund cases

The number of refund cases pending at the beginning of the year 2014-15, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2014-15 as reported by the Commercial Tax Department is given in **Table 1.5** herein below:

Table 1.5
Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	Sales Tax/ VAT	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	17688	209.08
2.	Claims received during the year	3853	189.95
3.	Refunds made during the year	3266	162.32
4.	Balance outstanding at the end of the year	18275	236.71

(Source: Information furnished by the Department)

It may be seen from the above table that the refunds were allowed in only 15.16 per cent of the total refund cases.

Chhattisgarh VAT Act provides for payment of interest, at the rate of one per cent per month, if the excess amount is not refunded to the dealer within 60 days from the date of passing the order for refund and till the refund is made. Hence, the above delay in disposal of refund claims has the interest liability.

1.6 Response of the Government/ Departments towards Audit

The Accountant General (AG) (Audit), Chhattisgarh conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating the observations detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with the copies to the next higher authorities for taking prompt corrective action. The Heads of the Offices/ Government are required to comply promptly 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 IRs. Serious financial irregularities are reported to the Heads of the Department and the Government.

Analysis of inspection reports issued upto December 2014 revealed that 11,073 paragraphs involving ₹ 7,132.64 crore relating to 2,811 IRs remained outstanding at the end of June 2015 as mentioned below in **Table 1.6** alongwith the corresponding figures for the preceding two years.

Table 1.6
Details of pending Inspection Reports

	June 2013	June 2014	June 2015
Number of IRs pending for settlement	2,549	2,645	2,811
Number of outstanding audit observations	9,943	10,419	11,073
Amount of revenue involved (₹ in crore)	5,930.53	6,090.69	7,132.64

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2015 and the amounts involved are mentioned in the following **Table 1.6.1**:

Table 1.6.1
Department-wise details of IRs

(₹ in crore)

Sl. No.	Name of Department	Nature of receipt	Type of IRs	No. of outstanding IRs	No. of outstanding audit observations	Money value involved
1.	Commercial Tax	Taxes on Sales, Trade etc.	Rev.	428	2,680	377.91
			Exp.	10	26	5.42
2.	Commercial Tax (Excise)	State Excise	Rev.	133	370	371.32
		Entertainment tax	Rev.	72	116	3.95
		Excise and Ent. Tax	Exp.	13	24	0.40
3.	Commercial Tax (Registration)	Stamp Duty and Registration fee	Rev.	228	632	85.77
			Exp.	4	10	1.81
4.	Revenue	Land Revenue	Rev.	574	1,774	1,051.46
			Exp.	26	61	8.17
5.	Transport	Taxes on motor vehicles	Rev.	142	1,044	136.20
			Exp.	13	34	0.12
6.	Mineral resources	Non-ferrous mining and metallurgical industries	Rev.	140	485	835.84
			Exp.	07	07	0
7.	Forest	Forestry and Wildlife	Rev.	333	1,012	1,239.28
			Exp.	386	1,684	719.26
8.	Energy	Taxes on Electricity and duty	Rev.	13	62	1,644.41

9.	Other Tax Department	Other receipts	Rev.	288	1,042	651.19
			Exp.	01	10	0.13
Total				2,811	11073	7,132.64

Of the 147 IRs issued during 2014-15, Audit did not receive even the first replies from the heads of offices for 112 IRs (76per cent). This large pendency of the IRs due to non-receipt of the replies is indicative of the non-serious attitude of the Heads of Department towards audit observations.

1.6.2 Departmental Audit Committee Meetings

The Government sets up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. However, none of the Departments had framed audit committee during the year 2014-15 as per the provisions for settlement of IRs and Paragraphs.

1.6.3 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 to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2014-15 assessment files and records which were not made available to audit are given in **Table 1.6.3** herein below:

Table 1.6.3

Details of non-production of records

Name of the Office/Department	Year in which it was to be audited	Number of cases not audited
Commercial Tax	2014-15	AC I, Division II Raipur did not furnish one assessment file.
Land Revenue	2014-15	In the office of Collector, Mahasamund, records related to nazul wing were not produced.

Non-production of records seriously hamper audit in discharging the constitutional responsibility and deprives the State of additional revenue that may accrue due to audit.

1.6.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the AG to the Principal Secretaries/ Secretaries of the concerned Departments, drawing their attention to audit findings and requesting them to send 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.

Twenty six draft paragraphs clubbed into 20 paragraphs along with two Performance Audits and one Long Paragraph were sent to the Principal Secretaries/ Secretaries of the respective Departments between May and June 2015. The replies of the Principal Secretaries/ Secretaries of the Departments on the draft paragraphs have been appropriately incorporated and commented upon in this Report.

1.6.5 Follow up on the Audit Reports-summarised position

According to the instructions issued by the Finance Department, all Departments are required to furnish explanatory memoranda (Departmental Notes) to the Chhattisgarh Vidhan Sabha Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House. One hundred eighty two paragraphs (including performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Chhattisgarh for the years ended 31 March 2008, 2009, 2010,2011,2012, 2013 and 2014 were placed before the State Legislative Assembly between February 2009 and March 2015. Action taken explanatory notes in respect of thirty four paragraphs for the Audit Report for the year ended 31 March 2005 to 2014 had not been received from the departments concerned till 30 June 2015.

The PAC discussed 114 selected paragraphs pertaining to the Audit Reports for the years from 1999-00 to 2009-10 and its recommendations on 75 paragraphs were incorporated in their Reports of years 2003-04 to 2013-14. However, ATNs have not been received in respect of 23 recommendations of the PAC from the Departments concerned as mentioned in the Table 1.6.5 herein below:

Table 1.6.5
Details of non-receipt of ATNs in respect of recommendations

Year	Name of Department							Total
	Mining	Excise	Electricity	Transport	Commercial Tax	Registration	Forest	
1999-00	-	1	-	-	-	-	-	1
2000-01	-	-	-	-	-	1	-	1
2002-03	-	-	-	-	3	-	-	3
2004-05	1	-	-	-	-	-	1	2
2005-06	1	-	-	-	4	-	-	5
2006-07	1	-	-	1	1	-	-	3
2007-08	-	1	1	2	2	-	-	6
2008-09	-	1	-	-	-	-	-	1
2009-10	1	-	-	-	-	-	-	1
Total	4	3	1	3	10	1	1	23

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

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 performance audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the **Land Revenue Department** and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the year 2004-05 to 2013-14.

1.7.1 Position of Inspection Reports of Land Revenue Department

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 2015 are tabulated below in **Table-1.7.1**:

Table 1.7.1
Position of Inspection Reports

(₹ in crore)

Sl. No.	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
1	2005-06	450	1170	447.63	5	23	10.78	-	-	-	455	1193	458.41
2	2006-07	455	1193	458.41	7	32	20.86	-	-	-	462	1225	479.27
3	2007-08	462	1225	479.27	28	113	25.70	17	68	2.68	473	1270	502.29
4	2008-09	473	1270	502.29	33	128	58.02	22	72	194.86	484	1326	365.45
5	2009-10	484	1326	365.45	20	80	27.44	16	71	4.52	488	1335	388.37
6	2010-11	488	1335	388.37	25	110	13.30	9	35	21.73	504	1410	379.94
7	2011-12	504	1410	379.94	35	212	46.93	8	20	13.38	531	1602	413.49
8	2012-13	531	1602	413.49	19	97	15.00	6	43	5.67	544	1656	422.82
9	2013-14	544	1656	422.82	27	126	592.06	1	21	1.68	570	1761	1013.20
10	2014-15	570	1761	1013.20	6	26	47.61	-	4	22.01	576	1783	1038.80

The Government arranges Audit Committee Meetings between the Department and AG's office to settle the old paragraphs. As it would be evident from the above table, against 455 outstanding IRs with 1,193 paragraphs as on 2005-06, the number of outstanding IRs increased to 576 with 1,783 paragraphs at the end of 2014-15. No ACM was conducted for Land Revenue Department so far.

1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Land Revenue Department and the amount recovered are mentioned in **Table 1.7.2**:

Table 1.7.2

(₹ in crore)

Year	No. of paragraphs included	Money value	No. of paragraphs accepted	Money value of accepted paragraphs	Amount recovered
2004-05	3	1.14	1	0.20	0.21
2005-06	-	-	-	-	-
2006-07	-	-	-	-	-
2007-08	1	0.07	-	-	0.04
2008-09	1	2.23	1	2.23	2.23
2009-10	3	0.71	2	0.65	0.59
2010-11	1	10.86	1	10.86	2.30
2011-12	2	1.04	-	-	-
2012-13	1	0.17	1	0.17	-
2013-14	3	8.98	1	8.61	-
Total	15	25.20	7	22.72	5.37

It is evident from the above table that the progress of recovery even in accepted cases was very slow throughout the last 10 years. The recovery of

accepted cases was to be pursued as arrears recoverable from the concerned parties. Further, the arrear cases including accepted audit observations were not available with the office of the Land Revenue Department. In absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

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

The drafts of Performance Audits (PAs) conducted by the AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These PAs are also discussed in exit conference and the Department's/Government's views are included while finalising the Audit Reports.

The following PA on the Land Revenue Department was featured in Audit Report for the year 2010-11. The details of recommendations and their status are given in **Table 1.7.3**:

Table 1.7.3

Year of Report	Name of Performance Audit	Number of Recommendations	Details of Recommendations	Status
2010-11	Levy and collection of Land Revenue	8	Strengthen the established Internal Audit Wing (IAW) and prescribe a time frame for taking remedial measures on its observations	Proposal has been forwarded to the Government for strengthening the regular IAW (October 2014).
			Consider issuing necessary orders for depositing land revenue under proper head of account	Instructions have been issued in this regard (October 2013 and November 2014).
			Issue instructions for levy of <i>Panchayat Upkar</i> on premium collected in <i>Gram Panchayat</i> area	Instructions have been issued in this regard (September 2015).
			Consider insertion of time limit in the Act/ Rules for initiation of recovery proceedings, execution of lease deed and fix responsibilities for failure in timely execution of sanctions	Proposal has been forwarded to the Government for issuing necessary instructions in this regard (September 2015).
			Issue necessary instruction for realisation of the arrears in a time bound manner	Instructions have been issued in this regard (September 2015).
			Prescribe a mechanism for correlating the cases of assessment of diversion rent with the records of demand and collection submitted by <i>Tehsildar</i> to the Collector	Instructions have been issued in this regard (September 2015).
			Issue necessary instructions to the Collector and <i>Tehsildar</i> to ensure compliance to the provision relating to proper realisation and timely deposit of revenue into the Government accounts	Instructions have been issued in this regard (June and November 2015).
			Issue instructions for levy of <i>Adhosanrachna</i> , <i>Vikas</i> and <i>Paryavaran</i> cess on all type of land on which the land revenue or rent is to be collected	Instructions have been issued in this regard (July 2015).

1.8 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 the 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, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2014-15, there were 463 offices, of which 85 offices were planned and 84 offices were audited, which is 18.22 *per cent* of the total offices. The list of offices audited during the year 2014-15 is given in *Appendix I.1*.

Besides the compliance audit mentioned above, two Performance Audits and one Long Paragraph was also taken up to examine the efficacy of the tax administration of these receipts.

1.9 Results of audit

Position of local audit conducted during the year

We conducted test check of the records of 84 units of Commercial Taxes, State Excise, Stamp Duty and Registration Fees, Land Revenue, Mining Receipts, Taxes on Vehicles, Forestry and Wildlife and Electricity Duty conducted during the year 2014-15 and observed non/short levy, loss of revenue aggregating ₹ 549.77 crore in 27,711 cases. The Departments concerned accepted under assessment and other deficiencies of ₹ 263.73 crore in 23,602 cases and recovered ₹ 2.64 lakh in five cases which were pointed out in audit during 2014-15.

1.10 Coverage of this Report

This Report contains 20 paragraphs including two Performance Auditson “**System of Assessment under Value Added Tax**” and “**Implementation of e-Challan**” and one Long Paragraph on “**Non/ Short Levy of the tax from owners of goods and passenger vehicles**” involving ₹ 51.65 crore. The Departments/Government have accepted audit observations involving ₹ 29.14 crore out of which ₹ 47.78 lakh had been recovered. The replies in the remaining cases havenot been received (November 2015). These are discussed in succeeding Chapters II to VIII.

CHAPTER II: COMMERCIAL TAX

2.1 Results of Audit

In 2014-15, test check of the records of 20¹ out of 52 units relating to VAT/Sales tax/Entry Tax assessments and other records showed under assessment of tax and other irregularities involving ₹ 32.90 crore in 176 cases, which fall under the categories as given in **Table-2.1**:

Table-2.1

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1	Performance Audit on“ System of Assessment under Value Added Tax ”	1	12.13
2	Non/short levy of tax	92	3.47
3	Incorrect grant of exemption/deduction	24	0.66
4	Application of incorrect rate of tax	11	1.66
5	Incorrect determination of taxable turnover	11	0.88
6	Other irregularities	37	14.10
Total		176	32.90

The Department accepted underassessment of ₹ 1.89 crore in thirty four cases.

After issuing Draft Paragraphs and Performance Audit, the Government intimated the recovery of ₹ 25.11 lakh in six cases.

A performance audit on “**System of Assessment under Value Added Tax**” involving financial impact of ₹ 12.13 crore and few illustrative cases involving ₹ 1.14 crore are discussed in the following paragraphs.

¹ Including three DCs, seven ACs and 10 CTOs.

2.2 Performance Audit on “System of Assessment under Value Added Tax (VAT)”

Highlights:

Survey of unregistered dealers under Section 57A of CGVAT Act to bring new dealers under tax net was not conducted during the period 2010-11 to 2014-15.

(Paragraph 2.2.8)

Growth rate of revenue over previous year drastically reduced from 24 *per cent* to six *per cent* during the period 2010-11 to 2014-15 in spite of increase in number of registered dealers and increase in rate of tax.

(Paragraph 2.2.9)

The Government extended the time limit for self-assessment by seven to 48 months for the years from 2008-09 to 2013-14. Similarly, time limit for assessment under other Sections was extended by 21 to 31 months for the years from 2008-09 to 2010-11. Such excessive extension in finalisation of assessment cases would result in huge backlog of cases for assessment.

(Paragraph 2.2.14)

The Commissioner did not select cases for tax audit under Section 21 (3) of CGVAT Act for the years 2008-09 and 2009-10. Further, only 11.59, 3.94 and 0.6 *per cent* of the self-assessment cases were selected for tax audit for the years 2010-11, 2011-12 and 2012-13 respectively.

(Paragraph 2.2.15)

The Department could not furnish information regarding closing stock of dealers whose registration was cancelled and reversal of ITR thereon. This indicated that there was no monitoring mechanism in cases of cancelled registration to ensure reversal recovery of ITR on closing stock.

(Paragraph 2.2.17)

There was short levy of tax of ₹ 21.82 lakh due to incorrect classification of contract for composition of tax in case of four dealers in three offices.

(Paragraph 2.2.18)

There was short levy of tax of ₹ 9.16 crore due to incorrect classification of goods and application of lower rate of tax in 26 cases out of 1430 test checked from 5951 dealers in 11 offices.

(Paragraph 2.2.19)

There were irregularities regarding Input Tax Rebate (ITR) like irregular/non-admissible ITR, excess ITR of ₹ 44.89 lakh in six cases out of 874 test checked from 2766 dealers in six offices.

(Paragraph 2.2.20)

The Assessing Officers incorrectly determined taxable turnover of ₹ 33.63 crore after taking into consideration the purchase price of material used in works contract, freight, profit etc. while in the light of Hon'ble Supreme Court judgement and circular issued by the Government, the taxable turnover should

be determined after deducting the expenses relating to the labour from the gross receipts. This resulted in short levy of VAT of ₹ 46.55 lakh.

(Paragraph 2.2.24)

There was incorrect allowance of exemption against inter-state sale and stock transfer, transit sale and invalid form in case of 18 dealers out of 1282 test checked from 2147 dealers in 12 offices. This resulted in Non/Short levy of tax of ₹ 1.68crore.

(Paragraph 2.2.25)

2.2.1 Introduction

With a view to bring more efficiency in the tax administration, equal opportunity of competition amongst the dealers and fairness in the taxation system, Value Added Tax was introduced in 2006 in Chhattisgarh. The Chhattisgarh Value Added Tax Act, 2005 (CGVAT Act) governs the levy, assessment and collection of VAT in Chhattisgarh at every point of sale. Goods pass through various stages in the manufacturing process and distribution chain till they reach final consumer. Under CGVAT Act, tax is levied at each stage of sales with allowance of rebate of tax paid on purchases (called input tax rebate) to nullify cascading effect of multiple taxation. Thus, all registered dealers are liable to pay tax only on each value addition.

2.2.1.1 Requirement of Registration

A dealer who imports goods into the state of value not less than rupees one lakh and whose turnover during a year exceeds rupees two lakh, a dealer who manufactures within the state any goods of value not less than rupees one lakh in any year and whose turnover exceeds rupees two lakh and a dealer other than above two dealers whose turnover exceeds rupees twenty lakh are liable to be registered under Section 16 of CGVAT Act.

2.2.1.2 Filing of Returns

A registered dealer shall file a quarterly e-return (made mandatory from April 2012) in Form 17 for each quarter of the year under Section 19 along with the list of challans in support of the payment of the tax if the tax is paid otherwise than e-payment. According to the Rule 35 of CGVAT Rules, 2006, all registered dealer whose tax payable is below rupees fifty² thousand per quarter or below rupees two lakh³ per annum shall make payment of tax on quarterly basis within 30 days of expiry of the quarter. Further, all registered dealer whose tax payable is above rupees fifty thousand per quarter or above rupees two lakh per annum shall make payment of tax on monthly basis. A registered dealer files online returns in the related circles.

2.2.2 System of Assessment under CGVAT Act

VAT collection and control procedures are based on self-assessment system. The overall objective of the VAT assessment system is to maximise the collection of VAT revenue by maximising the level of voluntary compliance and by deterring evasion. The dealer calculates his own liability and makes

² Rupees fifteen thousand upto 29.05.2012

³ Rupees sixty thousand upto 29.05.2012

payment of the tax due while the Commercial Taxes Department reviews the self-assessment subsequently by means of assessments to ensure that tax legally due is declared and paid by the tax payers.

Regular assessment by department was dispensed with and provisions (under Section 21 (2)) of self-assessment by the dealers have been made from 2008-09. Where a registered dealer has furnished all the returns for a year and/ or revised return for any quarter or quarters of such year and paid the tax payable according to such returns or revised returns along with interest payable, if any and furnished the annual statement along with audit report under Section 41(2) within the prescribed time, the returns furnished or revised returns furnished by such dealers for that year shall be accepted and his assessment shall be deemed to have been made under Section 21 (2) of the Act.

Further, to make good the deficiency of assessment and to see that the dealers are paying due tax after assessing their tax liability correctly, the AOs scrutinise the returns by exercising checks relating to arithmetical accuracy of the furnished information. As per provisions of the CGVAT Act, 2005 every dealer is assessed by the department⁴ under Section 21 for each year. A dealer may be assessed under Section 21 (2) (Self-assessment), Section 21 (3) (Assessment by selection), Section 21 (4) (Assessment by notice) and Section 21 (5) (Best Judgement assessment) by the AO.

2.2.2.1 Assessment by Selection

The dealers are selected on objective criteria or on risk analysis under Section 21(3) by computerised system duly approved by the Commissioner and assessed by the AO. Where sale or purchase of goods liable to tax under this Act has been underassessed/wrongly assessed or escaped in the assessment, the original assessment is completely re-opened (Section 22) and in its place a fresh assessment is made. While re-assessing a dealer, the AO does not merely assess him on the escaped turnover but he assesses him on his total estimated turnover and in that process, if required, he can resort to best judgment assessment also.

Special provision for assessment of cases relating to detection and prevention of Tax evasion has been stipulated in Section 54 and 57 of the Act.

2.2.3 Organisational Set-up

The Secretary, Commercial Tax Department (CTD) is the Administrative head of the Department at the Government level. The Commissioner of Commercial Tax is the Head of the Department. The Commercial Tax Department functions under the control of the Commissioner of Commercial Tax assisted by four Additional Commissioners, 12 Deputy Commissioners (DCs), 26 Assistant Commissioners (ACs), 72 Commercial Tax Officers (CTOs), 121 Assistant Commercial Tax Officers (ACTOs) and 174 Inspectors of Commercial Tax in performance of such functions as may be assigned to them under the Act. Against the above sanctioned posts, eight DCs, 20 ACs, 36 CTOs, 71 ACTOs and 90 CTIs are presently working in the Department. The State is divided into five Commercial Tax Divisions each under the

⁴ Assessments of the cases are carried out by Dy. Commissioner, Assistant Commissioner, Commercial Tax Officer and Assistant Commercial Tax Officer

charge of DCs. Under these divisions, there are 30 circle offices headed by CTOs. The Assistant Commercial Tax Officers (ACTOs), Commercial Tax Officers (CTOs), Assistant Commissioners (ACs) and Deputy Commissioners (DCs) have been vested with the powers of assessment of cases.

The individual officer is responsible for assessment/sanction of refunds in the cases on the basis of monetary limit as given in the following **Table 2.2**:

Table 2.2

Sanctioning Authority	Monetary limit for assessment of cases	Monetary limit for sanction of refunds
Assistant Commercial Tax Officer	Upto ₹ one crore	--Nil--
Commercial Tax Officer	Above ₹ one crore and up to ₹ 5 crore	Up to ₹ 5 lakh
Assistant Commissioner	Above ₹ 5 crore and upto ₹ 50 crore	Above ₹ 5 lakh and up to ₹ 10 lakh
Deputy Commissioner	Above ₹ 50 crore	Above ₹ 10 lakh and up to ₹ 25 lakh
Additional Commissioner	Assessment of cases not done at this level	Above ₹ 25 lakh and up to ₹ one crore
Commissioner		Above ₹ one crore

In addition to the above, there is an Enforcement Wing (Headquarters) headed by Additional Commissioner and assisted by DCs posted in field offices located at Raipur and Bilaspur for conducting surprise inspections and unearthing evasion of tax.

2.2.4 Audit Objectives

The Performance Audit was conducted with a view to ascertain and evaluate whether:

- the system of assessment under VAT are adequate to prevent leakage of revenue and are being duly followed;
- exemptions/concessions granted by the assessing authority were supported by valid declaration forms;
- validity and correctness of the information furnished in the tax return and effective rate of tax is ensured by the Department and followed by appropriate action if warranted; and
- adequate internal control and monitoring mechanism exists to the extent to which compliance is maximized under the system of assessment of VAT.

2.2.5 Audit Criteria

Provisions of the following Acts, Rules and circulars/notifications were used as audit criteria:

- Chhattisgarh Value Added Tax Act, 2005 (CGVAT Act)
- Chhattisgarh Value Added Tax Rules, 2006 (CGVAT Rules)
- Central Sales Tax Act, 1956 (CST Act)
- Central Sales Tax Rules, 1957 (CST Rules)
- Rules, Circulars, Exemption Notification and Instructions issued by the department and state Government from time to time.

2.2.6 Scope of audit and methodology

The Performance Audit was conducted between May 2015 to June 2015 and the assessment done by the AOs between 1 April 2010 and 31 March 2015, in 14 offices (three⁵ DCs, six⁶ ACs and five⁷ CTOs) were examined. These 14 offices were selected out of total 57 offices on the basis of simple random sampling. Audit observation noticed during compliance audit of CTO-2, Bilaspur has been updated and incorporated. During the period covered in Performance Audit, the Department assessed 28,645 cases in the selected 14 offices, out of which 1,905 assessment cases were examined.

The Department did not hold an entry conference to discuss the scope, objective and methodology of audit. The Department also did not provide system password and user-id for the audit team to access data online. Audit performed the task from the physical records available. The information regarding number of assessees, number of returns filed, number of returns due but not filed and assessments done under different Sections of CGVAT Act were also not furnished (August 2015).

The exit conference was held on 11 August 2015 wherein the audit findings, conclusions and recommendations were discussed. The Government was represented by the Secretary, Commercial Tax Department whereas the Commissioner represented the Department. The replies received during the exit conference and at other points of time have appropriately been included in the relevant paragraphs.

2.2.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the test-checked field formations of Commercial Tax Department in providing necessary information and records to audit in time.

2.2.8 Number of registered dealers and conducting of survey of unregistered dealers

Percentage of growth of registered dealers during the year 2010-11 to 2014-15 is detailed in the following **Table 2.3**:

Table 2.3

Year	No. of registered dealer	Percentage of growth of registered dealers over previous year
2010-11	50446	-
2011-12	57030	13.05
2012-13	65719	15.24
2013-14	75076	14.24
2014-15	86966	15.84

(Source: - Information furnished by the department)

⁵ Division-I Bilaspur, Durg and Division-II Raipur

⁶ Division-I Bilaspur, AC-3 Durg, Division-I Raipur (Smt. Lata Tyagi), Division-II Raipur (Sh. Deepak Giri), Raigarhand Rajnandgaon

⁷ CTO-2 Bilaspur, CTO-3 Durg, CTO-3 Raipur, CTO-6 Raipur and CTO-9 Raipur

It can be seen from the above table that the percentage of growth of registered dealers during the last five years ranged between 13.05 and 15.84 *per cent*.

As regards survey, the Department replied that no survey was done by the Department during last five years. This is indicative of the fact that the Department did not make effort to bring new dealers under tax net by the way of survey (under Section 57A of the CGVAT Act) of unregistered dealers.

During the exit conference, the Government stated (August 2015) that survey would be done in future.

We recommend that the Department may consider issuing instructions to the assessing authorities for conducting periodic survey of unregistered dealers under Section 57A of CGVAT Act to bring new dealers under tax net.

2.2.9 Trend of revenue

Actual receipts under VAT and CST during the year 2010-11 to 2014-15 are detailed in following **Table 2.4** :

Table 2.4

(₹ in crore)

Year	Budget estimates (BEs)	Actual receipts (ARs)			Variation between BEs and ARs/Percentage of variation	Percentage growth of actual receipts over previous year
		VAT	CST	Total		
2010-11	4524.13	4094.96	745.83	4840.79	(+) 316.66/7.00	-
2011-12	6000.00	4886.25	1120.00	6006.25	(+) 6.25/0.10	24.08
2012-13	7310.20	6072.77	855.88	6928.65	(-) 381.55/5.22	15.36
2013-14	8436.00	7001.34	928.17	7929.51	(-)506.49/6.00	14.45
2014-15	9800.00	7495.75	932.36	8428.11	(-) 1371.89/14.00	6.29

(Source: Finance Accounts of Government of Chhattisgarh)

It may be seen from Table 2.4 that though there was continuous growth of revenue from year to year but the percentage of growth of revenue was in downward trend and drastically declined from 24 to 6 *per cent* during the last five years in spite of increase in number of registered dealers and increase in rate of tax.

During the exit conference, the Government stated (August 2015) that the rate of tax was increased from 1 January 2010 so the rate of growth of revenue was 24.08 *per cent* in 2011-12 which was an anomalous growth. The growth in number of registered dealers is not directly proportionate to revenue; it depends on various macro-economic circumstances for which actual indicator was increase in GSDP. The average growth of GSDP was 15.9 *per cent* whereas average growth of revenue was 17.9 *per cent* during the said period which was two *per cent* more than the growth of GSDP.

2.2.10 Arrears of revenue

The arrears of revenue in respect of VAT and CST as on 31 March 2015 amounted to ₹ 424.52 crore, of which ₹ 165.96 crore was outstanding for more than five years, as detailed in **Table 2.5**:

Table 2.5

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2015	Amount outstanding for more than five years as on 31 March 2015	Status of Arrears outstanding for more than five years	
				Amount irrecoverable	Arrear in which recovery is in progress
1.	VAT	328.48	102.45	40.83	61.62
2.	CST	96.04	63.51	37.81	25.70
Total		424.52	165.96	78.64	87.32

(Source: Information furnished by the Department)

The Department could not provide the break-up of the cases of arrear pertaining to different categories such as court cases, appeal cases etc. In absence of the break-up, audit could not ascertain the effort made by the Department in this regard.

During the exit conference, the Government stated (August 2015) that the amount outstanding for more than five years were not immediately realisable. It was also stated by the Department that efforts were being made to collect the break-up of arrears of revenue outstanding for more than five years in respect of VAT and CST from the field formation and would be made available after receipt of the same. No further progress has been received from the Department in this regard (November 2015).

2.2.11 Refund

On being requested to furnish information regarding refund cases for the period 2010-11 to 2014-15, the Department provided the information pertaining to the period 2012-13 to 2014-15 only, which is detailed in **Table 2.6**:

Table 2.6

(Amount in ₹)

Year	Number of cases involved		Amount of refund allowed	
	VAT	CST	VAT	CST
2012-13	381	8	13,16,22,735	11,59,708
2013-14	2,520	74	74,08,94,028	87,09,668
2014-15	2,683	105	15,13,69,92,861	3,49,60,826

During the Performance Audit, it was noticed from the assessment orders passed by the AOs that most of the refunds claimed by the dealers were related to ITR carried forward instead of excess payment of tax during the current year.

During the Exit conference, the Government stated (August 2015) that information relating to refund in respect of the year 2010-11 and 2011-12 would be provided after receipt of the same from the field offices.

2.2.12 Unreliability of online system

CGCOMTAX software was developed in June 2005 for computerization of departmental activities. It is based on three-tier architecture and has 11 modules initially. Further, e-challan, e-registration and e-return module commenced from the year 2006, 2011 and 2012 respectively to facilitate the day-to-day activities of the registered dealers.

The data generated by the modules are unrealistic and unreliable as revenue collected under Section 21(2) as per the module of CGCOMTAX were more than actual receipt of revenue as per Finance Account of Government of Chhattisgarh for the period 2010-11 to 2012-13 as evident from the **Table 2.7:**

Table 2.7*(₹ in crore)*

Year	No. of cases assessed under Section 21(2)	Revenue as per Finance Account of Government of Chhattisgarh	Revenue collected under Section 21(2) as per the module of CGCOMTAX
2010-11	19,637	4,094.96	6,424.19
2011-12	42,157	4,886.25	6,655.05
2012-13	44,797	6,072.77	7,089.53
2013-14	15,380	7,001.34	3,894.32
2014-15	2,025	7,495.75	17.50

During the exit conference, the Government stated (August 2015) that e-challan module of the Treasury Directorate is not interlinked on real-time basis with Commercial Tax Department's software and only a 'view option' exists with the Department currently and the Department would initiate steps to link the software of the two departments.

2.2.13 Assessment under various Sections of CGVAT Act

The Department did not furnish information regarding number of dealers assessed under various Sections of the CGVAT Act for the period 2010-11 to 2014-15. During field audit, we obtained the requisite information in 14 selected offices. In absence of data pertaining to the whole State, we analysed the information obtained from selected offices.

In 14 selected offices, 28,645 cases were assessed during the period 2010-11 to 2014-15. Out of this, 9,140 cases were assessed under Section 21(2), 434 cases under Section 21 (3), 177 cases under Section 21 (4) and 18,894 cases under Section 22 (5). Percentage of cases under self-assessment and regular assessment (Section 21 (5)) were 32 and 66 respectively. This is an indication that self-assessment which should be the prime mode of assessment has not been very effective.

After we pointed this out, the Government stated (August 2015) that special drives were under taken for motivating the dealers for self-assessment and time limits for assessment were also extended.

AUDIT FINDINGS

2.2.14 Inordinate extension of time limit for assessment

The Government extended the time limit for self-assessment by seven to 48 months for the period from 2008-09 to 2013-14. Similarly, time limit for assessment under other Sections was extended by 21 to 31 months for the period from 2008-09 to 2010-11.

According to Section 21(2) of CGVAT Act, a registered dealer who has furnished all the returns or revised of any period of a year and paid full amount of tax and interest if any, payable as per returns along with annual

statement and audit report within eight months from expiry of the year, his assessment shall be deemed as self-assessment. Further, as per Section 21 (7) (i) read with Section 21 (4) (a), the assessment in respect of a registered dealer (except in self-assessment) shall be made within a period of two calendar year from the end of the period for which the assessment is to be made.

Scrutiny of notifications issued by the Government revealed that the last date of assessment under various sections of the Act for the financial year 2008-09 to 2013-14 were extended by virtue of issue of scores of notifications even though ample time (two years) was given to finalise the assessment for a particular year. It was also noticed from the records of the Commissionerate that dates of assessment were extended with the request of the Chamber of Commerce of Chhattisgarh. The year-wise details of last dates are enumerated in **Table 2.8:**

Table 2.8

Financial Year	Assessment under Sections 21(2)			Assessment under other Sections		
	Actual last date of assessment	Extended date vide notification	Extension of time limit for assessment (month)	Actual last date of assessment	Extended date vide notification	Extension of time limit for assessment (month)
2008-09	30.11.2009	15.12.2012	37 months	31.12.2011	30.09.2013	21 months
2009-10	30.11.2010	30.11.2014	48 months	31.12.2012	31.07.2015	31 months
2010-11	30.11.2011	30.11.2014	36 months	31.12.2013	30.09.2015	21 months
2011-12	30.11.2012	31.05.2015	30 months	31.12.2014	31.03.2016	15 months
2012-13	30.11.2013	30.06.2015	19 months	31.12.2015	----	----
2013-14	30.11.2014	30.06.2015	7 months	31.12.2016	----	----

It is evident from the above table that extension in finalising assessment cases under Section 21 (2) for the years 2008-09 to 2013-14 ranged between 7 and 48 months. Similarly, extension in finalising the assessment cases under other Sections for the years 2008-09 to 2010-11 ranged between 21 and 31 months. It is worth mentioning here that last dates of assessment for the year 2009-10 and 2010-11 were still not over by June 2015. Such excessive extension in finalisation of assessment cases would result in huge backlog of assessment cases.

During the exit conference, the Government replied (August 2015) that to encourage more dealers to opt for self-assessment the time for assessment was extended. The reason was also attributed to shortage of staff and tax consultants being not well versed with filing online returns. Further, while accepting the observation, the Government stated that it would evolve a system of completing the assessment of cases within specified time frame to avoid accumulation of arrears.

2.2.15 Selection for assessment under Section 21(3)

The Department selected 2275, 1661 and 273 dealers under Section 21(3) out of 19637, 42157 and 44797 dealers who opted self-assessment under Section 21(2) during the year 2010-11, 2011-12 and 2012-13. The percentage of selection for scrutiny in the aforesaid years ranged between 0.6 and 11.59 per cent.

Section 21 (3) of CGVAT Act prescribes that the Commissioner shall select for re-assessment a number of such dealers as he deems fit whom had been

self-assessed under Section 21(2) and such selection shall be made within one calendar year from the end of the financial year.

Total number of dealers opted for self-assessment under Section 21 (2), parameters fixed for selection (as available in the Departmental website for the years 2010-11 to 2012-13) and number of cases selected by the Commissioner for the years 2008-09 to 2012-13 has been mentioned in **Table 2.9** below:

Table 2.9

Financial Year	No of dealers opted for self-assessment under Section 21 (2)	Parameters for selection under Section 21 (3)	Number of cases selected under Section 21 (3) (Date of selection)
2008-09	3059	No cases were selected	Not selected
2009-10	14923	No cases were selected	Not selected
2010-11	19637	(i) Turnover more than rupees ten crore (ii) Turnover rupees sixty lakh to ten crore (iii) ITR more than rupees five lakh (iv) Inter-state sale more than 25 <i>per cent</i> of GTO (v) Refund more than rupees twentyfive thousand	2275 (21.12.2012)
2011-12	42157	Not available	1661 (15.10.2013)
2012-13	44797	(i) Increase in TTO is less than 10% from previous year. (ii) Sale of tax free goods increase (more than 20%) in comparison to GTO from previous year. (iii) GTO less than 80% of the total purchase. (iv) Stock transfer-ITR claimed ratio (v) Lower rate under (5%) sale increase more than 20% of TTO comparison from previous year (vi) ITR claimed increase more than 20% in comparison to tax payable (vii) GTO and tax deposit difference more than 20%.	273 (31.12.2014)

It can be seen from Table 2.9 that the Commissioner did not select any cases for assessment under Section 21(3) for the years 2008-09 and 2009-10, which used to draws an assurance that revenue realisation by dealers is well upto the mark. For the years 2010-11 to 2012-13, 2275, 1661 and 273 dealers respectively were selected for scrutiny under the criteria fixed which was 11.59, 3.94 and 0.6 *per cent* respectively of the number of registered dealers opted for self-assessment. Selection of dealers for year 2012-13 was dismal as only 0.6 *per cent* of the cases of self-assessment had been selected for scrutiny.

During the exit conference, the Government stated (August 2015) that every year the risk parameters for selection of cases under the Section 21 (3) would be changed and necessary efforts would be made to select more cases under Section 21(3).

We recommend that the Department may consider selecting significant number of self-assessed cases for tax audit every year to prevent leakage of revenue.

2.2.16 Non-existence of ITR verification mechanism for purchases below ₹ 1 lakh

The Government amended the Form 18 (Annual Statement) and prescribed that list of all purchases/sales of value more than ₹ 1 lakh is to be submitted. This *inter-alia* exempted the dealers from submission of list of purchases/sales valuing up to ₹ 1 lakh. This resulted in absence of mechanism for verification of ITR in respect of purchases up to ₹ 1 lakh.

Ever since the introduction of VAT in Chhattisgarh, a dealer was required to submit Form 18 along with the list of all the purchases/sales irrespective of the value of transactions from a dealer in a year. Form 18 was amended (March 2008) and monetary limitation of transactions of ₹ 1 lakh was inserted.

In reply to an audit query regarding existence of ITR verification mechanism, the Department stated (July 2015) that ITR verification mechanism in the Department is computerised. On the basis of requirement of Form 18 and reply of the Department, it transpired that the Department was verifying the ITRs only in respect of purchases from a dealer in a year having value more than ₹ 1 lakh but not the purchases having value less than ₹ 1 lakh.

Non-verification of purchase below ₹ 1 lakh by the Department may encourage the dealers to claim fraudulent ITR. Thus the prevailing system in the Department is not robust to look properly into all the cases of ITR verification.

During the exit conference, the Government replied (August 2015) that suitable amendment would be made in CGVAT Rules regarding submission of list of dealers from whom the purchases were made below ₹ 1 lakh from within the State.

2.2.17 Non-monitoring of reversal of ITR on closing stock in respect of cancelled registration

Five CTOs did not furnish information regarding closing stock of cancelled dealers and reversal of ITR thereon if any. This shows lack of mechanism of monitoring the reversal of ITR.

According to Section 13 (5) (a) (iii) of CGVAT Act, 2005 where the registration certificate of a registered dealer who having purchased any goods referred to in clause (a) or clause (b) of sub-section (1) and having claimed ITR in respect of the said goods under the said clauses, is cancelled under sub-Section (10) of Section 16, such dealer shall pay the amount claimed by way of ITR under the said clauses in respect of the goods held in stock by him on the date the order of cancellation of the registration certificate takes effect.

We found during test check of records of office of five⁸CTOs between May 2015 and June 2015 that 5600 registrations were cancelled by the CTOs during 2010-11 to 2014-15. The CTOs did not furnish information regarding

⁸ CTO-2, Bilaspur, CTO-3, Durg; CTO-3 Raipur; CTO-6, Raipur and CTO-9 Raipur

closing stock of dealers whose registrations were cancelled and reversal of Input Tax Rebate thereon, if any.

Above facts indicate that ITR monitoring mechanism in the case of cancelled registration to ensure reversal recovery of ITR on closing stock is lacking in the Department.

During the exit conference, the Government stated (August 2015) that the matter would be re-checked.

We recommend that the Department may consider evolving ITR monitoring mechanism in respect of cancelled registrations to ensure reversal of ITR on closing stock.

2.2.18 Short realisation of revenue due to incorrect classification of contract for composition of tax

There was an application of lower rate of tax in respect of composition of tax due to wrong categorization of contract work of ₹ 22.67 crore and consequential short levy of tax of ₹ 21.82 lakh.

During test check of three⁹AOs, we found (between May 2015 and June 2015) that the AOs concerned applied lower rate of tax in six cases of four dealers due to wrong categorization of work which is infringement of Rule 8 of CGVAT Rules, 2006, as detailed in following **Table 2.10**:

Table 2.10

Name of Unit	Assessment year (month & year of assessment)	Audit observation
CTO, Circle 3, Durg	2012-13 (Self-assessed case)	A dealer had undertaken the construction work of crusher and limestone belt conveyor of proposed clinkerisation/ grinding plant having contract value of ₹ 18.40 crore and opted for composition of tax. The dealer deposited tax at the rate of two <i>per cent</i> and AO accepted treating it as civil works. Actual rate applicable was three/four <i>per cent</i> under the work fabrication and installation of plant and machinery. This resulted in short realisation of ₹ 16.94 lakh.
DC, Div.I, Bilaspur	2009-10 (March 2014)	A dealer had undertaken the work of installation, testing and commissioning of ash water recirculation system in super thermal power project, Sipat (stage-2) having contract value of ₹ 4.06 crore and opted for composition of tax. The AO levied tax at the rate of two <i>per cent</i> treating it as civil works. Actual rate applicable was three <i>per cent</i> under the work fabrication and installation of plant and machinery. This resulted in short levy of VAT amounting to ₹ 4.06 lakh
CTO, Circle-3 Raipur	2014-15 (self-assessed case)	A dealer had undertaken the work of providing and fixing vitrified tiles having contract value of ₹18.14 lakh and opted for composition of tax in three cases. The AO levied tax at the rate of one <i>per cent</i> treating it as civil works instead of five <i>per cent</i> applicable to “all others goods not specified in serial no. 1 to 3 of the type of contract”. This resulted in short levy of tax amounting to ₹ 72,523.

⁹ DC, Division-I, Bilaspur; CTO-3 Durg and CTO-3 Raipur

	2014-15 (Self-assessed case)	A dealer has undertaken the work of fitting of pipes under Bhagirathi yojana having contract receipts of ₹ 2.19 lakh and opted for composition of tax. The AO levied tax at the rate of one <i>per cent</i> treating it as civil works instead of five <i>per cent</i> applicable to “all others goods not specified in serial no. 1 to 3 of the type of contract”. This resulted in short levy of tax amounting to ₹ 8,752.
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After we pointed this out, the Government stated (August 2015) that necessary action would be taken after verification of the records.

2.2.19 Non/Short levy of Value Added Tax due to application of incorrect rate of tax

While assessing the cases, the AOs levied incorrect rates of tax on turnover of ₹ 136.05 crore which resulted in non/short levy of VAT amounting to ₹ 9.16 crore.

Section 8 of CGVAT Act provides for levy of tax at the rates as prescribed in the Schedules to the Act, depending upon the classification of the goods. Further, as per Schedule II Part IV entry no. 1, all goods not included in Schedule I, Part I (1 *per cent*), Part II (4 *per cent up to January 2010 and 5 per cent afterwards*) and Part III (25 *per cent*) of Schedule II are taxable at the rate of 12.5 *per cent up to January 2010 and 14 per cent afterwards*.

During test check of assessment cases of 1430 out of 5951 dealers of eleven¹⁰ AOs, we noticed (between May 2015 and June 2015) that while finalising the assessment between August 2011 and December 2014 the AOs concerned applied lower rate of VAT due to incorrect classification of goods in 26 cases resulting in non/short levy of tax of ₹ 9.16 crore as detailed in **Appendix 2.1**. The difference between the rate of tax leviable and levied ranged between four to 14 *per cent*.

After we pointed this out, the Government stated (August 2015) that demand notice of ₹ 2.67 lakh had been issued in one case, out of which ₹ 1.40 lakh had since been recovered. Further, in one case the Government stated that in the case of Commissioner of Commercial Taxes, Tamil Nadu and others and M/s. Chitrahhar Traders, Hon’ble Supreme Court held (March 2011) that scrap of plant and machinery was taxable at the rate of 4 *per cent*. We do not agree with the reply as judgement in case of M/s. Chitrahhar Traders is not applicable in this case because in Tamil Nadu General Sales Tax Act, there were specific entries for different categories of scrap. However, there is entry of only iron scrap in the Schedule of CGVAT Act. Since plant and machinery consists of different types of metals and alloys, it is not covered under iron scrap as clarified (2005) by the Commissioner of Commercial Tax in the case of M/s. Veergaon Steel and Mineral Company, Raipur and hence taxable at the rate of 12.5 *per cent* as residuary goods. Regarding the remaining cases, the Government replied that necessary action would be taken after verification of the records.

¹⁰ AC-2, Division-I, Bilaspur; CTO-2, Bilaspur; AC-3, Durg; AC-1, Division-II, Raipur; AC, Raigarh; AC, Rajnandgaon; CTO-3, Raipur; CTO-9, Raipur; DC, Durg; DC, Division-II, Raipur and CTO-3, Durg

2.2.20 Incorrect/ excess allowance of Input Tax Rebate (ITR)

Six dealers were allowed ITR of ₹ 1.82crore instead of ₹ 1.37 crore due to wrong computation, inadmissible goods etc. and the AOs allowed the same resulting in incorrect/excess allowance of ITR of ₹ 44.89 lakh.

We found between May 2015 and June 2015 during test check of assessment cases of 874 out of 2766 dealers of six AOs that in the case of six dealers the AOs concerned had allowed (between August 2012 and December 2014) excess/ incorrect ITR on wrong computation, inadmissible goods etc., as detailed in **Table 2.11** below:

Table 2.11

Sl. No.	Name of unit	Assessment year (Month & year of Assessment)	Audit observation
1	ACCT, Raigarh	2007-08 (December 2014)	The AO incorrectly computed and allowed ITR of ₹ 4.75 lakh at the rate of four <i>per cent</i> on the purchases of ₹ 12.35 lakh from within the State whereas the correct ITR was of ₹ 47,482. Thus there was an excess allowance of ITR of ₹ 4.27 lakh due to wrong computation of ITR.
2	ACCT-1, Division-II, Raipur	2009-10 (December 2012)	According to the audit report, the dealer had purchased plant and machinery of ₹ 53.00 lakhs during the year on which ITR of ₹ 2.12 lakh at the rate of four <i>per cent</i> was allowable while the ITR claimed by the dealer and allowed by the AO was ₹ 11.49 lakh. This resulted in excess allowance of ITR of ₹ 9.37 lakh.
3	CTO Circle-9, Raipur	2009-10 (May 2013)	The dealer engaged in trading of Iron and Steel. As per Assessment year 2008-09 ITR carried forwarded to next financial year was ₹ 1.69 lakh but the dealer had carried forward ITR of ₹ 3.93 lakh. Thus excess ITR of ₹ 2.23 lakh should have been disallowed by the AO.
4	ACCT-1, Division-1, Raipur	2009-10 (August 2012)	The dealer incorrectly computed and claimed ITR of ₹ 1.23 crore on purchases of ₹ 9.02 crore whereas ITR allowable was ₹ 1.15 crore. The AO could not notice computation error which resulted in excess allowance of ITR of ₹ 7.90 lakh.
5	CTO Circle-6, Raipur	2008-09 (June 2013)	The AO had allowed excess ITR of ₹ 57,275 on purchase of ₹ 4.58 lakh, the invoices/purchase bills of which did not show amount of VAT separately which was violation of Rule 9 of CGVAT Rules, 2006 which prescribes that no ITR shall be made or be allowed if the bill, invoice or cash memorandum does not indicate the amount of tax collected by the selling registered dealer.
6	DCCT, Durg	2008-09 (Aug. 2012) & (Dec.2013)	As per the circular of the department dated 07.09.2012, transfer of property in goods whether as goods or in some other form, involved in the execution of works contract is covered under sale and is eligible for ITR whereas other goods such as machinery/equipment, diesel, spare parts etc. used in the execution of works contract are not eligible for ITR. The dealer had purchased tipper of ₹ 2.63 crore from within the State on which ITR of ₹ 20.54 lakh was disallowed by the AC. The Appellate Authority allowed ITR treating it as capital goods thus resulting incorrect allowance of ITR of ₹ 20.54 lakh.

The above table shows that the AOs concerned allowed incorrect/excess ITR of ₹ 44.89 lakh.

After we pointed this out (between May 2015 and June 2015), the Department stated (October 2015) that demand notice of ₹ 20.54 lakh had been issued in one case. In remaining cases, the Government stated (August 2015) that cases were being re-opened under Section 22(1).

2.2.21 Non-levy of tax on discount received through credit notes

The dealers received discount of ₹ 25.19 lakh through credit notes and the same was not included in the sale value by the AOs resulting in non-levy of tax of ₹ 3.53 lakh.

As per the definition of sale price under Section 2(t) of CG VAT Act, any other consideration payable to a dealer as valuable consideration for the sale of any goods is includible in the sale price. Further, as per the circular no./CTO/tech./2013/19/2043 dated 07.09.2013 issued by the Commissioner, Commercial Tax, Raipur, the amount received from the seller under credit note shall not form the part of sale price if the dealer submits a declaration as prescribed by the department. In cases of non-submission of prescribed declaration form, discount received shall form part of sale price. Further more, according to Part IV of Schedule II of Chhattisgarh Value Added Tax Act, 2005 "All other goods not included in Schedule I and in part I, II and III of this Schedule are taxable at the rate of 14 *per cent* for the year 2011-12" and accordingly tyre and paint are taxable at the rate of the 14 *per cent*.

We found (May 2015) during test check of assessment cases of 234 out of 532 dealers of CTO-3, Raipur that two dealers engaged in purchase and sale of tyre and paint received discount of ₹ 25.19 lakh through credit notes in connection with sale during the year 2010-11 and 2011-12. Further scrutiny of Trading and Profit & Loss Account revealed that the discount on purchase received during the year was not included in the sale price but full ITR was claimed on total purchases made from within the State.

Since the dealers had not submitted prescribed declaration as per the circular of September 2013, consideration received for the sale of any goods should have been included in the sale price. Non-observance of provisions of Section 2 (t) of the Act and instructions contained in above circular led to non-inclusion of discount of ₹ 25.19 lakh in sale price which resulted in non-levy of tax of ₹ 3.53 lakh.

After we pointed this out (May 2015), the Government replied (August 2015) that credit notes received from seller as discount do not form part of the sale price. We do not agree with the reply of the Government because in these cases prescribed declarations were not submitted by the dealers and as such discount received should form the part of sale price.

2.2.22 Incorrect deduction from turnover

The dealer claimed deduction of labour charges of ₹ 56.33 lakh in fabrication works and the AO allowed the same resulting in short levy of VAT amounting to ₹ 7.04 lakh.

We found between May 2015 and June 2015 during test check of assessment cases of 234 out of 532 dealers of CTO-3, Raipur that a dealer engaged in manufacturing and trading of fabrication works had shown sales valuing ₹ 65.57 lakh from which ₹ 56.33 lakh was deducted as labour charges and tax of ₹ 86,634/- at the rate of 12.5 *per cent* on taxable turnover ₹ 6.93 lakh was paid by the dealer. Further scrutiny of the entry tax returns (Form-VIII) revealed that the dealer had paid entry tax on raw material of ₹ 21.18 lakh at the rate of one *per cent* which shows that dealer had purchased and consumed raw material, made fabrication goods and sold them during the course of his business.

Since the dealer neither undertook works contract nor job work, hence deduction of labour charges of ₹ 56.33 lakh from GTO was incorrect which should be included in taxable turnover being manufacturer of fabricated goods. Above goods are not included in Schedule I and in part I, II and III of Schedule II and hence taxable at the rate of 12.5 *per cent* for the year 2008-09. This resulted in short levy of tax of ₹ 7.04 lakh at the rate of 12.5 *per cent*.

After we pointed this out (between May 2015 and June 2015), the Government replied (August 2015) that action would be taken after verification.

2.2.23 Suppression of turnover

The AO did not levy tax and penalty on the suppressed sale of ₹ 21.47 lakh resulting in non-levy of tax and penalty of ₹ 5.67 lakh.

We found (May 2015) during test check of assessment cases of 74 out of 74 dealers of ACCT-3, Durg that two dealers engaged in 'trading of whole sale agency goods' and manufacturing and sale of Ferro-alloys' were assessed under Section 21(2) in June 2013 for the period 2009-10 and 2010-11 respectively. Scrutiny of records viz. Form-18 (Annual Financial Statement) and Audit Report revealed that the dealers had shown Gross Turnover (GTO) as ₹ 5.03 crore and ₹ 7.25 crore respectively and remitted their tax liability on the same after being allowed necessary permissible deductions.

Further scrutiny of SAS¹¹ report of purchase and sale revealed that above two dealers had suppressed their sales to the tune of ₹ 5.58 lakh and ₹ 15.89 lakh when compared with the purchase of dealers who had purchased goods from aforesaid two dealers. This resulted in evasion of tax to the tune of ₹ 1.42 lakh as detailed in *Appendix 2.2*. Penalty of ₹ 4.25 lakh under Section 54 of CGVAT Act was also leviable.

After we pointed this out, the Government replied (August 2015) that cases had been re-opened under section 22(1) for re-assessment.

¹¹ System Analyst's Software is a module which cross verifies the sale and purchase of different dealers.

2.2.24 Incorrect determination of taxable turnover

Non-compliance of the circular issued by the Government (September 2012) regarding calculation of taxable turnover in respect of works contract resulted in short levy of VAT amounting ₹ 46.55 lakh.

As per judgment of Hon'ble Supreme Court (SC) in the case of M/s. Gannon Dunkerly & company Vs. State of Rajasthan (1993), the taxable turnover in respect of works contract should be determined after deducting the expenses relating to the labour i.e. labour charges for execution of works contract, amount paid to sub contractor for labour and services, charges for planning and designing and architect fees, cost of establishment etc. Further, the Government instructed (September 2012) that the taxable turnover in respect of Works Contract should be determined in the light of the above judgment of Supreme Court.

We found between May 2015 and June 2015 during test check of assessment cases of 300 out of 345 dealers of three¹² units that five dealers engaged in works contract (assessed between August 2012 and December 2014) had shown gross receipts as ₹ 142.75 crore during the period 2007-08 and 2011-12. Further scrutiny of the records revealed that the AOs determined the taxable turnover of ₹ 33.63 crore after taking into consideration the purchase price of material used in works contract, freight, profit and tax and accordingly levied tax of ₹ 1.78 crore.

This was violation of aforesaid judgment and Government instruction. After applying the procedure prescribed in the aforesaid judgement and Government instructions, the taxable turnover should have been determined as ₹ 43.30 crore and accordingly tax of ₹ 2.24 crore should have been levied. Thus non-observance of the Judgment and the Government instruction by the AOs resulted in short levy of VAT of ₹ 46.55 lakh as detailed in **Appendix 2.3**.

After we pointed this out, the Department stated (November 2015) that demand notice of ₹ 19.60 lakh had been issued in two cases. Remaining cases were being re-opened under Section 22(1) for re-assessment.

2.2.25 Irregularity in submission of statutory forms and supporting documents in inter-state transaction under CST Act

There was incorrect allowance of exemption/concessional rate of tax against inter-state sale, stock transfer, transit sale and invalid forms. This resulted in Non/Short levy of tax of ₹ 1.68 crore.

Section 8 of the Central Sales Tax (CST) Act, 1956 provides for levy of tax at the rate of three *per cent* between April to May 2008 and two *per cent* with effect from June 2008 on interstate sales of goods made against declaration in Form 'C'. Similarly in respect of transit sale i.e. sales made during the movement of goods, selling dealers are required to furnish Form E-I/II and Form-C in support of such sale for claiming exemption from payment of tax.

¹² AC, Rajnandgaon, AC Raigarh and DC, Durg

Further, under section 6(A) of the CST Act, consignment sale (branch transfer) shall be exempt from payment of tax on production of statutory Form-F. In the absence of the statutory forms and supporting documents, the tax on these goods is leviable at the rates prescribed in the CGVAT Act.

2.2.25.1 We found between May 2015 and June 2015 during test check of assessment cases of 558 out of 790 dealers of five¹³ units that out of 11 cases, nine dealers having inter-state transactions of ₹ 113.27 crore had not furnished 'C' forms valuing ₹ 8.82 crore in support of interstate sales and two dealers having inter-state transactions of ₹ 271.43 lakh submitted defective 'C' forms amounting ₹ 24 lakh. Due to non-submission/submission of defective 'C' forms, the dealers were liable to pay the tax at local rates prescribed in CGVAT Act. However, all the dealers availed concessional rate of tax under CST resulting in short realisation of tax amounting to ₹ 23 lakh as detailed in **Appendix 2.4**.

2.2.25.2 We found (June 2015) during test check of assessment cases of 41 out of 41 dealers of DC, Div.-II, Raipur that a dealer was engaged in trading of jute bag was assessed in April 2014 for the year 2009-10, had submitted 'C' forms in support of interstate sales of ₹ 74.31 crore. Further, it was found that 'C' forms of ₹ 35.17 crore were actually issued in favour of his other branch at Kolkata. Hence the above sale should have been treated as inter-state sales without 'C' form. However by allowing concessional rate of tax there was a short realisation of tax of ₹ 1.06 crore.

2.2.25.3 We found (June 2015) during test check of assessment cases of 297 out of 496 dealers of three¹⁴ units that the three dealers engaged in manufacturing /purchase and sale of sponge iron, and jute yarn were assessed between April 2014 and March 2015 for the period 2007-08, 2009-10 and 2011-12. In one case the dealer had not furnished 'C' form in support of inter-state sale amounting ₹ 4.60 crore. In absence of the form, the AO levied lower rate of tax resulted in short realisation of tax amounting ₹ 10.40 lakh as detailed in **Table 2.12**:

Table-2.12**(₹ in lakh)**

Sl. No	Name of Unit	Assessment year (Month & year of assessment)	Amount of inter-state sale	Amount which was Supported/ Not supported with Form 'C'	Rate of tax leviable/ levied	Short levy	Nature of observation
1	DC, Durg	2011-12 (Mar 15)	6840.55	460.22	5/4	4.51	The Government increased rate of tax on sponge iron from four to five <i>per cent</i> from April 2011. The AO levied tax at the rate of four <i>per cent</i> instead of five <i>per cent</i> .

¹³ AC-III, Durg;AC, Rajnandgaon;AC, Division II, Raipur;CTO-9, Raipur and DC Division-II Raipur

¹⁴ DC, Durg;CTO-9, Raipur and DC, Division II, Raipur

2	CTO-9, Raipur	2007-08 (Dec. 14)	258.37	152.71	3/2	1.53	The Rate of tax on re-rolled products for the period 2007-08 was three <i>per cent</i> while AO levied the tax @ two <i>per cent</i> .
3	DC, Div. II, Raipur	2009-10 (April 2014)	7431.18	436.00	2/1	4.36	AO levied tax at the rate of one <i>per cent</i> instead of two <i>per cent on jute yarn</i> .
Total			14530.1	1048.93		10.40	

2.2.25.4 We found between May 2015 and June 2015 during test check of assessment cases of 302 out of 616 dealers of two¹⁵ units that in three dealers, sales turnover valued at ₹ 6.06 crore was not supported with E1-C form of ₹ 2.56 crore, E1 form of ₹ 2.68 crore and C form of ₹ 17.28 lakh. The dealers were not entitled for exemption of tax of ₹ 16.30 lakh availed by them as detailed in **Appendix 2.5**.

2.2.25.5 We found between May 2015 and June 2015 during test check of assessment cases of 83 out of 204 dealers of AC, Division-I, Raipur (Smt. Lata Tyagi) that in two cases the dealers had made branch transfer of goods valued at ₹ 3.61 crore without submitting Form- F valuing ₹ 87.05 lakh in support of such branch transfer. This resulted in non-levy of tax of ₹ 12.19 lakh.

After we pointed this out, the Government stated (August 2015) that cases were being reopened under Section 22(1) for re-assessment.

We recommend that the Department may consider issuing instructions to the assessing authorities to ensure submission of prescribed forms by the dealers before allowing exemption/concessional rate of tax in cases of inter-state transactions.

2.2.26 Internal Control Mechanism (ICM)

The Internal Audit Wing (IAW) of a Department is a vital arm of the internal control mechanism and is generally defined as the control of all controls to enable an organization to assure itself that the prescribed systems are functioning reasonably well.

When we asked the Department regarding existence of ICM consisting of Internal Audit Wing (IAW), ITR verification mechanism and provisions of audit of Commercial Tax Department (CTD) by the Finance Department, the Department stated that only four chartered accountants are posted in the wing to look after the internal audit (from January 2015). The Department neither furnished any information relating to annual audit plan, number of units audited during the last five years nor produced any records in respect of audit inspection reports, ITR verification mechanism adopted (manual or computerised) etc.

¹⁵ CTO-9, Raipur and AC, Division I, Raipur (Smt. LataTyagi)

Thus lack of functioning of internal audit coupled with wide spread system deficiency pointed out in the report is a fair indication that the internal control environment is weak.

The CTOs were required to maintain table diary regarding the disposal of the cases and Demand & Collection register to monitor tax due and collected. In test checked units, above registers were duly maintained and reported to their higher authority.

We recommend that the Department may consider establishing the Internal Audit Wing with adequate manpower and authorities.

2.2.27 Conclusion

The Performance Audit revealed the following:

- Survey of unregistered dealers under Section 57A of the CGVAT Act to bring new dealers under tax net was not conducted during period 2010-11 to 2014-15.
- There was inordinate extension of time limit for assessment which would result in backlog of assessment cases. Last dates of assessment for the year 2009-10 and 2010-11 were not over by June 2015.
- The Commissioner did not select cases for tax audit under Section 21 (3) of CGVAT Act for the years 2008-09 and 2009-10. Further, only 11.59, 3.94 and 0.6 *per cent* of the self-assessment cases were selected for tax audit for the years 2010-11, 2011-12 and 2012-13 respectively.
- There was absence of mechanism for verification of ITR by the Department in respect of purchases up to ₹ 1 lakh.
- The Department could not furnish information regarding closing stock of dealers whose registration was cancelled and reversal of ITR thereon. This indicated that there was no monitoring mechanism in cases of cancelled registration to ensure reversal recovery of ITR on closing stock.
- Suppression of turnover, incorrect determination of turnover, incorrect allowance of ITR, non/short levy of VAT and exemption/concessional rate of tax in cases of inter-state transactions without submission of declaration forms led to leakage of revenue.

OTHER AUDIT OBSERVATIONS

VALUE ADDED TAX

2.3 Short/non-levy of Value Added Tax

2.3.1 Application of incorrect rate of tax

While assessing the cases, the AOs levied incorrect rates of VAT on the residuary goods which resulting in short levy of VAT amounting to ₹ 39.47 lakh.

During test check (between May 2014 and November 2014) of 1,480 assessment cases out of 2,270 cases in two Commercial Tax Offices¹⁶, we

¹⁶ CTO 1, Korba and CTO-2, Raigarh

noticed that in seven cases the AOs levied the VAT at the lower rates on conveyer rollers and toasts. The above goods are not included in Schedule I and in part I, part II and part III of Schedule II of CGVAT Act. Thus, as per entry I of part IV of Schedule II, these goods are taxable as residuary goods at the rate of 12.5 *per cent*. However, the AOs levied the VAT at the rate of zero and four *per cent* as detailed in **Table 2.13**:

Table 2.13

(₹ in lakh)

Sl. No.	Name of Unit	Item	Assessment Year (month and year of assessment)	Schedule/ Part/ Item	Turn-over of net sales	Rate of Tax leviable/ levied	Non/ Short levy of Tax	Nature of observation
1.	CTO I, Korba	Convey or Roller	2006-07 and 2007-08 (May 10 to Aug 11)	II/ IV/ 1	359.45	12.5/ 4	30.55	In five cases, AO levied tax at the rate four <i>per cent</i> .
After we pointed out in the audit, the Government replied (September 2015) that additional demand of revenue amounting to ₹ 17.43 lakh have been issued in four cases. No reply was furnished in one case. Further progress of recovery in the accepted cases is awaited (November 2015).								
2.	CTO II, Raigarh	Toast	2007-08 (August 10)	II/ IV/ 1	71.39	12.5/ 0	8.92	In two cases, AO did not levy tax treating toast as tax free goods.
After we pointed out in audit, the Government replied (September 2015) that demand has been raised in both cases and RRC proceedings have been initiated. Further progress of recovery in the cases is awaited (November 2015).								
Total					430.84		39.47	

The above table shows that the AOs concerned applied the lower rates of VAT due to incorrect classification of commodities which resulted in non/short realisation of VAT amounting to ₹ 39.47 lakh.

2.3.2 Arbitrary assessment of profit

While assessing the cases of works contract, the AO overlooked the audit report of the Chartered Accountant (CA) and arbitrarily assessed the profit of the assesseees which resulting in short levy of VAT amounting to ₹ 5.15 lakh.

During test check (October 2013) of 336 assessment orders in the office of ACCT V, Division II, Raipur, we noticed that in three cases pertaining to assessment year 2008-09, dealers engaged in construction business consumed material valuing ₹ 8.58 crore. While assessing the cases in 2012-13, the AO calculated the taxable sale as ₹ 9.30crore assuming the profit ranging between 5 and 10.50 *per cent*.

However, as per the audit reports, attached in the cases in accordance with the Section 42 (2) of CGVAT Act, 2005, the profit percentage ranged between 13.67 to 19.61 *per cent*. As such, taxable sale as per the actual profit reported by the CAs in their Audit Reports was ₹ 10.10 crore. Further, no reason was found recorded in these cases regarding arbitrary calculation of profit at the rates lower than those reported upon by the CAs in their audit reports.

Thus, Audit Reports of CAs were overlooked while assessment of the cases and arbitrary rates of profit were applied. As a result of this, the taxable sale was short assessed by ₹ 80 lakh which led to short levy of VAT amounting to ₹ 5.15 lakh as detailed in the *Appendix 2.6*.

After this was pointed out in audit, the Government replied (August 2015) that on the basis of audit observations, cases were reopened under Section 22 (1) of CGVAT Act and demand notices for additional revenue of ₹ 5.15 lakh had been issued. Further progress of recovery is awaited (November 2015).

2.4 Excess allowance of Input Tax Rebate

The AO allowed Input Tax Rebate (ITR) in respect of whole quantity of coal purchased by the assessee without reducing the part used for generating tax free electricity sold within the State. This resulted in excess allowance of ITR amounting to ₹ 13.34 lakh.

During test check (April 2014) of 287 assessment cases out of 799 assessment cases of DC, Commercial Tax, Raipur (Headquarters), we noticed that in one case, a dealer, engaged in manufacture, sale and purchase of sponge iron, purchased coal (included in Schedule II of CGVAT Act) valuing ₹ 11.32 crore in 2007-08 and used coal worth ₹ 7.38 crore in his Power Plant Division for generation of electrical energy. Out of this, coal valuing ₹ 4.04 crore was used for captive consumption in his Sponge and Steel iron Division. The remaining coal valuing ₹ 3.34 crore (7.38 crore - 4.04 crore) was used in generation of electrical energy which was sold by the dealer.

Since, Electrical Energy is included in Schedule I as tax free goods, and the sale was not made to dealers of SEZ or outside India (there is no SEZ in the State and the sale is made within the State), ITR should have been reduced in respect of coal (valuing ₹ 3.34 crore) used in production of Electrical Energy sold by the dealer in accordance with the Section 13(1)(b) of CGVAT Act. However, while assessing the case (August 2011), the Assessing Officer (AO) allowed ITR of ₹ 45.29 lakh (@4%) on account of total purchase of coal (₹ 11.32 crore) as raw material. This resulted in excess allowance of ITR amounting to ₹ 13.34 lakh¹⁷.

After this was pointed out in audit, the Department replied (August 2015) that case had been reopened and action had been initiated under Section 22 (1) of the CGVAT Act. Further progress in the case is awaited (November 2015).

¹⁷ Total ITR allowed = ₹ 45.29 lakh
 Allowable ITR (on coal valuing ₹ 4.04 crore) = ₹ 31.95 lakh
 Excess allowance of ITR = ₹ 13.34 lakh

CENTRAL SALES TAX

2.5 Short levy of Central Sales Tax on interstate sale not supported by declaration

Central Sales Tax (CST) at the rate of four per cent was levied by the AOs instead of 12.5 per cent on the interstate sale of goods not supported with form “C” which resulted in short levy of CST amounting to ₹ 45.45 lakh.

During test check (between June 2013 and May 2014) of 396 assessment orders of ACCT, Division II, Raipur and CTO I, Korba, we noticed that in two cases, the interstate sale of MS and GI¹⁸ fabricated structures and Conveyor rollers were not supported with “C” forms.

As per Section 8 of CST Act, in case of interstate trade without declaration in form “C”, tax shall be levied at the rate applicable for sale of such goods within the state. MS and GI fabricated structures and Conveyor rollers were not included in part I, II and III of Schedule II of CGVAT Act. Thus, as per part IV of the Schedule II of CGVAT Act, CST was leviable at the rate of 12.5 per cent. However, the AOs assessed the cases at the rate of four per cent. As such, the AOs applied lower rates of taxes during the assessment of inter-state sales as detailed in **Table 2.14**:

Table 2.14

(₹ in lakh)

Sl. No.	Name of Unit	Item	Assessment Year (month and year of assessment)	Turnover of net sales	Rate of Tax leviable/levied	Non/Short levy of Tax	Nature of observation
1.	ACCT, Div. II, Raipur	MS and GI fabricated structures	2008-09 (June 2013)	Total inter-state sale was ₹ 644.89 lakh; not supported with “C” form ₹ 427.02 lakh	12.5/4	36.63	MS and GI fabricated structures were not included in part I, II and III of Schedule II of CGVAT Act. Thus, CST was leviable at the rate of 12.5 per cent. However, the AO levied the same at the rate of four per cent.
After this was pointed out in audit, Department replied (August 2015) that on the basis of audit observation, reassessment had been done under Section 22 (1) and demand notice for ₹ 73.26 lakh had been issued. Recovery was in progress through RRC and action for attachment of bank account of the dealer had been initiated. Further progress is awaited (November 2015).							
2.	CTO-1, Korba	Conveyor rollers	2007-08 (August 2011)	103.77	12.5/4	8.82	Conveyor roller being the residuary item, CST was leviable at the rate of 12.5 per cent. However the AO levied the same at the rate of four per cent.
After we pointed out in the audit, Department replied (August 2015) that on the basis of audit observation, reassessment had been done under Section 22 (1) and demand notice for ₹ 11.15 lakh had been issued. Recovery is in progress. Further progress is awaited (November 2015).							
Total				530.79		45.45	

¹⁸ Mild Steel and Galvanised Iron

The above table shows that the AOs, while assessing the cases, did not apply the correct rate of CST which resulted in short levy of CST amounting to ₹ 45.45 lakh.

ENTRY TAX

2.6 Non/ Short levy of entry tax due to incorrect application of rates

Application of incorrect rates of Entry Tax (ET) on the entry of the Goods by the AOs resulted in non/short levy of ET amounting to ₹ 10.45 lakh.

During scrutiny (between March 2013 and September 2013) of the 1544 assessment records of ACCT I, Division I, Bilaspur and ACCT (Headquarters), Raipur, we noticed that in three cases, the AOs did not apply correct rates of ET in accordance with the provisions of Section 3 of CGET Act, whereby a dealer is liable to pay ET on the entry in the course of business of a dealer of goods specified in Schedule III into each local area for consumption or use of such goods but not for sale therein. Further, entry tax at the rates of 0.5 *per cent* on Bicycle, tyres, tubes and parts thereof and one *percent* is leviable on goods specified in Schedule II and III respectively. State Government issues notifications from time to time relating to rates of ET and their applicability. The application of incorrect rates of ET is detailed in the **Table 2.15** below:

Table 2.15

(₹ in lakh)

Sl. No.	Name of Unit	Commodity	Assessment Year (month and year of assessment)	Schedule/ Notification No. & Date	Turn-over of net purchases	Rate of Tax leviable/ levied	Non/ Short levy of Tax
1.	ACCT (Hqrs.), Raipur	Bitumen	2009-10 (Aug 2011)	III	529.60	1/0	5.30
Bitumen is included in Schedule III of CGET Act and was consumed in construction of the road. Thus, ET at the rate of one <i>per cent</i> was leviable. However, the AO did not levy tax treating it as tax paid. After this was pointed out in audit, the Government replied (September 2015) that the demand notices had been issued. Further progress in the case is awaited (November 2015).							
2.	ACCT (Hqrs.), Raipur	Bicycle, tyres, tubes and parts thereof	2007-08 (Aug 2011)	II	606.30	0.5/0	3.03
Bicycle, tyres, tubes and parts thereof is included in Schedule II of CGET Act and ET at the rate of 0.5 <i>per cent</i> was leviable. However, the AO did not levy tax. After this was pointed out in audit, the Government replied (September 2015) that the demand notices and RRC had been issued. Further progress in the case is awaited (November 2015).							
3.	ACCT (Hqrs.), Raipur	Iron and steel	2007-08 (Jul 2011)	Notification No. 33 dated 13.04.2000	423.14	1.5/1	2.12
As per the above notification, ET at the rate of 1.5 <i>per cent</i> was leviable on entry of any category of iron & steel as specified in clause (iv) of Section 14 of CST Act into any local area or State from outside the State or within the State for consumption as raw material in manufacture of goods not covered by the above. However, the AO levied the ET at the rate of one <i>per cent</i> only. After this was pointed out in audit, the Government replied (September							

2015) that the demand notices and RRC had been issued. Further progress in the case is awaited (November 2015).

Total	1558.04	10.45
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The above table shows that while assessing the cases, the AOs did not apply the correct rates of ET as prescribed in the Schedules and notifications which resulted in short/ non levy of ET amounting to ₹10.45 lakh.

CHAPTER III: STAMPS AND REGISTRATION FEES

3.1 Tax administration

Levy and collection of Stamp Duty and Registration Fees is administered at the Government level by the Secretary, Commercial Tax (Registration) Department. The Inspector General of Registration cum Superintendent of Stamps (IGR) is the head of the Registration Department who is assisted by two Deputy IsGR, 16 District Registrars cum Collector of Stamps (DR), and 88 Sub Registrars (SR).

The receipts of Stamp Duty and Registration fee are administered under the provisions of:

- Indian Stamp Act, 1899;
- Registration Act, 1908;
- Indian Stamp Rules, 1975 and
- Chhattisgarh preparation and revision of market value Guidelines Rules, 2000.

3.2 Results of Audit

We conducted test check of the records in the offices of 11SRs out of 105 units relating to Registration Department in 2014-15. We found non/short levy of stamp duty and registration fees due to undervaluation of properties, misclassification of instruments and other irregularities involving ₹ 5.79 crore in 244 cases, which fall under the categories as mentioned in **Table-3.1** :

Table-3.1

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1	Non/short levy of stamp duty and registration fees due to undervaluation of properties, misclassification of instruments, etc.	161	3.29
2	Inordinate delay in disposal of cases	57	0.24
3	Other irregularities	26	2.26
Total		244	5.79

The Department accepted underassessment of ₹ 2.45 lakh in 50 cases pointed out during 2014-15.

Few illustrative cases involving financial impact of ₹ 1.28 crore are discussed in the following paragraphs.

3.3 Misclassification of instruments

While registering the instruments, the SR classified them on the basis of their titles instead of the recitals. This resulted in misclassification of the instruments and consequently there was short realisation of Stamp Duty and Registration Fee (SD & RF) amounting to ₹ 41.29 lakh.

During test check of 2,390 out of 37,783 instruments registered by SR, Raipur, we noticed (February 2015) that in two instruments consecutively registered in March 2014, diverted lands admeasuring 2,540 sq. m. and 6,711 sq. m. valuing ₹ 5.90 crore (as per guidelines) were leased by a person in favour of an educational society. Clause six of the instruments mention that “Lessee is authorized to assign to sell, improve, develop, exchange, lease mortgage, dispose off, turn to account or otherwise deal with all or any part of the land and the property”. The recitals of the above clause clarify that the vendor has transferred all his rights relating to the land in favour of vendee.

As per Section 3 of Indian Stamp (IS) Act, 1899, the executants' description of an instrument in it by a particular name is not the sole and indeed an essential guide in determining the true nature of the document; the question has to be decided primarily with reference to its contents and to the intention of the parties as may be gathered therefrom.

Thus, in accordance with Section 3, the instrument ceases to be a lease deed and amounts to conveyance deed for transfer of property for which SD & RF amounting to ₹ 41.32 lakh was leviable. However, while registering the instruments, the SR overlooked the above recitals and registered them as leases on the basis of title only and levied SD & RF amounting to ₹ 3,388. Thus, misclassification of instruments resulted in short levy of SD & RF amounting to ₹ 41.29 lakh.

After this was pointed out in audit, the Department replied (August 2015) that cases had been forwarded to DR and action was being taken. Further progress in the cases is awaited (November 2015).

3.4 Undervaluation of properties in sale of land of more than one seller in a single document

Properties of more than one seller were clubbed together to make it more than 0.243 hectares and valued at the hectare rates instead of slab rates. This resulted in short realisation of SD & RF amounting to ₹ 27.35 lakh.

During test check of 2,390 out of 37,783 instruments registered by SR, Raipur, we noticed (February 2015) that in one instrument, 0.25 hectare land was sold by three sellers having different *khasras* and *Rin Pustikas* to one purchaser. As per clause one of Form I of Chhattisgarh market value guidelines for valuation of properties for the year 2013-14, the market value of the agricultural lands in urban areas shall be calculated on slab basis if the area of land is equal to or less than 0.243 hectares. Lands having areas above 0.243 hectares shall be valued at the hectare rates. As such, the SR determined the market value of the properties at hectare rates treating as one property and calculated the value of

land as ₹ 87.50 lakh and levied SD & RF amounting to ₹ 4.55 lakh and ₹ 70,000 respectively.

During further scrutiny of the case, we noticed that of the three sellers, two belonged to the same family and their land was 0.238 hectares. The third seller was the husband of the purchaser whose land was 0.012 hectare. This clearly indicates that the land of the purchaser's husband was added intentionally in the transaction to make the total land under consideration more than 0.243 hectares and avoid valuation of land on slab basis.

As per the guidelines, the market value of property on slab basis was ₹ 5.43 crore, upon which SD & RF amounting to ₹ 28.26 lakh and ₹ 4.34 lakh were leviable respectively. However, the SR, while registering the document, did not take that in account. Thus, extension of undue benefit to the executants by the SR led to undervaluation of properties by ₹ 4.56 crore which resulted in short levy of SD & RF amounting to ₹ 27.35 lakh (SD ₹ 23.71 lakh and RF ₹ 3.64 lakh).

After this was pointed out in audit, the Department replied (August 2015) that case had been forwarded to DR and action was being taken. Further progress in the cases is awaited (November 2015).

3.5 Undervaluation of the properties situated on main roads

The properties situated on the main roads were valued as situated off road. This resulted in undervaluation of properties and subsequent short realisation of SD & RF amounting to ₹ 24.96 lakh.

During test check of 3,412 out of 45,809 instruments registered in the office of SR, Bilaspur, Raipur and Sakti, we noticed (between October 2014 and February 2015) that as per the recitals of the instruments as well as documents attached with them such as map, *khasra*, *Rin pustika* etc. in 18 instruments (registered between March 2011 and March 2014), the properties transacted were located on the main road of the respective areas or on the road for which separate rates were given in the guidelines. But the SR valued them as situated off road.

As per the provisions of the guidelines, market value of these properties was ₹ 10.26 crore being situated on main roads. However, the SRs worked out the market value of the properties to ₹ 6.53 crore considering the properties situated off road. Thus, valuation of properties situated on main road as situated off road resulted in undervaluation of properties by ₹ 3.73 crore and subsequent short levy of SD & RF amounting to ₹ 24.96 lakh (SD ₹ 22.05 lakh and RF ₹ 2.91 lakh).

After this was pointed out in audit, the Department replied (August 2015) that recovery of ₹ 12,945 had been made in one case. In remaining cases, action was being taken. Further progress is awaited (November 2015).

3.6 Undervaluation of agricultural properties sold in the Municipal areas

The provisions of guidelines for determining the market value of agricultural properties situated in Nagar Nigam/ Nagar Palika/ Nagar Panchayat areas were not adhered to, which resulted in short realisation of SD & RF amounting to ₹ 17.42 lakh.

During test check of 3,308 out of 44,310 documents registered in the office of the SR, Raipur (February 2015) and SR, Sakti (October 2014), we noticed that in eight documents (registered between March 2011 and March 2014), the market value of the properties were not set forth in consonance with the provisions of guidelines as detailed herein below:

3.6.1 As per Clause one of Form I read with clause five of Form III of the Guidelines, agricultural land sold below 0.243 hectare in Nagar Nigam/ Nagar Palika areas shall be valued at the hectare rates if the land had been purchased for agricultural purposes and is adjacent to the purchaser's land as certified by the Patwari and supported by the document. Otherwise, the valuation of property shall be done on the slab basis at plot rates. Note below clause five of Form III provides that such benefit shall not be extended for the lands situated in the midst of cities.

We noticed during test check of instruments of SR, Raipur that in four instruments, the areas of land were below 0.243 hectare. Neither the certificate of the Patwari nor any other documentary evidence was found attached regarding the adjacency of land with that of purchaser's land. Further, in one case pertaining to SR, Raipur, the land was situated in midst of the city. As such, the valuation was to be made on plot rates. But, the SR valued them at the hectare rates. Thus non-compliance of the provisions of the guidelines for agricultural land in Nagar Nigam/ Nagar Palika resulted in short levy of SD & RF amounting to ₹15.31 lakh.

3.6.2 As per clause four of Form I of the Guidelines, agricultural land sold below 0.202 hectare in Nagar Panchayat areas shall be valued at the hectare rates if the land had been purchased for agricultural purposes and is adjacent to the purchaser's land as certified by the Patwari and supported by the document. Otherwise, the valuation of property shall be done on the slab basis at plot rates.

We noticed during test check of instruments of SR, Sakti that in three instruments, areas of properties were below 0.202 hectare and they were under Nagar Panchayats Baradwar and Sakti. Also, as per instruments, they are not adjacent to the purchaser's land. As such, the valuation was to be made on plot rates. But, the SR valued them at the hectare rates. Thus non-compliance of the provisions of the guidelines for agricultural land in Nagar Panchayat resulted in short levy of SD & RF amounting to ₹ 2.11 lakh.

Thus, non-observance of the provisions of the Guidelines for valuation of agricultural properties sold in the municipal areas resulted in short realisation of SD & RF amounting to ₹ 17.42 lakh.

After this was pointed out in audit, the Department replied (August 2015) that action was being taken. Further progress in the remaining cases is awaited (November 2015).

3.7 Undervaluation of properties

3.7.1 Non-observance of provisions of guidelines

The SRs did not observe the provisions of guidelines while determining the market value of the properties which resulted in short realisation of SD & RF amounting to ₹ 12.23 lakh.

During test check of 4,797 out of 45,485 instruments registered in the office of SR, Raipur and Tilda, we noticed (between October 2014 and February 2015) that the provisions of Market value guidelines were not observed by the SRs in eight instruments (registered between December 2012 and March 2014) while valuing the properties for registration as detailed herein below:

3.7.1.1 As per clause two and nine of Form I, off road diverted land sold below 0.405 ha. in urban areas for commercial or industrial purpose shall be valued at the plot rates after increasing it by 25 per cent.

We noticed in a case in SR, Raipur that 1.425 ha. land of 12 surveys in Birgaon Nagar Palika was transacted out of which 0.180 ha. land of one survey was diverted. Also, the land was purchased for industrial purpose. Thus, as per the provisions of guidelines, valuation of 0.180 ha land should have been done on plot rates after increasing the same by 25 per cent. However, the SR valued the land at hectare rates. This resulted in short levy of SD & RF amounting to ₹ 3.99 lakh.

3.7.1.2 As per clause one of Form I and clause five of Form III read with special provision of Guideline, agricultural land sold below 0.150 ha. in Banrasi village for agricultural purpose shall be valued at the hectare rates if the land had been purchased for agricultural purposes and is adjacent to the purchasers' land as certified by the Patwari and supported by the document. Otherwise, valuation of the properties shall be done at plot rates on slab basis. We noticed in two cases in SR, Raipur that the properties were adjacent to the purchasers' lands but purchased for the residential purposes. Thus, the properties should have been valued at plot rates on slab basis. But, the SR valued the properties at hectare rates which resulted in short levy of SD & RF amounting to ₹ 2.77 lakh.

3.7.1.3 As per clause seven of Form I of the Guidelines, if more than one person not belonging to the same family purchase the agricultural land together and share of each comes up to 0.243 ha. in Municipal areas/ 0.202 ha. in Nagar Panchayat areas, the valuation of the land be made at the plot rates on slab basis for share of each purchaser as given in clause one/ four of Form I of the Guidelines.

We noticed in a case in SR, Raipur that the land was purchased by two persons not belonging to the same family having share of 0.142 ha of each purchaser and was to be valued on slab basis. But the SR valued the land at the hectare rates taking it as above 0.243 ha. and stated that a part of the same land

measuring 0.243 ha. has been sold on the same date making it 0.526 ha. This resulted in short realisation of SD & RF amounting to ₹ 4.07 lakh.

3.7.1.4 As per clause 11 of Form III, Agriculture land purchased by the industries shall be valued at the rates of ₹ six lakh, ₹ eight lakh and ₹ 10 lakh per acre in cases of *Padat*, non-irrigated and irrigated lands respectively. However, if the market value of the land as per guidelines or the transaction value is higher than the value calculated above, the highest value shall be considered for the purpose of calculation of SD & RF.

We noticed in four cases pertaining to SR, Tilda that the properties were purchased for industrial purposes. However, the valuation was done at the rates for agricultural lands mentioned in guidelines without taking into account the above clause. This resulted in short levy of SD & RF amounting to ₹ 1.40 lakh.

Thus, non-observance of the rates and provisions of the Guidelines as well as overlooking the documents attached with the instruments resulted in short realisation of SD & RF amounting to ₹ 12.23 lakh.

After this was pointed out in audit, the Department replied (August 2015) that recovery of ₹ 1.11 lakh had been made in three cases pertaining to SR, Tilda. In remaining cases, action was being taken. Further progress in the remaining cases is awaited (November 2015).

3.7.2 Application of incorrect rates due to overlooking of facts mentioned in the instruments/ supporting documents

The SRs overlooked the facts mentioned in the instruments/ supporting documents annexed with the instruments and applied incorrect rates for determination of market value of the property which resulted in short realisation of SD & RF amounting to ₹ 4.68 lakh.

During test check of 5,124 out of 68,369 documents registered in the office of SR, Durg, Raipur and Sakti, we noticed (between September 2014 and February 2015) that in case of nine instruments (registered between March 2012 and March 2014), the SRs applied incorrect rates and did not take into account the records attached with the instruments while valuing the properties for registration as detailed herein below:

3.7.2.1 As per the revenue records attached with three instruments pertaining to SR, Raipur, the properties were irrigated lands. However, the valuation was done at the rates of un-irrigated lands which resulted in short realisation of SD & RF amounting to ₹ 1.31 lakh

3.7.2.2 During scrutiny of instruments pertaining to SR, Sakti, we noticed that there was calculation error in three cases. In one case, as per maintenance *khasra* attached with the document, a *pucca* house was there on the land which was not found accounted for during valuation. Physical verification report of the case was also not provided by the SR. In another instrument, two purchasers, not belonging to same family purchased the land together. Thus, as per clause four and seven of Form I of the guidelines, share of each should have been valued separately. However, the SR valued the property jointly

which resulted in under valuation. The above resulted in short levy of SD & RF amounting to ₹ 1.97 lakh.

3.7.2.3 In one instrument pertaining to SR, Durg, as per the Power of Attorney attached with the document, three shops have been built on the land without mentioning their area. As such, the documents were executed suppressing the facts and the SR overlooked the Power of Attorney while determining the market value of the properties. This resulted in short levy of SD & RF amounting to ₹ 1.40 lakh.

Thus, non-observance of the rates and provisions of the Guidelines as well as overlooking the documents attached with the instruments resulted in undervaluation of properties by ₹ 65.26 lakh and consequent short realisation of SD & RF amounting to ₹ 4.68 lakh.

After this was pointed out in audit, the Department replied (August 2015) that action was being taken in the cases. Further progress in the cases is awaited (November 2015).

3.8 Internal Audit

Internal Audit Wing (IAW) of an organisation is a vital component of the internal control mechanism and is generally defined as the control of all controls. It enables the organisation to assure itself that the prescribed systems are functioning reasonably well.

As per the information provided by the Department, there are two sanctioned posts of Assistant Audit Officers in IAW but both the posts are vacant as a result of which no internal audit could have been conducted during the year 2014-15.

CHAPTER-IV: LAND REVENUE

4.1 Tax administration

The Land Revenue Department is headed by the Principal Secretary at the Government level. He is assisted by the Commissioner, Settlement and Land Record (CSLR) and four Divisional Commissioners (DCs). The DCs exercise administrative and fiscal control over the districts included in the divisions. In each district, Collector administers the activities of the Department. It is entrusted upon the Collector of the district to place one or more Assistant Collectors or Joint Collectors or Deputy Collectors in charge of a sub-division of a district.

The receipt of land revenue is administered under the provisions of:

- Land Revenue Code, 1959 and Rules made thereunder;
- Chhattisgarh *Lokdhan (Shodhya rashiyon ki vasuli) Niyam*, 1988;
- Revenue Book of Circulars, Volume I to IV and
- Departmental instructions, circulars and notifications issued from time to time.

4.2 Results of Audit

In 2014-15, we test checked the records of seven out of 165 units of the Land Revenue Department and found non-recovery of ground rent and premium, non-levy/realisation of cess, non/short levy of process fee, delay in collection of Revenue Recovery Certificates and other irregularities etc. amounting to ₹ 27.80 crore in 20,864 cases, which fall under the following categories in the **Table 4.1** below:

Table 4.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Blockage of ground rent and premium	19,696	4.78
2.	Non/short levy of process fee	208	0.02
3.	Delay in collection of Revenue Recovery Certificates	43	2.05
4.	Other irregularities	917	20.95
Total		20,864	27.80

During the course of the year, the Department accepted non-recovery of ground rent and premium, non/short levy of process fee, non-levy/realisation of cess/ delay in collection of Revenue Recovery Certificates etc. of ₹ 3.45 crore in 19,646 cases but no recovery was made.

A few illustrative cases involving ₹ 48.34 lakh are discussed in the following paragraphs.

4.3 Non-levy of Panchayat Cess

Non-levy of Panchayat Cess on premium and land rent levied on diversion of agricultural land in gram panchayat area in accordance with the provisions envisaged in Chhattisgarh Panchayati Raj Adhiniyam, 1993 resulted in non-realisation of ₹ 22.34 lakh.

During test check of Demand registers and case files of diversion of agricultural land¹ of Collector, Durg, we noticed (December 2013) that during the year 2010-11 and 2011-12, 15.125 hectare agricultural land in gram panchayat area was diverted for non-agricultural purposes levying premium of ₹ 11.81 lakh and annual rent of ₹ 8.25 lakh in five cases.

As per Section 58 of Land Revenue Code, the land revenue includes Premium and land rent. During further scrutiny of case files, we observed that while finalising the above cases for diversion, the Collector did not levy the Panchayat cess as per the Section 74 of Chhattisgarh Panchayati Raj Adhiniyam, 1993 according to which, every owner and lessee of land in a Gram Panchayat area shall be responsible for payment of cess for the purpose of this Act at the rate of fifty paise for each rupee or part of rupee exceeding fifty paise of the land revenue fixed for that land for each revenue year and shall be paid in the same manner as land revenue is paid.

Thus, failure on the part of Collector resulted in non realisation of Panchayat cess amounting to ₹ 22.34 lakh over the premium and land rent for the period up to 2014-15 as detailed in the table 4.2 below:

Table 4.2

(Amount in ₹)

Year	Case No. and date	Area (Ha.)	Premium	Annual land Rent	Land rent for period up to 2014-15	Total	Amount of Panchayat Cess
2010-11	274 A-2 dt. 10.03.11	13.01	10,11,353	7,08,589	28,34,356	38,45,709	19,22,855
	324 A-2 dt. 11.03.11	0.06	4,357	3,088	12,352	16,709	8,355
	328 A-2 dt. 20.03.11	0.055	4,182	2,964	11,856	16,038	8,019
	120 A-2 dt. 21.01.11	1.85	1,38,452	98,125	3,92,500	5,30,952	2,65,476
2011-12	388 A-2 dt. 18.07.11	0.15	23,002	12,350	37,050	60,052	30,026
Total		15.125	11,81,346	8,25,116	32,88,114	44,69,460	22,34,731

After this was pointed out in audit, Department replied (June 2015) that in one case, an amount of ₹ 1,544 had been deposited while in other cases, notices had been issued to the parties for payment. Further progress is awaited (November 2015).

After being pointed out the similar case in paragraph 5.8.10 of Audit Report (Revenue Receipts) for the year ended March 2011, recurrence of similar lapses and irregularities shows ineffectiveness of the Department in preventing leakage of revenue.

¹ Diversion of agricultural land implies the change in usage of land from agriculture to any other use such as housing, industrial or commercial.

4.4 Non-diversion of agricultural land purchased for industrial purposes

Non-diversion of agricultural land purchased for industrial purpose resulted in non-realisation of land revenue amounting to ₹ 26 lakh.

During test check of mutation registers and orders in the office of Tehsildar, Pali, we noticed (March 2014) that a company purchased and mutated 65.39 hectare private lands from the farmers of village Bandhakhar in Tehsil Pali for setting up a thermal power project during the period between May 2006 and April 2008.

As per Chapter three of Land Revenue Rules, Revenue Inspector (RI) is responsible for finding out and report upon the cases of diversion of agricultural land for non-agricultural purposes to the Tehsildar to enable him to reassess the land under Section 59 of Land Revenue Code which provides that if land is diverted for the purpose other than that for which it was assessed, the land revenue of the land shall liable to be reassessed with reference to the purpose for which it was diverted.

The company has itself mentioned in the application for mutation that it is setting up Thermal Power Plant. Though the RI had attested the mutation (November 2008), the Department neither initiated any action till date for diversion of land for industrial purpose nor raised demand for realisation of revised premium and land rent. Further, the website of the company mentions that the project has been commissioned since July 2015.

As a result of this, the Government was deprived of land revenue amounting to ₹ 26 lakh for the period between 2008-09 and 2014-15. Furthermore, it indicates insufficient internal control in the Department in assessment of land revenue in the cases where agricultural land had been purchased for the purpose other than agriculture.

After this was pointed out in audit, Tehsildar, Pali replied (October 2015) that the company had deposited an amount of ₹ 16.34 lakh towards the diverted land revenue in August 2015. However, as per the calculations made by audit on the prevailing rates, the leviable diverted land revenue was ₹ 26 lakh. But no mention was made by the Tehsildar regarding deposition of remaining amount.

Matter was brought to the notice of the Department/ Government for their comments (May 2015). Their response is awaited (November 2015).

4.5 Internal Audit

The Internal Audit Wing (IAW) of a Department is a vital component of its internal control mechanism and is generally defined as control of all controls. It enables the organisation to ensure itself that the prescribed systems are functioning reasonably well.

There is no IAW in the Department which makes it vulnerable to the leakage of revenue. Also no action was taken up by the Department for establishing an IAW even after being regularly reported in the Report of Comptroller and Auditor General of India on Revenue Sector, Government of Chhattisgarh.

CHAPTER-V: TAXES ON VEHICLES

5.1 Results of Audit

In 2014-15, we test checked the records of 12 out of 22 units of the Transport Department and found short realisation of trade tax, non-realisation of tax and penalty and other irregularities etc. amounting to ₹ 30.62 crore in 1,683 cases, which fall under the following categories in the **Table 5.1** below:

Table 5.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Long Paragraph on “ Non/short realisation of tax from the owners of passenger and goods vehicles ”	1	21.40
2.	Short realisation of trade tax	302	3.30
3.	Non-realisation of tax and penalty	1,283	5.89
4.	Other irregularities	97	0.03
Total		1,683	30.62

During the course of the year, the Department accepted short realisation of trade tax, non-realisation of tax and penalty and other irregularities etc. of ₹ 5.76 crore in 1,285 cases but no recovery was made.

A Long Paragraph on “**Non/Short realisation of tax from the owners of passenger and goods vehicles**” involving money value of ₹ 21.40 crore is discussed in the succeeding paragraph.

5.2 Long Paragraph on “Non/short realisation of tax from the owners of passenger and goods vehicles”

Highlights

The RTOs/ARTOs/DTOs did not maintain/update Demand and Recovery Register of tax and Register of Certificate of Registration.

(Paragraph 5.2.9)

There was short realisation of tax of ₹ 2.25 crore for the period July 2011 to March 2015 from the owners of 133 passenger vehicles out of 2,583 registered passenger vehicles due to non-determination of seating capacity on the basis of wheel base, non-consideration of sleeper (berth) into two seats, allowance of concessional rate of tax to other than educational institution buses etc.

(Paragraph 5.2.10)

Tax and penalty of ₹ 19.05 crore due for the period between April 2010 to February 2015 from 5,677 vehicle owners out of 1,61,380 registered vehicles pertaining to selected transport offices was neither paid by the owners nor demanded by the Department.

(Paragraph 5.2.11)

5.2.1 Introduction

The Transport Department contributes around five *per cent* of the total tax revenue of the State and is responsible for administering and regulating registration of vehicles, levy and collection of taxes and fees, grant of permits, issue of certificate of fitness, levy of penalties, etc. under the provisions of Motor Vehicles Act 1988, Central Motor Vehicles Rules 1989, Chhattisgarh *Motoryan Karadhan Adhinyam* 199 1and Chhattisgarh *Motoryan Karadhan Niyam* 1994. Tax is realised in lumpsum at the time of registration of non-transporting vehicles, whereas monthly and quarterly tax are realised in advance from passenger and goods vehicles/school buses respectively. Passenger vehicles are of two types namely public service vehicles and private service vehicles. Permits are issued for passenger vehicles based upon the authorised seating capacity, plying distance and the class of services. In case of goods vehicles, national and state permit are issued and taxes are levied on the basis of registered laden weight. The Department had implemented VAHAN (February 2011) for registration of vehicles and collection of taxes and SARATHI (December 2010) for issue of driving/conductor licences. As on March 2015, 34,86,839 vehicles¹ of various types are registered in the State.

¹ 45,283 passenger vehicles; 1,42,966 goods vehicles; 42,092 motorcab/tempo/auto-rickshaw; 30,18,008 two-wheeler/car/jeeps and 1,42,226 tractors, 944 school buses and 95,320 other vehicles

5.2.2 Organisational setup

The Transport Department functions under the overall charge of the Principal Secretary-cum-Transport Commissioner (TC) who is assisted by one Additional TC, one Joint TC, one Assistant TC and one Deputy Director, Finance (DDF) at Headquarters. Besides, there are four Regional Transport Officers (RTO), two Additional Regional Transport Officers (ARTO) and 16 District Transport Officers (DTO) under the administrative control of TC. In addition, 15 check posts and one sub-check post are under the supervisory control of RTOs/ARTOs/DTOs concerned.

Functions of the transport authorities in the Department are mentioned in **Table 5.2** below:

Table 5.2

Level	Function
Transport Commissioner	He is responsible for execution and implementation of policies, direction and administration, initiating proposals for change of tax rates etc. Besides, he is also the appellate authority for hearing of cases assessed by his subordinates.
RTO	He is responsible for issue of permits, licences, registration of vehicles and assessment and collection of Motor Vehicle Tax.
ARTO/DTO	Discharges duties of RTO except of issue of permits. Permits in respect of vehicles registered under ARTO/DTO are issued by the assigned RTO.

5.2.3 Audit objectives

The audit was conducted to ascertain whether

- the system of assessment, collection and remittance of tax to Government Account is in place and is working satisfactorily;
- rules and procedures prescribed in the Act/Rule for issue of permits/NOC/fitness are followed; and
- the Department has taken prompt initiatives for issue of demand notices, timely remittances of taxes and internal controls are working properly.

5.2.4 Audit criteria

The provisions of the following Acts/Rules and orders issued there under were used as audit criteria:

- Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicle (CMV) Rules, 1989;
- Chhattisgarh *Motoryan Karadhan* (CGMK) *Adhiniyam*, 1991;
- Chhattisgarh *Motoryan Niyam*, 1994; and
- Executive orders issued under these Acts and Rules from time to time.

5.2.5 Scope of Audit and methodology

The Audit was conducted between May and July 2015 covering the period from 2010-11 to 2014-15. During the Audit, we test checked records of nine² out of 22 RTOs/ARTOs/DTOs in the State which were selected through Simple Random Sampling Without Replacement method. We also test checked records in the Transport Commissioner, i.e. State Transport Authority. In addition, audit observations noticed earlier during the compliance audit (DTO, Mahasamund and ARTO, Durg) were also updated and incorporated at appropriate places. The scope and methodology of audit was discussed with the Principal Secretary, Transport Department in an entry conference held on 15 June, 2015. The exit conference was held on 7 October 2015 wherein the audit findings, conclusions and recommendations were discussed. The replies received during the exit conference and at other points of time have appropriately been included in the relevant paragraphs.

5.2.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department for providing requisite information and records to audit without delay considering the short span of field audit.

5.2.7 Trend of receipts

The details of budget estimates (BEs), actual receipts (ARs) from Taxes on Vehicles during the years 2010-11 to 2014-15 are given in **Table 5.3** below:

Table 5.3

(₹ in crore)

Year	Budget estimates (BEs)	Actual Receipts (AR)			Variation between BEs and ARs excess (+)/ shortfall(-)	Percent -age of variation	Percentage of variation of ARs over receipts of previous year
		Passenger and goods vehicles	Other vehicles	Total			
2010-11	410.00	15.04	412.48	427.52	17.52	4.27	---
2011-12	475.00	22.01	480.17	502.18	27.18	5.72	17.46
2012-13	605.71	28.00	563.75	591.75	(-) 13.96	(-) 2.30	17.84
2013-14	731.38	27.07	624.00	651.07	(-) 80.31	(-)	10.02
2014-15	800.00	39.05	664.43	703.48	(-) 96.52	(-)	8.05

(Source: Finance Accounts of the Government of Chhattisgarh)

It may be seen from the above table that the Department achieved the target as against BEs in 2010-11 and 2011-12, whereas it could not achieve the BEs during 2012-13 to 2014-15. During the years 2013-14 and 2014-15, variation between BEs and Actuals were more than 10 per cent. Thus, the Department had not followed uniform pattern while preparing the BEs. Further, growth rate of actual receipts over previous year decreased from 17.84 per cent in 2012-13 to 8.05 per cent in 2014-15.

² RTO, Ambikapur, Bilaspur and Raipur; ARTO, Durg and Rajnandgaon; DTO, Kanker, Korba, Mahasamund and Raigarh

The Department stated (May 2015) that BEs could not be achieved because of reduction in rate of tax from September 2013.

5.2.8 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 amounted to ₹ 10.35 crore of which ₹ 3.52 crore were outstanding for more than five years. The following **Table 5.4** depicts the position of arrears of revenue during the period 2010-11 to 2014-15:

Table 5.4

(₹ in crore)

Year	Opening balance of the arrears	Demand raised during the year	Revenue realised during the year	Closing balance of the arrears
2010-11	3.52	5.05	5.09	3.48
2011-12	3.48	11.17	4.65	10.00
2012-13	10.00	3.67	7.49	6.18
2013-14	6.18	8.85	7.84	7.19
2014-15	7.19	20.06	16.90	10.35

(Source: Information furnished by the Department)

During the exit conference, the Government replied (October 2015) that Government was planning to take action for one time settlement of outstanding penalty and interest by 30 November 2015.

AUDIT FINDINGS

We scrutinised the records in nine transport offices and noticed that 35,719 passenger and 1,25,345 goods vehicles, 316 school buses and 5,795 motorcab/ jeeps were registered as on 31 March 2015. Out of that, audit checked records of 5,706 passenger vehicles, 7,387 goods vehicles, 207 school buses and 550 motorcab/ jeeps. We noticed cases of non/short realisation of tax in 5,853 vehicles, plying of 28 vehicles without fitness certificates, etc. which are discussed in subsequent paragraphs.

5.2.9 Non-maintenance/Non-updation of demand and recovery register of tax and register of certificate of registration

The Department did not maintain/update demand and recovery register of tax and register of certificate of registration.

During test check of the Demand and recovery register of tax/register of certificate of registration etc. in four offices³, we noticed between May and July 2015 that the Department did not maintain/update the Demand and Recovery Register of tax which is mandatory as per Section 22 of CGMK *Adhiniyam* read with CGMK *Niyam*. Further, register of certificate of registration were not maintained properly. Entries such as plying distance, class of services, period for which the vehicles were off-road, overhang of the bus, width and length of the inside room, name and designation of the dealing

³ RTO Ambikapur, ARTO Durg, DTO Raigarh and RTO Raipur

staff and RTO/ARTO/DTO were not entered in register of certificate of registration, which are vital information for determining tax to be levied and ascribing accountability for any lapse. This was violation of provisions of Rule 51A of Chhattisgarh Motor Vehicles Rule, 1994.

During the exit conference, the Government replied (October 2015) that instructions had been issued to field offices to maintain required records as per provisions of the Act/Rules.

5.2.10 Short realisation of tax

There was short realisation of tax of ₹ 2.25 crore for the period July 2011 to March 2015 from the owners of 133 passenger vehicles out of 2,583 registered passenger vehicles due to non-determination of seating capacity on the basis of wheel base, non-consideration of sleeper into two seats, allowance of concessional rate of tax to other than educational institution buses etc.

According to Section 3 of the CGMK *Adhiniyam*, tax shall be levied on the owner of every passenger vehicle used or kept for use in the State at the rate prescribed in the Sl. No.4 of the First Schedule of the *Adhiniyam*. In case of non-payment of the tax, the owner shall in addition to the payment of tax, be liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof but not exceeding the unpaid amount of tax as laid down under Section 13(1) of the *Adhiniyam*. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue demand notice and take action to recover the amount like arrears of land revenue.

During test check of the Demand and recovery register of tax, register of certificate of registration, permit files and cgtransport.org portal in seven⁴ offices for the period between July 2011 and March 2015, we noticed (between May and July 2015) short realisation of tax from 133 passenger vehicles out of 2,583 registered passenger vehicles as mentioned below:

5.2.10.1 We noticed in ARTO, Durg that a owner of 18 buses paid taxes at concessional rate of ₹ 30 per seat per quarter during the period July 2011 to March 2015. These buses were used for transportation of students and staff of the educational institution.

As these buses were not owned by the educational institutions, concessional rate of tax was allowable only after ensuring that the buses were to be used solely for the purpose of transporting students and staff of educational institution. No documentary evidence to this effect was found on record. The ARTO could not furnish the same to audit despite being requested. As such, tax at the rate of ₹ 600 per seat per quarter was leviable under entry seven of Schedule-I of CGMK *Adhiniyam*. Thus, there was short realisation of tax of ₹ 61.37 lakh. Besides, penalty of ₹ 55.23 lakh was also leviable.

⁴ RTO, Ambikapurand Raipur; ARTO, Durg; DTO, Kanker, Korba, Mahasamund and Raigarh

During the exit conference, the Government replied (October 2015) that though the ownership of the buses was not with the educational institutions, these buses were solely engaged for the transportation of students and staff. Hence, concessional rate of tax was allowed. Reply of the Government is not convincing because no proof for sole engagement of buses for transportation of staff and students of educational institutions was produced to Audit.

5.2.10.2 We noticed in five⁵ offices that DTOs/RTO was collecting tax as per seating capacity mentioned in the registration certificate (RC) under ordinary service. This was in violation of notification of July 2012 which prescribes that seating capacity of an ordinary bus shall be determined on the basis of its wheelbase. Non-determination of seating capacity as per wheelbase in case of 90 vehicles led to short realisation of tax amounting to ₹ 11.36 lakh for the period between December 2012 and December 2013. Besides, penalty of ₹ 11.36 lakh was also leviable.

During the exit conference, the Government while accepting the observation replied (October 2015) that corrective measures would be taken to realise the tax as per the wheelbase of the vehicle.

5.2.10.3 We noticed in ARTO, Durg that a owner of 23 buses paid tax as per number of seats and sleepers mentioned in RC without reckoning sleeper as two seats. As per notification (January 2013), one berth (sleeper) is to be considered as two seats for the purpose of levying of tax. Non adherence to notification led to short realisation of tax of ₹ 39.54 lakh for the period between September 2013 and March 2014. Besides, penalty of ₹ 39.54 lakh was also leviable.

During the exit conference, the Government replied (October 2015) that reply from the concerned transport offices had been called for and appropriate action would be taken accordingly.

5.2.10.4 We noticed in RTO, Raipur that a bus was registered with 18 seats and 17 sleepers. Report on physical verification of vehicle conducted (June 2013) by flying squad mentioned that bus was found to have 18 seats and 23 sleepers. However, while assessing the tax, the RTO did not take cognizance of the flying squad's report and issued demand notice for 18 seats and 13 sleepers. Thus, the action of the RTO to reduce the number of sleepers without any reasons led to short realisation of tax amounting to ₹ 1.09 lakh for the period between January 2013 and June 2014. Besides, penalty of ₹ 1.07 lakh was also leviable.

During the exit conference, the Government while accepting the observation replied (October 2015) that replies from the concerned transport offices had been sought.

5.2.10.5 We noticed in DTO, Kanker that a bus registered under deluxe service with 29 seats was plying from Raipur to Jagdalpur and return (608 km). It was replaced (November 2013) by another bus with 55 seats under deluxe service. However, the bus owner paid tax of ₹ 1.51 lakh applicable for ordinary service instead of ₹ 4.16 lakh for deluxe service for the period December 2013 to July 2014 and November 2014 to March 2015. This

⁵ DTO Kanker, Korba, Mahsamund, Raigarh and RTO Raipur

resulted in short realisation of tax of ₹ 2.66 lakh. Besides, penalty of ₹ 1.82 lakh was also leviable.

During the exit conference, the Government while accepting the observation replied (October 2015) that replies from the concerned transport offices had been sought.

5.2.11 Non-realisation of tax

Tax and penalty of ₹ 19.05 crore due for the period between April 2010 to February 2015 from 5,677 vehicle owners out of 1,61,380 registered vehicles pertaining to selected transport offices was neither paid by the owners nor demanded by the Department.

During test check of the Demand and recovery register of tax, cgtransport.org portal and VAHAN software in nine⁶ offices for the period April 2010 to February 2015, we noticed (between May and July 2015) that there was non-realisation of tax as on 31 March 2015 amounting to ₹ 9.93 crore, ₹ 95.13 lakh, ₹ 10.54 lakh and ₹ 8.39 lakh from 5,148 goods vehicles, 287 passenger vehicles, 133 school buses⁷ and in 109 motorcab/jeeps⁸ respectively. Further, no off road declaration was submitted by these vehicle owners. As such, motor vehicle tax was realisable from these vehicle owners.

The RTOs/ARTOs/DTOs concerned did not initiate any action to issue demand notices for recovery of tax from these owners as prescribed in Section 15 (1) of CGMK *Adhinyam*. This resulted in non-realisation of tax of ₹ 11.07 crore. Besides, penalty of ₹ 7.98 crore was also leviable under Section 13 (1) of the *Adhinyam ibid*.

During the exit conference, the Government replied (October 2015) that efforts were being made to settle outstanding dues and instructions had been issued to field offices for realising the tax on time.

5.2.12 Vehicles plying without certificate of fitness

Twenty eight transport vehicles were plying without certificate of fitness.

During scrutiny (between June and July 2015) of fitness records of 290 vehicles out of 27,490 vehicles registered in three⁹ DTOs for the period 2011-12 to 2014-15, we found that 11 passenger and 17 goods vehicles were plying without certificates of fitness upto March 2015. Certificates of fitness of these vehicles had expired between December 1983 and February 2015. This was violation of provisions of Section 56 of the MV Act which prescribes that a transport vehicle shall not be deemed to have a valid registration for the purposes of Section 39 unless it carries a certificate of fitness by an authorised testing station mentioned in sub-Section (2) to the effect that the vehicle complies for the time being with all the requirements of the Act.

⁶ RTO, Ambikapur, Bilaspur and Raipur; ARTO, Durg and Rajnandgaon; DTO, Kanker, Korba, Mahasamund and Raigarh

⁷ RTO Ambikapur, ARTO Durg and DTO Raigarh

⁸ DTO Kanker, DTO Korba, DTO Mahasamund and DTO Raigarh

⁹ DTOs Kanker, Korba and Raigarh

However, the DTOs did not notice that validity period of fitness of these vehicles had already expired. Plying of the vehicles without certificate of fitness is a risk to public safety and property.

During the exit conference, the Government while accepting the observations replied (October 2015) that the comments from the concerned offices had been sought and suitable action on erring vehicle owners would be taken.

5.2.13 No objection certificate issued without collecting the arrears

The Department had issued No Objection Certificate (NOC) without realising the tax due from the vehicle owner.

During test check of NOC register of ARTO, Durg we noticed (June 2015) that the ARTO issued (March 2009) NOC to a bus for transfer to Madhya Pradesh. Further, we found in the cgtransport.org portal maintained by the Department that the owner of the bus paid (December 2003) tax of ₹ 8,000. It was observed from the Demand and Recovery Register of tax and the portal that no taxes were paid between January 2004 and March 2009 by the owner of the bus.

As per Section 48 of MV Act read with Rule 58 of CMV Rules, the taxation officer after satisfying that there are no arrears outstanding against the vehicle shall issue NOC. However, the ARTO issued NOC without collecting the dues of ₹ 5.04 lakh for 63 months at ₹ 8,000 per month. Besides, penalty of ₹ 5.04 lakh was also leviable.

During the exit conference, the Government replied (October 2015) that the concerned transport office had been asked to look upon the matter to take suitable action.

5.2.14 Delay in remittance of revenue

The amount realised from the owners of the vehicles by Flying Squads was remitted with delay ranging from five to 20 days.

During the test check (between May and July 2015) of the *challans* maintained by the Flying Squads of three¹⁰ offices for the period 2014-15, we noticed that the Flying Squads collected and remitted the money into bank after delay ranging from five to 20 days.

Flying Squads regularly delayed in remittance of the Government revenue in contrary to Rule 3 and 4 of Chhattisgarh Financial Code and Sub-rule 7 of Part I of Chhattisgarh Treasury Code which stipulates that Government money forming part of Consolidated Fund of State and Public Account collected by a Government servant should be deposited in the Treasury/Bank without delay. However, the Department did not establish a mechanism to avoid such delay.

During the exit conference, the Government replied (October 2015) that a separate account would be opened for each flying squad and check posts. The entire amount realised would be electronically transferred to nodal Banks/Treasuries within 48 hours.

¹⁰ RTO Ambikapur, ARTO Durg and RTO Raipur

5.2.15 Internal Audit Wing

Internal Audit Wing (IAW) has been established in the Department with the objective of conducting internal audit of all subordinate offices and issuing instructions for taking proper corrective action on irregularities detected during such examination and checking the repetition thereof. The position of coverage of audit by internal auditors is as detailed in **Table 5.7** below :

Table 5.7

Year	Number of offices planned for audit	Number of offices audited against plan	Number of inspection reports issued	Number of Action Taken Reports submitted by RTOs/ARTOs/DTOs
2010-11	16	06	06	06
2011-12	16	06	06	06
2012-13	16	15	15	11
2013-14	17	10	10	08
2014-15	21	05	05	05
Total:	86	42	42	36

(Source: Information furnished by the Department)

It is clear from the **Table 5.7** that IAW conducted audit of 42 offices only out of 86 offices planned during 2010-11 to 2014-15. The coverage of audit by IAW was less than 50 *per cent* of total offices planned. Further, six compliance reports to IAW were not submitted by the RTOs/ARTOs/DTOs during the period 2012-13 and 2013-14 even after lapse of more than two years.

During the exit conference, the Government replied (October 2015) that efforts were being made to improve IAW work.

5.2.16 Conclusion

Realisation of motor vehicle taxes is a critical issue in the Department. The Department did not follow the provisions of the Act/Rules. In our opinion, the Department needs urgent review in order to make the system update. We observed the following:

- The Department did not levy and collect vehicle tax on both passenger and goods vehicles due to systemic deficiencies and lack of proper monitoring.
- Buses were plying without fitness certificates in contravention to the provisions of the Act/Rules.
- The internal audit was weak as is evident by the shortfall in number of offices required to be inspected, delay in remittance etc.

CHAPTER VI : OTHER NON-TAX RECEIPTS

Section A : Forestry and Wild Life

6.1 Tax administration

The Principal Chief Conservator of Forests (PCCF) heads the Forest Department under the administrative control of the Principal Secretary (Forests) who is assisted by eight Additional PCCFs (APCCFs) and sixteen Chief Conservators of Forests (CCFs) at Headquarters. The forest area in the State has been divided into six circles each headed by a Conservator of Forests (CF). These circles have been further divided into Forest Divisions which are administered by the Divisional Forest Officers (DFO) who is assisted in field by the Sub Divisional Forest Officers (SDO) and Range Officers (RO).

The receipts of the Forest Department are administered under the provisions of:

- Indian Forest Act, 1927 and Rules made thereunder;
- Chhattisgarh *Van Upaj (Vyapar Viniyaman) Adhiniyam*, 1960 and Rules made thereunder;
- Forest Financial Rules; and
- National Working Plan Code 2004.

6.2 Results of Audit

In 2014-15, we test checked the records of 12 out of 60 units relating to forest receipts and found short realisation of revenue due to sale of forest produce below upset price, non/short realisation of revenue due to deterioration/shortage of forest produce, low yield of timber etc. involving ₹ 14.90 crore in 343 cases, which fall under the following categories as mentioned in the **Table 6.1** below:

Table 6.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1	Short realisation of revenue due to sale of forest produce below the upset price	12	1.53
2	Non-realisation of revenue due to deterioration/shortage of forest produces	165	1.48
3	Loss of revenue due to low yield of timber	12	1.87
4	Other irregularities	154	10.02
Total		343	14.90

The Department accepted the observations of ₹ 7.35 crore in 72 cases pointed out during 2014-15.

A few illustrative cases involving ₹ 16.60 lakh are discussed in the succeeding paragraphs.

6.3 Preparation of timber lots and their sale

6.3.1 Non-observance of Departmental instructions in preparation of timber lots for auction

Departmental instructions regarding preparation of pure lots of timber for sale were not followed which resulted in delayed sale of timber and consequent loss of revenue amounting to ₹ 11.57 lakh.

During test check of auction files, material lists and other ancillary records of Divisional Forest Officer (DFO), Dantewada, we noticed (December 2013) that in nine out of 12 timber auctions held between September 2011 and March 2013, 24 mixed lots of Teak and 28 mixed lots of Sal carrying 193.786 cubic meter timber were kept in auction. These mixed lots consisted of timber of three to six lengths, three to eight girths and three to four classes including unsound timber. The poles and logs were also mixed while making the lots.

This was in contravention to the PCCF's instructions (February 2010) which prescribed preparation of pure lots i.e. a lot should have timber of one length only for ensuring maximum revenue realisation during sale of timber through auction. The girth and class of timber may be mixed up to one class above or below. CF, Jagdalpur had also reiterated (August 2011) that pure lots should be made as pure lots were sold at higher rates than the lots having mixed timber.

The DFO did not ensure compliance of PCCF's instructions regarding preparation of pure lots. Even the CF, Jagdalpur did not notice this while approving the auctions of timber. Mixing of lengths¹ or girths² and classes³ of timber more than prescribed limits, adversely affected the sale of timber lots. These lots could not be sold in their first auction and the sale prices obtained in the subsequent auctions (two to nine months after first appearance in the auctions) were lower from the upset prices⁴ ranging from 15 to 61 *per cent*. This resulted in loss of revenue amounting to ₹ 11.57 lakh as detailed in the *Appendix 6.1*.

After this was pointed out in audit, the Government replied (August 2015) that timber of higher and lower qualities both were received from felling. The pure lots of timber of higher categories were prepared initially and then mixed lots of lower quality timber were prepared for sale in auction. These lots were sold as per the Departmental instructions. Pure lots of lower categories were not prepared as there were chances of loss in their sale.

We do not agree with the reply as the PCCF had observed (February 2010) that mixing of timber of different lengths, girths and categories would reduce

¹ Teak is classified into length classes of 0-1, 1-2, 2-3, 3-4, 4-6 and above 6 meter. Sal is classified into length classes of 0-2, 2-3, 3-5 and above 5 meter.

² Teak is classified into girth classes of 21-30, 31-40 (poles); 41-50, 51-60, 61-75, 76-90, 91-105, 106-120, 121-135, 136-150 and above 150 centimeter (logs). Sal is classified into girth classes of 31-40, 41-50 (poles); 51-60, 61-90, 91-120 and above 120 centimeter (logs).

³ Timber is classified in classes of III, III A, III B, IV, IV A, IV B and unsound.

⁴ Upset price is the reserve price of each timber lot below which the lot cannot be sold during its first auction.

sale value of timber and therefore instructed that a lot of timber should have timber of one length only and girth and class of timber may be mixed up to one class above or below. However, against the prescribed limit of mixing of timber of two categories, timber of three to six categories of timber were mixed. Further there was mixing of timber of up to six lengths and three to seven girths.

6.3.2 Sale of timber below their non-commercial values

During auction of timber lots, timber was sold below its non-commercial value resulting in loss of revenue amounting to ₹ 5.03 lakh.

As per the instructions issued by the PCCF (November 2005), non commercial rates of timber shall be arrived by multiplying girth-wise volume of species with the girth-wise average rate received in the depots and subtracting the expenditure incurred on timber exploitation, transportation and at depot. As such, the non-commercial value of timber is the actual value of timber in standing trees.

During test check of files of auctions, fixation of non-commercial rates and other ancillary records of Divisional Forest Officer (DFO), Dantewada, we noticed (December 2013) that in eight out of 11 auctions held between September 2011 and January 2013, 39 lots carrying 160.295 cmt Teak and Sal timber were sold within two to five months since their first appearance in the auction. The upset price of timber was ₹ 25.47 lakh against which an amount of ₹ 16.87 lakh were realised as sale price.

As per the non-commercial rates of the corresponding years, the non-commercial value of timber sold in these lots was ₹ 21.90 lakh. Thus, sale price was less than the non-commercial value, which is actual value of timber in standing trees. The Department, while selling the timber within six months of their first introduction to the auctions, did not take into account the non-commercial value of timber. Thus, failure of the Department in ensuring the sale of valuable teak and Sal timber at least on their non-commercial values resulted in loss of revenue amounting to ₹ 5.03 lakh as detailed in the *Appendix 6.2*.

After this was pointed out in audit, the Government replied (August 2015) that sale prices were not obtained as per the upset price during first auction of these timber lots. The sale prices obtained in the subsequent auctions were approved as per Government instructions. We do not agree with the reply as the sale below the non-commercial value directly amounted to the loss of revenue to the Government. The Department should ensure the realisation of the non-commercial value of the timber sold during the auctions.

6.4 Internal Audit

Internal Audit is a vital component of the internal control mechanism and enables an organisation to assure itself that the prescribed systems are functioning reasonably well.

As per the information furnished by the Department, three men were posted in the internal audit wing against the sanctioned strength of five. The Department had achieved the target of internal audit of 17 units during the year 2014-15. In the reports of these 17 units, 31 observations involving money value of

₹ 10.62 lakh were issued. The Department had reported (July 2015) that suitable action would be taken after receipt of the replies from the units.

Non-receipt of replies of the observations of internal audit even after the lapse of more than three months from the closure of the year 2014-15 indicates that the internal audit activity was not taken seriously in the Department.

Section B: Non-ferrous Mining and Metallurgical Industries

6.5 Tax administration

At the Government level, the Secretary, Mineral Resources Department is responsible for administration and implementation of the related Acts and Rules in the Mineral Resources Department. The Commissioner-cum-Director Geology and Mining (DGM) is the head of the Mineral Resources Department who is assisted by one Additional Director Mining Administration (Addl. DMA), 26 District Mining Officers (DMO), 19 Assistant Mining Officer (AMO) and 65 Mining Inspector (MI).

The mining receipts are administered under the provisions of:

- Mines and Minerals (Development and Regulation) Act, 1957;
- Mineral Concession Rules, 1960; and
- Chhattisgarh Minor Mineral Rules, 1996.

6.6 Results of Audit

In year 2014-15, we test checked records of eight out of 16 units of Mineral Resources Department and found under assessment of royalty and interest, short levy/realisation of stamp duty and registration fees, non/short levy of dead rent and interest and other irregularities etc. amounting to ₹ 22.94 crore in 1,016 cases, which fall under the categories as mentioned in the **Table 6.2** below:

Table 6.2

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Underassessment of royalty and interest	207	1.80
2.	Short levy/realisation of stamp duty and registration fees	50	17.64
3.	Non/short levy of dead rent and interest	35	0.14
4.	Other irregularities	724	3.36
Total		1,016	22.94

The Department accepted under assessment and other deficiencies of ₹ 1.33 crore in 329 cases pointed out during 2014-15.

A few illustrative cases involving ₹ 7.06 crore are discussed in the following paragraphs.

6.7 Short realisation of Stamp Duty and Registration fee due to incorrect calculation of average annual royalty

The average annual royalty was calculated incorrectly for the purpose of registration of mining lease. This resulted in short realisation of Stamp Duty and Registration Fee (SD & RF) amounting to ₹ 6.92 crore.

During test check of 13 mining lease cases in the office of District Mining Officer, Sarguja, we noticed (January 2015) that a mining lease of coal was executed (May 2012) for a period of thirty years in favour of a company. The average annual royalty was worked out to ₹ 62.16 crore on the basis of average estimated production of 7.4 Million tons (MT) per annum in first five years of lease for the purpose of SD & RF. Accordingly, SD & RF amounting to ₹ 16.32 crore and ₹ 11.66 crore were levied and collected from the lessee.

The State Government had issued instructions (November 2011) to all the Deputy Director, Mining/ Mining Officers that SD & RF on execution of mining leases shall be calculated as per provisions of Article 35 of Schedule 1A of Indian Stamp Act, 1899 on the amount of average annual royalty of the extractable quantity shown in the application or in the mining plan whichever is higher.

During further scrutiny, we noticed that as per the mining plan, the average estimated production was 9.23 MT⁵ per annum for complete lease period. As such, the average annual royalty was ₹ 77.53 crore and hence the leviable SD & RF was ₹ 20.35 crore and ₹ 14.54 crore respectively. Thus, non-consideration of complete period of the mining lease for calculation of average annual royalty resulted in short realisation of SD & RF of ₹ 6.92 crore as detailed in the *Appendix 6.3*.

After this was pointed out in audit, the Government replied (August 2015) that anticipated annual average royalty was calculated on the basis of extractable quantity shown in mining plan for five years. As per the instructions (November 2011), an undertaking was to be obtained from the lessee for payment of differential amount of Stamp duty in cases of change in extractable quantity on change in amount of royalty.

We do not agree with the reply as Article 35 of Indian Stamp Act provides for levy of SD & RF on average annual royalty for the complete lease period. The mining plan in this case provided for the annual extractable quantity for the period of 49 years. Also, as per mining plan, except first, second and third year, the average annual production was 10 MT. As such, the average of first five years worked out to be much lower than the average of the complete lease

Year	Quantity extractable as per Mining plan annually (MT)
First Year	0.00
Second Year	2.00
Third year	5.00
Fourth year onwards up to 30 th year	10.00 per year
Total	277.00
Average annual extractable quantity for complete lease period (MT)	9.23

period. Thus, realisation of SD & RF on the lower quantity in spite of having extractable quantity of full period was not in the interest of Government revenue.

6.8 Excess extraction of minerals and non realisation of differential Stamp Duty and Registration fee due to absence of provisions for quarry leases

Minor minerals were extracted 15 to 43 times of the quantity mentioned in the applications. Further, in case of quarry leases, due to absence of provision for realisation of differential Stamp duty and registration fees on royalty of minerals extracted in excess of that mentioned in application, there was short realisation of SD & RF amounting to ₹ 14.29 lakh.

During test check of 78 quarry lease cases out of 280 cases registered in the office of District Mining Officers, Bilaspur and Mahasamund, we noticed (November 2014 and January 2015) in three leases that as per the applications of lessees, the average annual royalty was ₹ 4.91 lakh on which SD & RF amounting to ₹ 41,565 and ₹ 31,175 were levied respectively. However, during scrutiny of the case files we noticed that the lessees extracted minerals and paid royalty 15 to 43 times the quantity and royalty mentioned in the applications (as detailed in *Appendix 6.4*). This indicates lack of monitoring by the District Mining Officers over the extraction of minerals from the quarries.

Further, in case of mining leases, the Government issued (November 2011) instructions for taking an undertaking from the lessee for payment of differential SD & RF, if any, becomes chargeable due to change in the extractable quantity of mineral declared in mining plan. However, there is no such provision for the payment of differential SD & RF on excess extraction of minerals from quarry leases. This resulted in non realisation of SD & RF amounting to ₹ 14.29 lakh as detailed in *Appendix 6.4*.

After this was pointed out in audit, the Government replied (August 2015) that instructions were being issued for calculation of SD & RF on the basis of mining plan in respect of minor minerals in future. However, the reply is silent regarding action taken in respect of cases mentioned in the paragraph.

6.9 Internal Audit

The Internal Audit Wing (IAW) of a Department is a vital component of its internal control mechanism and is generally defined as control of all controls. It enables the organisation to ensure itself that the prescribed systems are functioning reasonably well.

As per the information furnished (June 2015) by the Department, against the sanctioned strength of one Joint Director (Finance) and three Auditors, there is one Joint Director (Finance) and two Auditors in the internal audit wing. The Department had conducted internal audit of eight units during the year 2014-15 as against the target of nine units. Further, the Department had reported that only suggestive notes have been issued to the units audited.

CHAPTER VII : FORESTRY AND WILD LIFE (EXPENDITURE)

7.1 Tax Administration

The Principal Chief Conservator of Forests (PCCF) heads the Forest Department under the administrative control of the Principal Secretary (Forests) who is assisted by eight Additional PCCFs (APCCFs) and sixteen Chief Conservators of Forests (CCFs) at Headquarters. The forest area in the State has been divided in six circles each headed by a Conservator of Forests (CF). These circles have been further divided in the Forest Divisions which are administered by the Divisional Forest Officers (DFOs) who is assisted in field by the Sub Divisional Forest Officers (SDOs) and Range Officers (ROs).

7.2 Results of Audit

We conducted test check of the records of 14¹ out of 60 units relating to Forest Department during the year 2014-15. We found irregularities in irregular, avoidable, unfruitful and excess expenditure etc. involving ₹ 77.76 crore in 254 cases which fall under the categories as detailed in the **Table 7.1** below.

Table 7.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1	Irregular expenditure	65	12.00
2	Avoidable expenditure	48	21.61
3	Unfruitful expenditure	17	17.10
4	Excess expenditure	58	13.46
5	Other irregularities	66	13.59
Total		254	77.76

The Department accepted observations of ₹ 2.65 crore in 23 cases pointed out during 2014-15.

A few illustrative cases of excess expenditure, unfruitful expenditure, etc. of ₹ 2.19 crore are discussed in the following paragraphs.

¹ Two offices of Conservator of Forests and 12 offices of Divisional Forest Officer

7.3 Irregular expenditure on teak plantation done in the area already covered by forest

The Forest Department prepared the project and executed teak plantation in the area already covered by forests resulting in irregular expenditure of ₹ 1.11 crore.

On the basis of the proposals made by the Divisional Forest Officer (DFO), Research and Extension Division (R&E), Raipur; the Principal Chief Conservator of Forests (PCCF), Chhattisgarh had sanctioned (November 2011 and June 2012) ₹ 1.54 crore and ₹ 1.58 crore respectively for first and second year work of High-tech un-irrigated teak plantation in 245 hectare area. Of the above sanction, the DFO released ₹2.53 crore (December 2011 and June 2012) to the Forest Extension Officer (FEO), Mahasamund unit for the said plantation in 198.65 hectare area. Out of this, FEO undertook plantation in 100 hectare area of Compartment no. 234 of Mahasamund Division and incurred expenditure of ₹ 1.11 crore in 2011-12 and 2012-13.

During test check of budget files, project reports and Working Plan (WP) of Mahasamund Division for the period from 2011-12 to 2020-21, we noticed (July 2013) that the Division planted (2012-13) 2.50 lakh Teak plants in 100 hectare area, i.e. 2,500 plants per hectare. Plantation of 2,500 plants per hectare (at the interval of 2 X 2 m) is possible only in the blank areas. As per the Compartment History (CH), total area of the compartment no. 234 was 258.78 hectare out of which 255.19 hectare had mixed forest of medium density of 0.5 to 0.6. Further, Google map of the compartment attached with the project report shows that the area taken for plantation was already covered with the forest. As such, plantation of teak at the rate of 2,500 plants per hectare was not required.

However, the Department overlooked the above facts while approving the project report and execution of plantation work. Thus, expenditure of ₹ 1.11 crore incurred on teak plantation in the area already covered by the forest was irregular.

After this was pointed out in audit, the Government replied (September 2015) that 120 ha. area was cleared and 100 ha. area became available for plantation. The compartment had forest of medium density (0.4 to 0.5) and IVB category. As per the Physical verification Report (June 2015) of the Assistant Conservator of Forests (ACF), the plantation was successful and the growth of plants was sufficient.

We do not agree with the reply as the CH of the Compartment no. 234 (2011-12) mentioned that the category of forest in the compartment was IV A having density 0.5 to 0.6 and there was no requirement of further plantation. Therefore, expenditure of ₹ 1.11 crore incurred on the plantation of 2.5 lakh teak plants was irregular.

7.4 Excess expenditure on preparation of plants due to non-observance of norms fixed by the Department

The Forest Department did not adhere to the departmental norms while preparing the plants under MNREGA and prepared projects at higher rates resulting in excess expenditure of ₹ 57.14 lakh.

Rule 10 Chhattisgarh Finance Code prescribes that every Head of the Department shall be responsible for applying financial control and observing strict economy in expenditure at every step by his office as well as the subordinate offices. The forest Department had fixed the norms and maximum rates for preparation of plants at the rate of ₹ 10 (October 2010) and ₹ 11.50 (September 2011) per plant for roadside plantations. The departmental rate for preparation of plants for free distribution was ₹ 11 per plant.

During test check of budget files, project reports and other records relating to Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) of Divisional Forest Officer (DFO), Dhamtari, we noticed (August 2013) that *Zila Panchayat*, Dhamtari allotted ₹ 2.27 crore for preparation of 15 lakh plants for free distribution to villagers (3.60 lakh) and use in other works (11.40 lakh) as per the projects prepared by the Department. As per the departmental norms, the maximum admissible expenditure for preparation of plants was ₹ 1.60 crore. Clearly, the Department did not adhere to the norms and prepared the projects at higher rates.

We further observed that the Department had prepared, distributed and otherwise used together 15 lakh plants during the years 2010-11 and 2011-12 and incurred expenditure of ₹ 2.17 crore for this work. Thus, non-observance of departmental norms while preparation of projects and execution of work thereupon as well as lack of economy in spending the public money resulted in excess expenditure of ₹ 57.14 lakh as detailed in the following table 7.2:

Table 7.2

(₹ in lakh)

Name of work	Year	Plants to be prepared	Amount sanctioned/ Expenditure incurred	Maximum expenditure to be incurred as per Departmental norms	Excess expenditure
Preparation of plants for free distribution	2010-11	1.80 lakh	30.00/ 28.94	19.80	9.14
	2011-12	1.80 lakh	30.00/ 28.60	19.80	8.80
Preparation of plants for other works	2010-11	7.20 lakh	98.40/ 97.11	72.00	25.11
	2011-12	4.20 lakh	69.09/ 62.39	48.30	14.09
Total		15.00 lakh	227.49/ 217.04	159.90	57.14

After this was pointed out in audit, the DFO replied (August 2013) that plants could have been prepared as per departmental norms but such plants would not have been of required height and strength. Most of the works under MNREGA were of roadside plantation for which decorative plants were required whose

seeds were expensive. Also, such plants required more fertilizers which were costly.

We do not agree with the reply as the work was to be executed departmentally following the departmental norms and procedures. Even the technical sanction for the work was also given by the Department. Moreover, the plants prepared for Departmental plantations as per the rates fixed by the Department were successful. The plants prepared departmentally were also given same inputs as proposed in the projects under MNREGA. Thus, non-observance of departmental norms in departmentally executed works led to excess expenditure of ₹ 57.14 lakh.

Matter was brought to the notice of the Department/ Government (March 2015), their response is awaited (November 2015).

7.5 Excess expenditure due to plantation of less plants than the norms fixed by the Department

Non-observance of norms while preparation of projects and execution of plantation works resulted in excess expenditure of ₹ 51.15 lakh besides plantation of lesser number of plants.

The forest Department fixed (September 2011) the norms for mixed plantation as follows:

Year and Plantation activity	Maximum expenditure to be incurred (₹ per hectare)
I st Year (Survey)	290
II nd Year (site preparation)	16,000
III rd Year (plantation)	14,200

These norms were maximum and included works of protection, cleaning and cut back operations (CBO) in the area along with the plantation of 1,100 plants per hectare.

During test check of budget files, project reports, plantation report and other records of Divisional Forest Officer (DFO), Mahasamund, we noticed (May 2013) that on the basis of proposal of the Division for carrying out plantation in 449.36 hectare area in 10 sites, Conservator of Forests (CF), Raipur allotted (October 2011 and May 2012) ₹ 71.90 lakh and ₹ 63.81 lakh for second and third year works respectively. The Department incurred expenditure of ₹ 1.31 crore on the above works in 2011-12 and 2012-13. As per norms, works of protection, cleaning and CBO in the 449.36 hectare area along with the plantation of 4.94 lakh plants² was to be undertaken.

However, during scrutiny of project reports and plantation report of the Division, we noticed that the Department carried out plantation work in 265.44 hectare area only and planted 2.37 lakh plants. Though, works of protection, cleaning and CBO were done in the whole area, but no plantation was carried out in 183.92 hectare as required under the departmental norms. As such, funds provided for treatment of 449.36 hectare area along with

² 449.36 X 1,100 = 4,94,296

plantation of 4.94 lakh plants as per norms were spent in plantation of 2.37 lakh plants in 265.44 hectare area only and 183.92 hectare were left over without carrying out any plantation.

Thus, non-observance of norms while preparing the projects and execution of plantation works resulted in excess expenditure of ₹ 51.15 lakh³ besides plantation of lesser number of plants.

After this was pointed out in audit, the DFO replied (May 2013) that site preparation and protection work was taken in 449.36 hectare area and plantation was done in 265.44 hectare area.

We do not agree with the reply as the norms prescribed and the sanction accorded was for plantation of 1,100 plants per hectare along with all other activities including site preparation and protection. If plantation was to be done in lesser area or in lesser numbers, the project report should have been made accordingly and sanctioned for plantation of 1,100 plants per hectare.

Matter was brought to the notice of the Department/ Government (March 2015). Their response is awaited (November 2015).

³ Total expenditure incurred	=	₹ 1,31,31,646
Expenditure to be incurred on 265.44 hectare – 265.44 X (₹ 16,000 + ₹14,200)	=	₹ 80,16,288
Excess expenditure	=	₹ 51,15,358

CHAPTER VIII : INFORMATION TECHNOLOGY AUDIT

Performance Audit on “Implementation of e-challan”

HIGHLIGHTS :

Monitoring committee was not formed for the management of the project of e-Challan during its implementation. No parallel run of the software was conducted to evaluate its performance.

(Paragraph 8.8)

Even though the Department had prepared the System Requirement Specification (SRS) and User Requirement Specification (URS), these remained incomplete as it did not contain the business rules to be mapped, the work flow and the technical specifications required for the new computerised system. Further, the Department did not prepare any System Design Document (SDD).

(Paragraph 8.9)

Input controls and validation checks were not adequately mapped in e-Challan software.

(Paragraph 8.10)

There was delay ranging from 10 days to five months in accounting of money in the treasury with respect to the date of receipt in bank through e-Challan. Due to lack of monitoring control at treasury level, delay in the accounting remained unnoticed.

(Paragraph 8.12)

Failure to map business rules regarding enhanced rate of fee for allotment of choice registration number by the Transport Department in the Dealer Point Registration (DPR) software resulted in short realisation of revenue amounting to ₹ 3.56 crore.

(Paragraph 8.17)

As per terms and conditions of the agreement between dealers of vehicles and Transport Department, the dealers of vehicles were required to deposit online the Government revenue under the relevant head on the day of receipt of tax and fee. However, the dealers deposited Government revenue after a delay ranging between two to 1488 days. Further, the dealers registered old vehicles through Dealer Point Registration though they were authorized to register only new vehicles.

(Paragraph 8.18 and 8.21)

The Directorate of Treasury failed to integrate the e-challan data with the module of all the user Departments resulting in manual interventions at many stages. Moreover, use of different unconnected software in different departments led to depiction of false payment details, manipulation of challans etc.

(Paragraph 8.16 and 8.22)

Integrity of master data was not maintained as multiple records of the same challan were present.

(Paragraph 8.23)

The Commercial Tax Department failed to follow best practices in implementation of e-challan due to which completeness, accuracy and validity of e-challan details submitted by the dealer could not be verified.

(Paragraph 8.24)

The Commercial Tax Department did not apply input and validation checks in COMTAX software to prevent entry of same challans for payment of different taxes. This resulted in use of same challans for payment of VAT and entry tax.

(Paragraph 8.27)

8.1 Introduction

'e-challan' is a web enabled software to facilitate capture of online payment made by the taxpayers who have an internet enabled online bank account. It was developed under the supervision of the Directorate of Treasury, Government of Chhattisgarh (GoCG) through National Informatics Centre (NIC), Raipur. The customized challan format where in government receipts can be accepted through internet via banking gateway and sent to treasury for all Departments was approved by Government of Chhattisgarh vide Rule 64A and 64B of Chhattisgarh Treasury Code.

In addition to this, the Transport Department has also facilitated (2012) the taxpayer to pay the motor vehicle tax through another portal i.e., Dealer Point Registration (DPR). The DPR software was developed by Smart Chip Limited. Government receipts can be paid through the bank's gateway after filling the requisite data in the e-form provided in the portal. The data at the end of the day is communicated by the bank to the concerned Treasury for compilation of the receipts account. It also provides for a citizen's interface to provide basic services to citizens.

8.2 Audit objectives

The main objectives were to evaluate:

- Whether proper planning was done by the Departments before implementation of e-challan;
- Whether all the controls are defined and operational in the IT environment;
- Whether application controls were defined and system was in compliance with laid down business rules;
- Whether necessary steps were taken to train the manpower to work in IT environment and
- Whether operational efficiency including services delivered to public/citizen/stake holders improved after implementation of e-challan.

8.3 Organisational set-up

The Director of Treasury, Accounts & Pension (DTAP)¹, Government of Chhattisgarh (GoCG) was the nodal agency to implement the e-challan software. The Director Treasury works under the administrative control of Secretary, Finance Department.

8.4 Scope and methodology of Audit

The Performance Audit on “Implementation of e-challan” was conducted in two departments viz., Commercial Tax and Transport Department, as these two were major revenue earning Departments for the Government. Director, Treasury was the implementing agency and hence was selected.

For evaluation of controls in modules of the application software and to ascertain completeness, regularity and consistency of the database 11² units of two Departments were selected on Simple Random Sampling (without replacement) basis. As the software was developed and maintained by National Informatics Centre (NIC) and Smart Chip (for DPR), required data was requisitioned from them.

The audit was conducted between May 2015 and August 2015 and period of audit coverage was from 2010-11 to 2014-15. The records/ files and data (oracle dump data) regarding e-challan provided by the auditee pertaining to this period was analysed through Structured Query Language (SQL) and Excel.

8.5 Audit Criteria

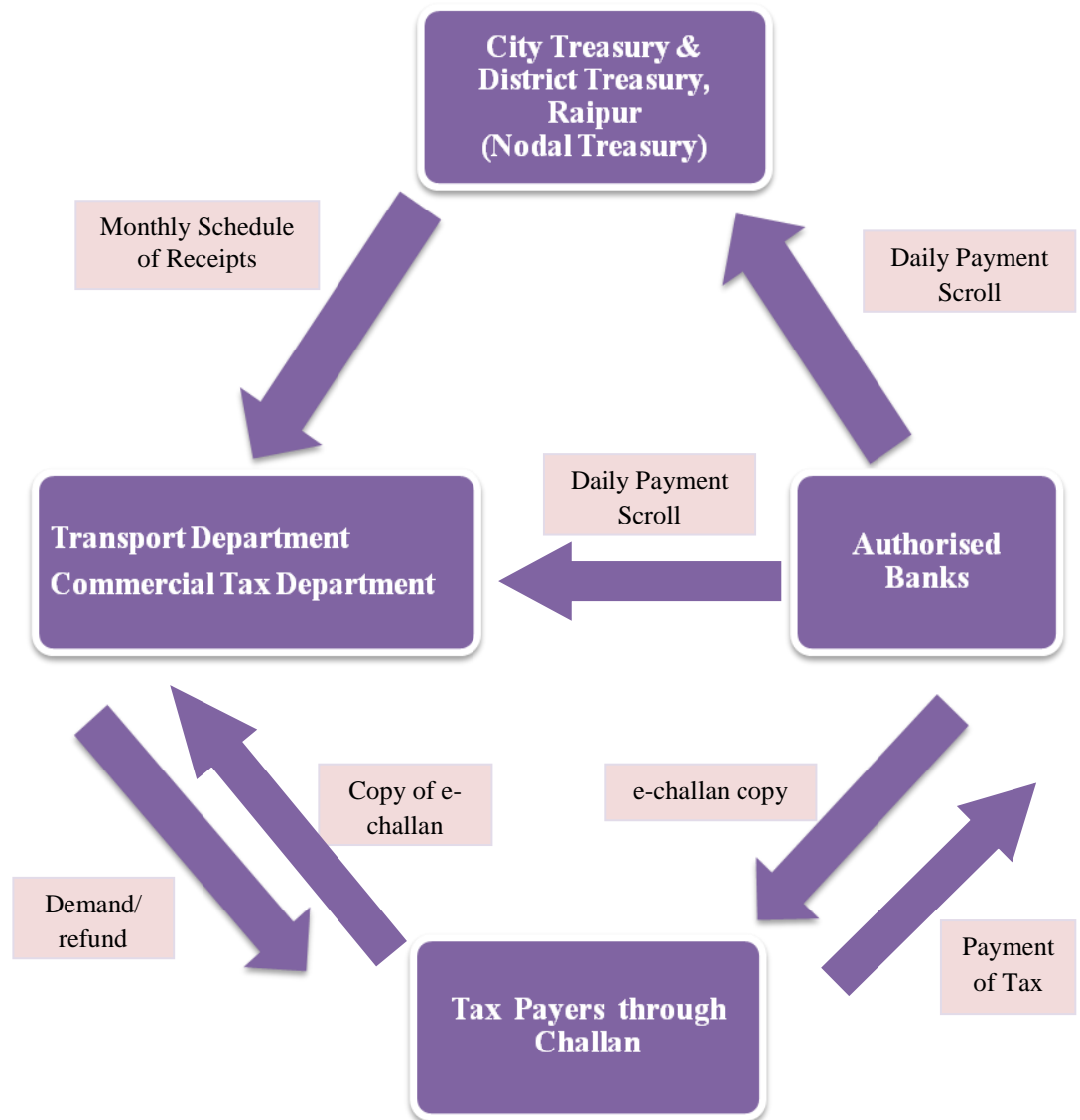
The provisions of following Acts, Rules etc., formed the criteria for Audit:

- Chhattisgarh Value Added Tax Act, 2005 (CGVAT Act);
- Central Sales Tax Act, 1956 (CST Act);
- Chhattisgarh Entry Tax Act, 1976 (CGET Act);
- *Chhattisgarh Motoryan Karadhan Adhiniyam* (CGMKA) 1991 and rules made thereunder; and
- Instructions, guidelines, norms etc. issued by the Department and the Government from time to time.

¹ Director, Treasury

² Transport Department- Commissioner (Transport), Regional Transport Officer (RTO) Bilaspur, RTO Jagdalpur, RTO Raipur, Additional Regional Transport Officer (ARTO) Durg, ARTO Rajnandgaon and District Transport Officer Jashpur: Commercial Tax Department- Commissioner (Commercial Tax), Commercial Tax Officer (CTO) Durg, CTO-7 Raipur and Assistant Commissioner-2 Division II Raipur.

8.6 Process flowchart of e-challan



The software was developed by the National Informatics Centre, Raipur. 'e-challan' is a web based portal in which the backend software used is Oracle while Java is used for frontend.

8.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of Directorate Treasuries, Commercial Tax and Transport Departments for providing requisite information and records to audit. The scope and methodology of audit was discussed with the Secretary, Transport Department in the entry conference held in June 2015. The draft report was forwarded to the Government and the Department on September 2015. The exit conference was held in October 2015 wherein the audit findings, conclusions and recommendations were discussed. The Government was represented by the Secretary, Finance and Principal Secretary, Transport Department. The replies

received during the exit conference and at other points of time from the Government have appropriately been included in the relevant paragraphs.

AUDIT FINDINGS

DIRECTORATE OF TREASURY

8.8 Lack of supervisory control in the implementation of e-challan

The Department neither conducted parallel run nor evaluated the process of implementation of e-challan.

During scrutiny of records for the implementation of e-challan in the Directorate of Treasury, we noticed (May 2015) that no monitoring committee was formed for the management of the project during its implementation. It was also noticed that no parallel run of the system was conducted to evaluate its performance and to remove any deficiencies. Lack of monitoring on the part of the management may lead to non-realisation of objective of seamless payment of various taxes.

During exit conference, the Government stated that a committee had been formed to supervise the e-challan system and evaluation of system would be done periodically to ensure proper functioning of the system.

8.9 Lack of Documentation

The Department did not prepare System Design Document (SDD). System Requirement Specification (SRS) and User Requirement Specification (URS) were also incomplete.

During scrutiny of files related to implementation of e-challan in the office of Directorate of Treasury, we noticed (May 2015) that SDD was not prepared before implementing the e-challan software. Moreover, as per standard practice, proper documentation of SRS and URS are to be maintained. However, we observed that though the system became operational in 2006, SRS and URS prepared were found to be incomplete as they did not contain the business rules to be mapped, the work flow and the technical specifications required for the new computerised system.

During the exit conference, the Government stated that SDD had not been prepared which would be rectified.

The Government may consider proper documenting of SDD, SRS and URS whenever any new IT service is introduced.

8.10 Failure to map input and validation check

The Department did not apply the necessary input controls and validation check to avoid incorporation of irrelevant data.

During scrutiny of database of e-challan, we noticed that there were 70 records with zero amount and 3,277 records with the amount varying from ₹ one to

₹ nine. Out of these, 719 records pertained to Commercial Tax Department and 2,316 records pertained to Transport Department. During further scrutiny of e-challan data, we observed (Table 8.1) that a tax payer deposited e-challan of ₹ one and ₹ four in the Transport Department, although there was no such rate of tax in the Department:

Table 8.1

PAYEE	ENTRY DATE	DATE_AC	TIN_CIN	Major/ Minor/ Sub Head	TR_REFNO	SC_SLNO	AMOUNT (₹)
GANESH PRASAD KHETAN	25-04-12	25-04-12	WBAFH62090L870344	0041/ 102/ 871	66080412055655	IK16525367	1
	25-04-12	25-04-12	WBAFH62090L870344	0041/ 102/ 871	66080412055663	IK16525549	4

The matter was pointed out to the RTO concerned. In compliance to our observation, RTO verified the matter and found that the same challan was used for the payment of life time tax amounting to ₹ 4.56 lakh by manipulating the challan. Similar use of challans was also made in three more cases. The RTOs concerned filed the FIRs against the vehicle owner in all four cases. To minimise the risk of incorrect data entry, it is mandatory to apply input controls like validation checks, duplicate checks and other related application controls which were not done. Thus, acceptance of such inadmissible amounts through e-challan renders it vulnerable to fraudulent use.

During the exit conference, the Government stated that necessary checks would be incorporated in the software.

The Government may consider checking the completeness of data and its correctness through the provision of adequate input controls at the data entry stage and appropriate validations.

8.11 Difference in amount paid through e-challan and treasury amount

There was difference in amount paid through e-challan and treasury amount.

Scrutiny of database in Transport Offices (RTO Raipur, ARTO Durg and Rajnandgaon) and Commissioner, Commercial Tax Department revealed that in 174 (103+71) cases the amount deposited in treasury is more than what had been collected through e-challan. Further scrutiny also revealed that in 142 (47+95) cases, the amount received through e-challan was less than what had been deposited in treasury.

Table 8.2

(₹ in lakh)

Name of the Department	No. of Cases	Treasury Amount	e-challan Amount	Difference Amount
Transport Department	103	5.33	0.88	4.45
	47	0.53	2.25	-1.72
Commercial Tax Department	71	49.06	6.79	42.27
	95	2.29	54.95	-52.66

Thus difference between bank and treasury data for same challans shows lacunae in completeness and accuracy of data.

During the exit conference, Government stated that an inter-departmental committee along with NIC would be formed and suitable action would be taken.

The Government may consider addressing software design deficiencies on priority basis.

8.12 Delay in accounting of e-challan amount into treasury

In 18,106 cases amount of ₹ 308.69 crore was accounted by the treasury with the delay ranging between 10 days to five months in treasury account with respect to the date of receipt in bank through e-challan.

We noticed that in 18,106 cases, an amount of ₹ 308.69 crore was accounted for by the treasury after a delay ranging between 10 days to five months in treasury with respect to the date of receipt in bank through e-challan.

No reconciliation was being carried out either between the treasury and department data or between the treasury and bank data thereby indicating that monitoring mechanism does not exist in the Department.

During the exit conference, Government stated that the discrepancies occurred due to delay in receipt of MIS from banks. It was further stated that in the case of delay in receipt of MIS in future, necessary action would be taken and penalty would be levied on the banks.

8.13 Existence of excess data in Treasury

Data incorporated in treasury not found in e-challan data.

All the online payment and supporting data generated in e-challan is imported in the treasury data. However, cross-verification with e-challan data with that of Treasury data revealed that the following three challans (Table 8.3) did not exist in e-challan data which indicate inadequate processing control.

Table 8.3

MAJOR HEAD	BANK CODE	CHDATE	CHALLAN_DATE	GROSSAMOUNT (in ₹)	TREREFERENCENO
0041	0009999	06.04.2013	18-04-2013	1,500	660804130103
0040	0009999	31.10.2014	17-11-2014	20,000	660510140138
0042	0009999	01.10.2011	01-11-2011	1,173	660510110060

During the exit conference, the Government stated that the matter would be examined and necessary action would be taken including reconciliation with banks to avoid such discrepancies.

8.14 Generation of Treasury reference number in duplicate

Same Treasury reference is being generated for different e-challans.

When an amount is received through e-challan, the system assigns a unique treasury reference code. Thus, whenever an e-challan is generated there should be no duplication in the generated treasury reference code. Thus treasury reference code should function as primary key in the designed database. We noticed that same treasury reference code was generated for different e-challans as detailed below:

Table 8.4

MAJOR HEAD	BANK CODE	CHDATE	CHALLAN_DATE	GROSSAMOUNT (in ₹)	TREREFERENCENO
0042	0009999	18-02-2012	29-02-2012	1,000	660502120048
0042	0009999	18-02-2012	29-02-2012	29,828	660502120048
0042	0009999	18-02-2012	29-02-2012	3,000	660502120047
0042	0009999	18-02-2012	29-02-2012	1,30,214	660502120047

Further, scrutiny of Treasury data in the office of CTO, Circle 7, Raipur revealed that in September 2013 a dealer (Chhattisgarh Beverages Corporation, TIN 2265170415) deposited three amount (₹ 95 lakh, ₹ 95 lakh and ₹ 93.21 lakh) having the same treasury reference number 66050913006898.

Generation of same treasury reference number in different e-challan shows that the implementing agency has failed to apply proper checks in the software to maintain uniqueness of treasury reference code.

During the exit conference, the Government stated that necessary modification had been carried out after being pointed out by audit.

8.15 Unsecured data provided to Department

Unsecured data being provided by bank to the Departments.

Scrutiny of e-challan data revealed that the data received by the Departments from bank is in editable text format which is vulnerable to manipulation. The data sent by the bank is the basic information of e-challan on the basis of which the Departments verify their receipts. As the basic data is not being

directly populated, chances of tampering of these data cannot be ruled out. Therefore, the user should only have “view only” access to the data.

During the exit conference, Government stated that the login ID would be provided to Banks, so that the data can be uploaded directly.

TRANSPORT DEPARTMENT

Transport Department started the process of filing of tax through e-challan from the year 2009-10. The Department maintains the tax details in VAHAN software. However, the Department did not initiate any action to integrate the e-challan software with that of VAHAN Software. The tax payer pays the tax online through e-challan. The Bank sends a copy of e-challan data (text form) to the concerned Treasury and also to the concerned Department so that the amount can be reconciled by the Treasury and the Department. The taxpayer can obtain (online) the print of e-challan. As there is no integration between VAHAN software and e-challan software the taxpayer has to present the printout obtained by him to the concerned Transport Office so that the tax details can be updated in VAHAN software. The Transport Office, after verifying the authenticity of e-challan copy with that of data sent by the bank, generates a receipt to the taxpayer. This receipt is presented by the taxpayer to the concerned section in the Department, so that the details are entered in the VAHAN software. Further, the Department introduced new online registration (January 2012) system i.e. Dealer Point Registration, where the registration number of the vehicle is generated online after payment of vehicle tax.

8.16 Lack of monitoring of the e-challan process

The Department failed to develop a monitoring mechanism to avoid incorporation of manipulated e-challan in VAHAN software.

During scrutiny of records relating to e-challan in the office of the Commissioner (Transport), we noticed that before implementation of e-challan, a proper mechanism was not put in place to monitor the functioning of the software. The details of vehicle tax paid through e-challan are maintained in VAHAN software. If the e-challan details are not proper or has been misused then the same error would be followed while entering the tax details in VAHAN software. Failure to develop a monitoring mechanism resulted in manipulation in tax details of VAHAN software.

On this being pointed out by audit, Government stated during exit conference that as soon as the lacunae in the system regarding e-challan came to notice, suitable action was initiated and FIR was also lodged. Verification of doubtful payment and entries is being done and suitable action would be taken. Further, Government stated that the Transport Department has since decided to stop payment by e-challan and switch over to an entirely online fully integrated payment option, since August 2015.

8.17 Failure to map business rules

The Department did not update the enhanced rate of fee for allotment of choice registration number in the dealer point registration software which resulted in collection of fee at pre-revised rates.

As per Rule 55 of Chhattisgarh Motor Vehicles Rules, 1994 the choice registration number is allotted to vehicles after payment of certain fees. Government of Chhattisgarh, Transport Department vide notification issued in February 2014 enhanced the rates of allotment of choice numbers.

In the six test checked Transport Offices³ 3,449 vehicles were allotted choice numbers after enhancement (February 2014) of the rate of fee for choice registration number. However, due to non-updation of the enhanced fee in the dealer point registration software, choice numbers were issued to these vehicles at pre-revised rates. Against the leviable fee of ₹ 3.62 crore only ₹ 1.13 crore was levied on these 3,449 vehicles and as such there was short realisation of fee of ₹ 2.49 crore.

Further, scrutiny of database of the whole state revealed that 4,569 choice number were allotted by the various Transport Offices of Chhattisgarh for which the taxpayers were liable to pay fee of ₹ 5.10 crore. However, the Department levied only ₹ 1.54 crore at pre-revised rates.

Thus, due to non-updation/non-mapping of the enhanced rate, prescribed vide Notification of February 2014, in Dealer Point Registration software by the Department, there was short realisation of ₹ 3.56 crore.

During the exit conference, the Government stated that reasons for the non-updating of software were being examined and suitable action would be taken in this regard.

8.18 Registration of old vehicles through Dealer Point Registration

The Department registered vehicles sold/purchased prior to implementation of Dealer Point Registration through DPR module.

The Dealer Point Registration was launched by the Transport Department in January 2012 to facilitate dealers to register new vehicles sold in the state of Chhattisgarh. As per the terms of agreement the dealer shall ensure that the new vehicle to be delivered by them to the purchaser is not a stolen/re-sold vehicle and the new vehicle is not mechanically defective and complies with the requirement of the Motor Vehicle Act/Rules and instructions made there under from time to time.

Scrutiny of database of DPR in three Transport Offices (RTO Raipur, Jagdalpur, DTO Jaspur), Audit noticed that 33 vehicles which were sold or purchased prior to January 2012 were registered through Dealer Point Registration. Registrations of these vehicles were totally illegal as vehicles with old registration number could not be registered through Dealer Point Registration.

³ RTO, Bilaspur, Raipur and Jagdalpur; ARTO Durg and Rajnandgaon; DTO, Jaspur

During the exit conference, the Government stated that the issue of registering old vehicles was being examined and suitable action would be taken in this regard.

8.19 Logical access control

The Department did not formulate any password policy to restrict unauthorized use of User ID. There was irregularity in allotment of User IDs by the Department as the number of live User IDs were more than the existing officials.

We observed that no password policy has been formulated by the department so as to restrict unauthorised use of user ID. Scrutiny of database revealed the following:

- 442 user IDs were allotted by Transport Offices⁴ of which 215 IDs were closed by these offices. The remaining 227 IDs were live whereas the strength of Officers/employees in these offices was only 111. Keeping the user IDs live even after the transfer of official could lead to misuse of these IDs.
- It was also observed that a single user ID was being used by more than one employee as a result of which no responsibility could be fixed exclusively on the personnel in case of any manipulation.
- The system had failed to capture the user id for transactions involving the tax details of 3,02,193 vehicles having monetary value of ₹ 178.36 crore. Audit trail should contain the sufficient information to trace the history of activities in the system which may lead to sources of intentional and unintentional errors.

During the exit conference, the Government stated that directions have been issued to NIC to disable the user ID of all employees who are absent or unavailable to prevent misuse.

The Government may consider to develop an inbuilt system to monitor the changes made in the software so that there is audit trail to track the transactions.

8.20 Segregation of duties

The Department did not segregate the duties of the staff properly as the duties at various levels were being performed by the same personnel.

During scrutiny of records of e-challan in Transport Office, we noticed that the employee who was entering the challan details is also responsible to verify it from the treasury data. As the process for feeding and verifying of data was done by the same personnel and the treasury data comes in an editable text file, there is high probability of tampering of data. To maintain authenticity of data and put checks at various levels of data insertion it was important that duty of each employee/staff was defined and they were also aware of their responsibilities. Further, it was to be ensured that duty at various levels is not performed by the same personnel.

⁴ RTO Bilaspur, Raipur, Jagdalpur; ARTO, Durg and Rajnandgaon; DTO, Jaspur

During the exit conference, the Government stated that remedial measures would be taken.

8.21 Delay in remittance of Government money to the bank at DealerPoint Registration

There was delay of up to 1,488 days in remitting the Government money into bank by the Dealers.

Scrutiny of database of DPR received from Smart Chip Ltd. in the Transport Offices⁵ revealed that dealers had registered 1,01,923 vehicles between January 2012 and March 2015. It was observed that tax amounting to ₹ 103.82 crore collected from the purchasers by the dealers were deposited with the Government after a delay ranging from two to 1,488 days. However, as per the agreement between the dealer and RTOs/ARTOs/ DTOs, no vehicle was to be sold by the firm/dealer to any native of Chhattisgarh without Registration number and the motor vehicle tax and any other charges applicable from time to time is to be received from the purchaser and the same shall be deposited online under the relevant head on the same day by the firm/dealer.

Despite violation of terms and conditions of agreement, the Transport Officers approved the registrations of these vehicles without initiating any action against the defaulting dealers. Moreover, the Government failed to collect the penalty as per the provisions of the Chhattisgarh *Motoryaan Karadhaan Abhiniyam* amounting to ₹ 1.90 crore for this delay. However, in the absence of provision for penalty in the agreement, the Government was deprived of not only penalty of ₹ 1.90 crore but undue additional benefit of interest on ₹ 103.82 crore was also given to the dealer.

During the exit conference, the Government stated that delay in remittance of Government money to the bank, caused by dealers, would be examined and suitable action would be taken.

COMMERCIAL TAX DEPARTMENT

The Commercial Tax Department started the receipt of e-challan from the year 2008-09. The assesses/dealers can file their self-assessment tax online through their user ID. If there is any excess of tax paid by the dealer it is refunded to the dealer after the annual self-assessment is filed by the dealer. The self-assessment process is done by filing their returns through CGCOMTAX which is the Commercial Tax Departmental portal. The details include among other things the sale and purchase made by the dealer and details of challans through which the tax has been paid in that financial year. All the details in the returns are filled in by the dealer himself.

While paying the tax through e-challan a 14 digit unique number (challan number) is generated for each challan. This number is to be entered in the “challan no” column while filing return through CGCOMTAX.

⁵ RTOs of Bilaspur, Raipur and Jagdalpur, ARTOs of Durg and Rajnandgaon, DTO, Jaspur

8.22 Non integration of e-challan data with the module of department (CGCOMTAX)

The Department failed to map the business rules as there was no integration of e-challan data with the module (CGCOMTAX) of the Department.

Scrutiny of CGCOMTAX software in the office of the Commissioner, Commercial Tax revealed that, no system had been developed to check whether the amounts shown in the returns filed by the dealer are identical with that of the amount deposited by them through e-challan. Further, the refund paid to the dealer was being maintained manually. As the dealers were assessing themselves and the refund was also made as per their assessment, the possibility of depicting false payment details in their returns by the dealer was very high.

We further observed that a dealer (Steel Authority of India (SAIL), Tin No. 22943200659) paid ₹ 25 lakh through e-challan having treasury reference number 660510101360. Further scrutiny of e-challan data revealed that the same treasury reference number was generated by another dealer (M/s Moolchand Golcha, Tin No. 22643100623) who had made a payment of ₹ seven only. Thus, failure to map the business rules may result in manipulation of challan details in their returns by the dealers.

On this being pointed out, the Government stated during exit conference that necessary steps would be taken to interlink the department module with that of treasury software. In the case of generation of same treasury reference number, the Government stated that the required information would be called for from the treasury and necessary action would be taken after receipt of information.

The Government may consider end-to-end integration of the software with the departmental software in order to eliminate manual intervention.

8.23 Existence of multiple challan data

The Department did not implement proper checks to maintain authenticity of data as there is existence of multiple challan data in the master table.

During scrutiny of database of e-return in the office of the Commissioner, Commercial Tax, Audit noticed that there is repetition of two to 38 times in 3,07,772 cases. Existence of one record upto 38 times in the master table can lead to multiple use of same challan by the dealer. To maintain authenticity of data and to implement proper checks it is important that the data being fed is reliable. For the data to be reliable it has to be depicted in the system in its accurate form. Therefore there should be no duplication of the same data in the master table.

On this being pointed out, the Government stated during exit conference that that new challan master table was being created for final assessment and other challan data would be shifted to the temporary table.

8.24 Best practices regarding implementation of IT systems not being followed

The Department failed to apply application controls like checks to verify the completeness, accuracy and validity of details submitted by the dealer which is against the standard practices of IT.

Scrutiny of data of returns filed by the dealer in the Office of Commissioner, Commercial Tax, for the period 2010-15, revealed that in 8,755 cases, the dealers had not filled the unique number of the challan in “**challan no.**” column of the return.

For instance a dealer (Vicon Automobiles Pvt. Ltd., Tin No.22741100719) had submitted quarterly returns for the year 2010-11 to 2013-14. Further scrutiny of these returns revealed that there was no uniformity in “challan No” field filled by the dealer. The dealer instead of filling the unique number of the challan in “**challan no.**” column of the return had filled details like “No Id”, “0”, “00”, “000”, “0000”, “45”, “Trans” etc. Moreover, the same details had been repeated several times. Further in 24,174 cases of e-challan amounting to ₹ 1,367 crore, assessment year has been shown as 0 (zero). As year is the basis of assessment, proper checks should have been implemented to incorporate this field as per standard practice.

From the above facts it is clear that the Department has not applied any checks to verify the completeness, accuracy and validity of details submitted by the dealer.

During exit conference, the Government replied that the matter will be examined and proper checks on all fields would be carried out in CGCOMTAX.

8.25 Acceptance of e-returns after expiry of due date

The Department failed to implement checks/flagging in the software to identify the cases submitted after selection for re-assessment under Section 21(3) of VAT Act.

As per Section 21(3), if a dealer has been assessed under Section 21(2) i.e. by way of self-assessment, the commissioner shall select for re assessment a number of such dealers as he deems fit whose assessment for a year is deemed to have been made under sub-section (1) in accordance with the provisions of sub-section (2) and such selection shall be made within one calendar year from the said year.

Scrutiny revealed that 5049, 9457 and 2139 dealers had filed form-18 (for self-assessment) after the selections was undertaken by the Commissioner under Section 21(3) for the year 2010-11, 2011-12 and 2012-13 respectively. This had happened due to the fact that the date for filing form-18 was extended from time to time through notifications. The Act states that after selection of the cases under Section 21 (3), the other cases would be treated as self assessed. However non implementation of checks/flagging in software to identify such cases resulted in 16,645 cases being excluded from selection.

On this being pointed out, the Government stated during exit conference that necessary action would be taken after verification.

8.26 No checks implemented to avoid acceptance of challan of doubtful authenticity in dealer's return

The Department accepted challans not found in e-challan and treasury data. Further manipulated challan was also accepted by the Department.

Scrutiny of data of returns filed by the dealers in the Office of Commissioner, Commercial Tax, revealed that two dealers (Sky Automobiles, Tin No. 22241500634 and Vicon Automobiles Tin No. 22741100719) have shown a detailed payment of ₹ 6.79 crore vide 51 challans in their e-returns. During cross verification of challan details with that of e-challan and Treasury data (MH: 0040) it was noticed that the amounts detailed are not found in the e-challan data and the Treasury data.

In another case a dealer had submitted return showing payment of ₹ 2,49,795 in July 2012 through e-challan. However on cross verification, it was noticed that actual payment made by the dealer was ₹ 24,979 only.

Further scrutiny of returns filed in the office of CTO, Circle II, Durg revealed that a dealer (M/s Vardhaman Motors Tin No. 22193203060) showed a payment of ₹ 30 lakh made in July 2012 but this was not found in e-challan and treasury data. As the challan details are not found in the e-challan and Treasury data, the authenticity of above data is doubtful.

During exit conference, the Government stated that in one case difference amount of ₹ 3.08 lakh along with interest had been recovered. In the remaining cases, necessary action would be taken after verification of challans from treasury account. Further, legal action would also be initiated against the dealers.

8.27 Evasion of VAT by filling same challan details of Entry Tax/Central Sales Tax(CST)

The Department failed to implement input and validation checks in COMTAX software to prevent use of same challans by the dealer in payment of different taxes.

Scrutiny of returns submitted by the dealers in CTO, Circle II, Durg and CTO, Circle 7, Raipur, we noticed that two dealers had submitted annual returns of VAT and entry tax for the period 2011-12. As per the tax liability shown in these returns, the dealers submitted the details of payment paid by e-challans. Further scrutiny of details of payment submitted by the dealers with returns revealed that these dealers had used the same challans for payment of VAT and entry tax as mentioned in the following table:

Table 8.5

Dealer Name	Challan No	Challan date	Amount (₹)
J.K. Network (TIN-22313202218)	750076	21.01.2012	9,107
	750047	21.01.2012	16,167
	062842	20.04.2012	14,677
Shradha (TIN-22401703179)	66051111000534	05.11.2011	11,115

The above dealers made the payment of entry tax only. However at the time of filling of returns, the dealers submitted the details of same challan as the payment of both VAT and entry tax. Thus fraudulent use of same challan in both returns resulted in evasion of tax of ₹ 51,066.

Further, we found cases where nine dealers submitted the same challan details in two different returns i.e VAT and ET; VAT and CST (*Appendix 8.1*).

Thus non application of input and validation checks in the COMTAX software by the Department to avoid entry of same challans for payment of different taxes resulted in evasion of tax by fraudulent use of challan details by two dealers.

During exit conference, the Government stated that in one case amount of ₹ 61,363 was recovered while in other case necessary action would be taken after verification. In the remaining nine cases the dealers wrongly mentioned the same challan in two separate returns. Further, necessary checks would be implemented in COMTAX to avoid such discrepancies and legal action would be initiated against the dealers.

8.28 Difference in e-challan data amount and treasury data amount for the same challan

The Department failed to reconcile such amounts which were depicted differently in e-challan and Treasury data.

Scrutiny of database of e-challan in the office of CTO, Circle II, Durg Audit noticed that in the returns (self assessment) submitted by a dealer (M/s Shubham Enterprises, Tin no. 2223200279) for the year 2011-12, payment of ₹ 2.78 lakh was paid vide challan bearing treasury reference number 66051211000022 for the month of December 2011. On scrutiny of challan data it was found that amount of only ₹ 100 had been paid through e-challan. However the treasury data is showing the amount of ₹ 2.78 lakh.

Similarly during scrutiny of data in the office of CTO, Circle-7, Raipur we noticed that a dealer (Humboldt-WEDAG, Tin No. 22801702571) in his returns submitted for the year 2010-11 had mentioned payment of ₹ 1.69 lakh in October 2010 vide challan bearing treasury reference number 660510101240. Further scrutiny revealed that amount of only ₹ 750 have been paid through e-challan.

Thus there is mismatch of amount for same challan in Treasury data and challan data. Depiction of different amounts for same challan shows lacuna in processing of data as a result of which, short relisation of ₹ 4.46 lakh cannot be ruled out.

During exit conference, the Government stated that reasons for difference would be examined and if any discrepancy found, necessary action would be taken.

8.29 Amount not received through bank being depicted in Treasury data

The Department failed to reconcile such amounts which were depicted multiple times in Treasury data which was not found in e-challan data.

The treasury database revealed that there were multiple transactions (two to four times) against each Treasury Reference Number which showed an inflated amount of ₹ 7.07 crore against Government receipt. However, on cross verification of the e-challan data with treasury data showed a Government receipt of only ₹ 3.21 crore against 12 transactions as shown in **Table 8.6:**

Table 8.6

TIN	CHALLA N_DATE	GROSS AMOUNT (₹)	FIN_YEAR	TREREFERENCE NO	ECHSLNO	COUNT	Amount as per e-Treasury data (₹)
0	11.12.08	25,00,000	2008_09	229432006590		3	75,00,000
0	30.01.09	25,00,000	2008_09	660501090148		2	50,00,000
0	30.01.09	25,00,000	2008_09	660501090149		2	50,00,000
0	11.02.09	25,00,000	2008_09	660502009142		2	50,00,000
0	28.02.09	27,889	2008_09	660502090158		2	55,778
22155100984	13.12.12	5,00,000	2012_13	660512120052	0	2	10,00,000
22121900437	11.03.13	50,000	2012_13	660503130036	0	2	100,000
22414700231	12.09.13	50,00,000	2013_14	660509130050	0	2	100,00,000
22351901426	16.09.13	10,00,000	2013_14	660509130063	0	4	40,00,000
22641902285	16.09.13	10,00,000	2013_14	660509130063	0	4	40,00,000
22414700231	16.09.13	50,00,000	2013_14	660509130063	0	2	100,00,000
22651704157	19.09.13	95,00,000	2013_14	66050913006898	6600900000	2	190,00,000
	Total	3,20,77,889 say 3.21 crore					7,06,55,778 say 7.07 crore

Further scrutiny of e-challan data revealed that out of the 12 cases mentioned above only four cases amounting to ₹ 1.45 crore as detailed in the following **Table 8.7** were received through e-challan.

Table 8.7

TIN_CIN	TR_REFNO	ENTRYDATE	AMOUNT (₹)	PAYEE
22943200659	660501090148	29.01.2009	25,00,000	Steel Authority of India Limited
22943200659	660501090149	29.01.2009	25,00,000	
22232200252	660502090158	26.02.2009	27,889	Mandoli Rice Industries
22651704157	66050913006898	19.09.2013	95,00,000	Chhattisgarh State Beverages Corp Ltd

Thus, excess accounting of ₹ 5.62 crore by the Commercial Tax Department cannot be ruled out.

During exit conference, the Government stated that necessary action would be taken after verification with the treasury.

The Government should take necessary steps to modify the software immediately so that multiple records against a single treasury reference number is not generated. Moreover, treasury should reconcile the figures of e-challan with the records in the database before incorporating it in the Government accounts.

8.30 Lack of coordination between the implementing agency, departments and software developing agencies

There was lack of coordination between the implementing agency, departments and the software developing agencies.

During scrutiny of files relating to implementation of e-challan in Transport Department and Commercial Tax Department we found that there was lack of coordination between the implementing agency (Directorate of Treasury) and the Departments in which the e-challan process has been implemented. Further, there was also lack of coordination between the departments and the software developing agencies. No correspondence files were being maintained by any of the departments to pursue the problems encountered in the e-challan process or of any problems encountered in the software. Thus lack of coordination resulted in fraudulent use of e-challan, transaction being processed at treasury level without capturing the relevant field, generation of duplicate treasury reference code, non insertion of bank data into the treasury data; delay of up to five months in accounting the government money to the treasury received through e-challan.


During exit conference, the Government stated that necessary action would be taken to interlink the software with the Treasury.

8.31 Conclusion

During the Performance Audit of “Implementation of e-challan” we observed the following:

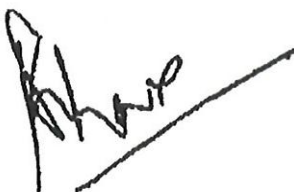
- Monitoring committee to supervise the implementation of e-Challan software was not formed. Feasibility study or parallel run were not conducted before implementing the software.
- Input and validation checks were not adequately applied in the software. The software had not been fully integrated with the other software of the user departments such as CGCOMTAX and VAHAN. This lacuna resulted in manual interventions at many stages and manipulation of data.
- Business rules regarding enhanced rate of fee for allotment of choice registration number were not mapped by the Transport Department in the Dealer Point Registration software resulting in short realisation of revenue amounting to ₹ 3.56 crore.

Raipur
The 01 February 2016


(BIJAY KUMAR MOHANTY)
Accountant General (Audit)
Chhattisgarh

Countersigned

New Delhi
The 02 February 2016


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Appendices

Appendix 1.1

(Referred to in paragraph 1.8)

Units audited during the year 2014-15

Sl. No.	Name of Department	Name of Office	Category
1	Commercial Tax	DC, Raipur (HQ) (Nilima Tigga)	A
2		DC, Div-II, Raipur (Kalpana Tiwari)	A
3		CTO, Kawardha	A
4		DC, Durg (H.L. Hideo)	A
5		CTO, Circle-2, Durg	A
6		ACCT-III, Durg	A
7		CTO, Circle-5, Raipur	A
8		CTO, Circle-2, Raigarh	A
9		CTO, Circle-7, Raipur	A
10		CTO, Circle-2, Korba	A
11		CTO, Circle-8, Raipur	A
12		AC, Raipur (HQ) (P.R. Dewangan)	A
13		AC, Raipur (T.R. Dhruwe)	A
14		ACCT -II, Div-I, Bilaspur	A
15		ACCT, Raigarh	A
16		CTO, Bhatapara	A
17		CTO, Mahasamund	A
18		CTO, Dhamtari	A
19		AC-I, Durg	A
20		AC-II, Durg	A
21		Commissioner, Commercial Tax, Raipur	T
22	State Excise	DEO, Raipur	A
23		DEO, Bilaspur	A
24		AC, Janjgir	A
25		DEO, Rajnandgaon	A
26		DEO, Jagdalpur	A
27		AC, Korba	A
28		DEO, Kawardha	A
29		DEO, Mahasamund	A
30		DEO, Mungeli	T
31		Sub-Registrar	SR, Raipur
32	SR, Durg		A
33	SR, Bilaspur		A
34	SR, Sakti		B
35	SR, Pathalgaon		B
36	SR, Kathghora		B
37	SR, Kharsia		B
38	SR, Tilda		T
39	SR, Nawagarh		T
40	SR, Pandaria		T
41	SR, Balod		B

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42	Transport	RTO, Raipur	A
43		RTO, Ambikapur	A
44		RTO, Bilaspur	A
45		RTO, Durg	A
46		DTO, Korba	A
47		RTO, Jagdalpur	A
48		DTO, Mahasamund	B
49		DTO, Balod	B
50		DTO, Janjgir	B
51		DTO, Kawardha	B
52		DTO, Mungeli	B
53		DTO, Dhamtari	B
54		Forest	DFO, Raigarh
55	DFO, Gariyaband		A
56	DFO, East Bhanupratppur		A
57	DFO, Kanker		A
58	DFO, Jagdalpur		A
59	DFO, Bilaspur		A
60	DFO, Bijapur		A
61	DFO, Kathghora		A
62	DFO, Marwahi		A
63	DFO, Sukma		A
64	DFO, Kawardha		B
65	CF, Jagdalpur		T
66	CF, Bilaspur		T
67	DFO, Balod	A	
68	Land Revenue	Collector, Bilaspur	B
69		Collector, Raigarh	B
70		Collector, Dhamtari	B
71		Collector, Rajnandgaon	B
72		Collector, Mahasamund	B
73		Tehsildar, Korba	B
74		Tehsildar, Makdi	T
75	Electricity & Safety	CEI, Raipur	A
76	Mining	DMO, Bilaspur	A
77		DMO, Korba	A
78		DMO, Ambikapur	A
79		DMO, Jagdalpur	A
80		DMO, Kanker	A
81		DMO, Mahasamund	B
82		DMO, Durg	A
83		DMO, Jashpur	B
84		DGM, Raipur	B

Appendix- 2.1
(Referred to in paragraph 2.2.19)

(₹ in lakh)

Sl. No.	Name of Unit	Commodity	Assessment year (Month & year of assessment)	Schedule no./Part no./item no.	Sale value	Rate of tax leviable/levied	Non levy of tax	Nature of observation
1	CTO, Circle-2, Bilaspur	DTH	2007-08 (July 2011)	IV/II/1	31.31	12.5/4	2.66	The AO levied tax at the rate of 4 per cent.
2	ACCT, Div- II, Raipur	Old HMV/LMV	2009-10 (Dec. 2012)	II/II/80	6.55	5/0	0.33	The AO did not levy VAT.
3	ACCT, Raigarh	Old car/Old scooter	2010-11 (March 2015)	II/II/80 & II/IV/I	3.09	5 & 14/ 0	0.21	The AO did not levy VAT.
4	ACCT, Raigarh	Water tanker	2010-11 (June 2014)	II/IV/I	1.33	14/5	0.12	The AO levied tax at the rate of 5 per cent instead of 14per cent.
5	ACCT, Raigarh	Old car/Old Truck, Pick up and Ash brick machine	2009-10 (Feb 2015)	II/II/80 & II/IV/I	7.24	4 & 12.5/0	0.79	The AO did not levy VAT.
6	ACCT, Raigarh	Old car	2008-09 (June 2013)	II/II/80	1.20	4/0	0.05	The AO did not levy VAT.
7	ACCT, Rajnandgaon	Memory card and Mobile battery	2011-12 (Dec. 2014)	II/IV/I	3.35	14/5	0.30	The AO levied tax at the rate of 5 per cent instead of 14per cent.
8	CTO, Circle.-3, Raipur	Old Car	2009-10 (Oct. 2013)	II/II/80	5.91	4/0	0.24	The AO did not levy VAT.
9	CTO, Circle.-3, Raipur	Dona Pattal Machine and Waste paper	2010-11 (September 2012)	II/IV/I	24.81	14/5	2.23	The AO levied tax at the rate of 5 per cent instead of 14per cent.
10	CTO, Circle-9, Raipur	Old Car	2009-10 (March 2014)	II/II/80	3.25	5/0	0.16	The AO did not levy VAT.
11	CTO, Circle-9, Raipur	Electric Panel	2009-10 (July 2014)	II/IV/I	127.40	12.5/4	10.83	The AO levied tax at the rate of 4 per cent instead of 12.5per cent.
12	CTO, Circle-9, Raipur	Old Car	2008-09 (Nov.2012)	II/II/80	5.00	4/0	0.20	The AO did not levy VAT.

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13	CTO,Circle-9, Raipur	Domestic LPG	2008-09 (June 2013)	By notification 34 dated 03.04.2006	23.70	4/0	0.95	The AO did not levy VAT.
14	ACCT-II, Div.-I, Bilaspur	Tractor	2009-10 (Nov 2013)	II/II/112	2887.09	5/4	28.87	The AO levied tax at 4 <i>per cent</i> instead of 5 <i>per cent</i> .
15	CTO, Circle-3, Div- I, Raipur	Confectionery goods	2011-12 (June 2013)	IV/II/1	50.60	14/5	4.55	The AO levied tax at 5 <i>per cent</i> instead of 14 <i>per cent</i> .
16	DCCT, Durg	Extra Neutral Alcohol (ENA)	2008-09 (August 2011)	II/II/30	488.00	4/0	19.52	The AO did not levy VAT.
17	DCCT, Durg	Old Plant & Machinery	2007-08 (Dec.2014)	II/IV/1	9829.00	12.5/4	835.0	The AO levied tax at the rate of 4 <i>per cent</i> instead of 12.5 <i>per cent</i> .
18	DCCT, Div. II, Raipur	Old Tanker and Old Tipper	2008-09 (June 2013)	II/IV/1	30.30	12.5/4	2.58	The AO levied tax at the rate of 4 <i>per cent</i> instead of 12.5 <i>per cent</i> .
19	ACCT, Rajnandgaon	Old Car	2010-11 (July 2013)	II/II/80	4.61	5/0	0.23	The AO did not levy VAT.
20	ACCT,Rajnandgaon	Old Car	2010-11 (Sep. 2013)	II/II/80	1.81	5/0	0.09	The AO did not levy VAT.
21	ACCT,Rajnandgaon	Old Car	2010-11 (Sep. 2013)	II/II/80	0.50	5/0	0.02	The AO did not levy VAT.
22	ACCT, Rajnandgaon	Old Car	2010-11 (June 2013)	II/II/80	3.25	5/0	0.16	The AO did not levy VAT.
23	ACCT-3, Durg	Old Car	2010-11 (June 2013)	II/II/80	1.75	5/0	0.09	The AO did not levy VAT.
24	CTO, Circle-3, Durg	Medical Oxygen Gas	2010-11 (Sep. 2012)	II/IV/I	62.02	14/5	5.58	The AO levied tax at the rate of 5 <i>per cent</i> instead of 14 <i>per cent</i> .
25	CTO ,Circle-3, Durg	LPG Rubber Pipe	2010-11 (March 2013)	II/IV/I	1.06	14/5	0.10	The AO levied tax at the rate of 5 <i>per cent</i> instead of 14 <i>per cent</i> .
26	CTO, Circle-3, Durg	Inverter	2010-11 (March 2012)	II/IV/I	0.95	14/5	0.09	The AO levied tax at the rate of 5 <i>per cent</i> instead of 14 <i>per cent</i> .
Total					13605.08		915.95	

Appendix-2.2
(Referred to in paragraph 2.2.23)

(₹ in lakh)

Name of the Seller	Name of the Purchaser	Seller reported sale	Purchaser reported purchase	Difference in transaction	Tax liability on differential transaction (@ 14% and 4%)	Penalty
M/s Ashok Agency, Tin:22033300148, Period: 2010-11 (Sep. 2012)	M/s Vimal Traders	6.60	9.89	3.29	0.46	1.38
	M/s Saroj Plywood	5.92	8.21	2.29	0.32	0.96
M/s Bansal Brothers, Bhilai, Tin:224933302611, Period: 2009-10 (Sep. 2012)	M/s. Corporate Ispat Alloys	11.08	26.97	15.89	0.64	1.91
Total				21.47	1.42	4.25

Appendix-2.3
(Referred to in para 2.2.24)

(₹ in Lakh)

Sl. No.	Name of Unit	Nature of Contract	Assessment year (Month & year of assessment)	Gross receipt	TTO determined by AO	Actual TTO	Tax leviable/ levied	Difference amount	Nature of observation
1	DC, Durg	Civil Contract	2008-09 (August 2012)	12168.43	2326.91	2851.54	146.33/ 118.41	27.92	The AOs adopted wrong methodology of calculating TTO which resulted short assessment of TTO. While detailed audit report was already submitted by Dealer.
2			2009-10 (February 2014)	1148.30	593.35	989.01	50.79/ 34.92	15.87	
3	AC, Raigarh		2007-08 (December 2014)	472.36	151.36	169.35	13.09/ 11.44	1.65	
4	AC, Rajnandgaon		2009-10 (January 2014)	330.08	197.19	216.16	9.13/ 8.48	0.65	
5			2009-10 (September 2013)	156.24	94.37	104.26	4.81/ 4.35	0.46	
Total				14275.41	3363.18	4330.32	224.15/ 177.60	46.55	

Appendix-2.4
(Referred to in para 2.2.25.1)

(₹ in lakh)

Sl. No.	Name of Unit	Assessment year (Month & year of assessment)	Interstate Sale value	Amount for which C form was not produced/defective 'C' form	Rate of tax leviable/levied	Non levy of tax	Nature of observation
1	AC- III, Durg	2009-10 (Sep12)	627.93	212.42	4/2	4.25	Wrong exemption of tax without 'C' form
2		2010-11 (Sep 12)	168.49	9.10	4/2	0.18	Wrong exemption of tax without 'C' form
3		2010-11 (Sep 12)	1289.31	19.66	4/2	0.39	Wrong exemption of tax without 'C' form
4	AC, Rajnandgaon	2010-11 (Dec 12)	1520.17	4.92	5/2	0.24	Wrong exemption of tax without 'C' form
5	CTO, Circle-9, Raipur	2009-10 (Mar 14)	46.37	5.08	4/2	0.10	Wrong exemption of tax without 'C' form
6		2009-10 (Dec 12)	231.66	7.32	4/2	0.14	Wrong exemption of tax due to acceptance of 'C' form which is related to more than one quarter.
7		2009-10 (Sep 12)	28.66	28.66	4/2	1.15	Wrong exemption of tax without 'C' form
8		2009-10(Nov 13)	39.77	16.67	4/2	0.33	Wrong exemption of tax on 'C' form which was corrected through correction fluid.
9	AC, Div.-II, Raipur	2009-10 (Sep.12)	153.46	149.04	4/2	2.98	Wrong exemption of tax without 'C' form
10		2009-10 (Nov 12)	61.81	36.01	4/2	0.72	Wrong exemption of tax without 'C' form
11	DC, Div.-II, Raipur	2009-10 (April 14)	7431.18	417.43	4/1	12.52	Wrong exemption of tax without 'C' form
Total			11598.81	906.31		23.00	

Appendix-2.5
(Referred to in para 2.2.25.4)

(₹ in lakh)

Sl. No.	Name of Unit	Assessment year (Month & year of assessment)	Amount of E-1/C sale	Amount which E-1 and C form was not produced	Amount which E-1 form was not produced	Amount which C form was not produced	Rate of tax leviable/levied	Non levy of tax	Nature of observation
1	CTO, Circle-9, Raipur	2007-08 (Aug. 11) & (Dec. 14)	90.69	90.69	0	0	4/0	3.63	Incorrect exemption of tax in the absence of 'E-1' and 'C' forms.
2	AC, Div.-I, Raipur (LataTyagi)	2009-10 (Sep 12)	105.13	0	23.36	17.28	2,4/0	1.16	Incorrect exemption of tax in the absence of 'E-1' and 'C' forms of said amount.
3		2009-10 (Sep 12)	409.79	165.50	244.29	0	2,4/0	11.51	Incorrect exemption of tax in the absence of 'E-1' and 'C' forms of said amount.
Total			605.61	256.19	267.65	17.28		16.30	

Appendix 2.6
(Referred to in paragraph 2.3.2)

Name of Assessee	Calculation of VAT			Share of materials (in percentage) bearing different tax rates
S.P. Singla Constructions (P) Ltd., Raipur	Value of Materials Consumed	12.50%	14147971	26.82%
		4%	38606061	73.18%
		Total	52754032	
	Profit As per AO		10.50%	
	Taxable sale as per AO		58293205	
	Profit as per Audit Report of Assessee		18.37%	
	Taxable sale as per Audit Report of Assessee		62444948	
	Short Assessment of taxable sale		4151742	
	Short levy of VAT on short assessed sale		260717	
Vipra Constructions, Raipur	Value of Materials Consumed	12.50%	4349171	26.32%
		4%	12113397	73.30%
		0%	63825	0.38%
	Total		16526393	
	Profit As per AO		5.00%	
	Taxable sale as per AO		17352713	
	Profit as per Audit Report of Assessee		19.61%	
	Taxable sale as per Audit Report of Assessee		19767219	
	Short Assessment of taxable sale		2414506	
Short levy of VAT on short assessed sale		150230		
R.D. Constructions, Raipur	Value of Materials Consumed	12.50%	6752688	40.84%
		4%	9024245	54.58%
		0%	757678	4.58%
	Total		16534611	
	Profit As per AO		5.00%	
	Taxable sale as per AO		17361342	
	Profit as per Audit Report of Assessee		13.67%	
	Taxable sale as per Audit Report of Assessee		18794892	
	Short Assessment of taxable sale		1433550	
Short levy of VAT on short assessed sale		104480		
Total	Value of Materials Consumed	12.50%	25249830	
		4%	59743703	
		0%	821503	
	Total		85815036	
	Profit As per AO		5 % to 10.50%	
	Taxable sale as per AO		93007260	
	Profit as per Audit Report of Assesses		13.67% to 19.61%	
	Taxable sale as per Audit Report of Assesses		101007059	
	Short Assessment of taxable sale		7999799	
Short levy of VAT on short assessed sale		515427		

Appendix 6.1
(Referred to in paragraph 6.3.1)

Sl. No.	Lot No.	Class	Girth	Length	Volume (cu. m.)	Upset Price	Sale Price	Short Recovery	Percentage of shortage	Date of 1 st Auction
Species: TEAK										
Date of Auction: 02-09-2011										
1	G40	IV B	51-60, 76-90, 91-105	Upto 1, 1-2, 2-3, 4-6	0.897	25600	13000	12600	49%	02-12-10
2	G197	III, III B, IV A	21-30, 31-40, 41-50, 51-60, 61-75, 76-90	1-2, 2-3, 3-4, 4-6	1.676	54000	33000	21000	39%	04-03-11
Date of Auction: 04-01-2012										
3	H78	III A	61-75, 76-90, 91-105, 106-120	0-1, 1-2, 2-3	1.208	57600	46200	11400	20%	02-11-11
4	H141	III A	106-120, 121-135, 136-150, 150-Ov	1-2	1.152	66500	56100	10400	16%	02-11-11
Date of Auction: 02-06-2012										
5	H422	IV A	51-60, 61-75, 76-90, 91-105, 150-Ov	0-1, 1-2, 2-3	1.353	44100	35500	8600	20%	03-04-12
Date of Auction: 03-07-2012										
6	H421	III B, IV B	106-120, 121-135, 136-150, 150-Ov	2-3	3.065	155800	120000	35800	23%	03-04-12
7	H559	III A	91-105, 106-120, 121-135	2-3	1.662	108000	90000	18000	17%	02-05-12
8	H561	III B, IV A	51-60, 61-75, 76-90, 91-105, 106-120	1-2, 2-3	2.627	91000	77000	14000	15%	02-05-12
9	H567	III B, IV A	61-75, 76-90, 91-105, 106-120, 121-135, 150-Ov	0-1, 1-2, 2-3	1.529	67400	54500	12900	19%	02-05-12
10	H582	III A, IV A, IV B	76-90, 106-120, 121-135, 136-150, 150-Ov	0-1, 2-3	1.642	90400	73000	17400	19%	02-05-12
11	H601	III A, III B, IV A	76-90, 91-105, 106-120, 121-135, 136-150, 150-Ov	1-2, 2-3, 3-4	3.277	208600	168000	40600	19%	02-05-12
Date of Auction: 03-08-2012										
12	H564	III B, IV A, III, US	15-20, 21-30, 31-40, 41-50, 51-60, 61-75, 76-90	0-1, 1-2, 2-3, 3-4, 4-6, 6-Ov	1.439	60300	35000	25300	42%	02-05-12
13	H599	III A, IIIB, IV A, IV B	41-50, 51-60, 61-75, 76-90, 91-105, 106-120, 136-150, 150-Ov	0-1, 1-2, 2-3	2.701	89000	69500	19500	22%	02-05-12
Date of Auction: 03-09-2012										
14	H752	III B, IV B	51-60, 61-75, 91-105, 106-120	0-1, 1-2	1.197	36700	22000	14700	40%	02-06-12
Date of Auction: 03-12-2012										
15	H949	IV A, US	31-40, 41-50, 51-60, 61-75	1-2	3.44	88900	43500	45400	51%	03-08-12
16	H955	III B	61-75, 76-90, 91-105	2-3, 3-4, 4-6	2.466	110200	62000	48200	44%	03-08-12
17	H1092	III B, IV A	41-50, 51-60, 61-75	3-4, 4-6	3.675	142200	114000	28200	20%	03-09-12
Date of Auction: 03-01-2013										
18	I71	III B, IV A, IV B	76-90, 91-105, 121-135, 136-150, 150-Ov	1-2, 2-3	2.384	85900	70000	15900	19%	02-11-12

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19	I108	III, IV A	31-40, 41-50, 51-60	1-2, 2-3, 3-4, 4-6	2.312	74800	61500	13300	18%	02-11-12
20	I119	III B, IV A	41-50, 51-60, 61-75, 76-90	2-3, 3-4, 4-6	3.118	125600	101000	24600	20%	02-11-12
21	I156	III, IV A	31-40, 41-50, 51-60	2-3, 3-4, 4-6	1.303	41100	33600	7500	18%	02-11-12
22	I157	III B, IV A	41-50, 51-60, 61-75	2-3, 3-4	2.69	99300	80100	19200	19%	02-11-12
23	I162	III, III B	31-40, 41-50, 51-60, 61-75, 76-90, 91-105, 106-120	1-2, 2-3, 3-4, 4-6	2.448	107400	86000	21400	20%	02-11-12
Date of Auction: 03-03-2013										
24	I112	III, IV B, IV A	31-40, 41-50, 51-60, 61-75	1-2, 2-3, 3-4, 4-6	2.998	91800	64500	27300	30%	02-11-12
TOTAL					51.88	2111700	1601500	510200		

Sl. No.	Lot No.	Class	Girth	Length	Volume (cu. m.)	Upset Price	Sale Price	Short Recovery	Percentage of shortage	Date of 1 st Auction
Species: SAL										
Date of Auction: 02-09-2011										
1	G219	IV A, US	0-50, 51-60, 61-90	0-2, 2-3	8.393	90400	64000	26400	29%	02-06-11
2	G268	III, IV A, US	0-50, 41-50, 51-60, 61-90	0-2, 2-3	8.445	92100	65000	27100	29%	02-06-11
3	G306	IV A	51-60, 61-90, 91-120	0-2	6.521	70800	50000	20800	29%	02-06-11
4	G351	III A, IV A, IV B	91-120, 120-Ov	0-2, 2-3	10.022	134500	101000	33500	25%	02-06-11
Date of Auction: 02-06-2012										
5	H305	IV A, US	51-60, 61-90, 91-120, 0-50	0-2	3.735	42700	24000	18700	44%	02-02-12
6	H372	IV A, IV B	61-90, 91-120, 120-Ov	0-2, 2-3, 3-5	4.564	61400	49500	11900	19%	03-04-12
Date of Auction: 03-07-2012										
7	H344	III, IV A, US	0-50, 41-50, 51-60, 61-90	0-2, 2-3	5.933	71400	48500	22900	32%	03-04-12
8	H347	III B, IV A, IV B	120-Ov	2-3, 3-5, 5-Ov	3.99	71100	48500	22600	32%	03-04-12
9	H383	IV B	91-120, 120-Ov	0-2, 2-3, 3-5	7.934	97500	68000	29500	30%	03-04-12
10	H403	IV B	61-90, 91-120, 120-Ov	0-2, 2-3, 3-5	5.481	66900	44000	22900	34%	03-04-12
11	H448	III, IV A	31-40, 41-50, 51-60, 61-90, 91-120	2-3, 3-5	3.407	46700	32000	14700	31%	03-04-12
12	H502	III, III B, IV A	41-50, 51-60, 61-90, 91-120,	0-2, 2-3, 3-5	2.727	37100	30000	7100	19%	02-05-12
Date of Auction: 03-08-2012										
13	H262	IV B	61-90, 91-120, 120-Ov	0-2, 2-3, 3-5	9.183	105500	70000	35500	34%	02-02-12
14	H270	IV B	61-90, 91-120, 120-Ov	0-2, 2-3, 3-5	3.975	42300	28000	14300	34%	02-02-12
15	H294	IV A, US	51-60, 61-90, 0-50	0-2	3.361	38600	15000	23600	61%	02-02-12
16	H307	III, IV B	31-40, 41-50, 51-60, 61-90	0-2, 2-3, 3-5	2.118	20200	11000	9200	46%	02-02-12
17	H364	IV A, US	51-60, 61-90, 120-Ov, 0-50	0-2, 2-3	7.26	90100	42000	48100	53%	03-04-12
18	H420	IV A, US	51-60, 61-90, 0-50	0-2	6.233	73100	34000	39100	53%	03-04-12

19	H437	IV A, US	51-60, 61-90, 0-50	0-2, 2-3	3.26	39000	21000	18000	46%	03-04-12
20	H449	III, IV A, US	31-40, 41-50, 51-60, 61-90, 0-50	0-2, 2-3, 3-5	4.495	55200	26000	29200	53%	03-04-12
21	H469	IV A, US	51-60, 61-90, 0-50	0-2	3.234	38100	15000	23100	61%	03-04-12
22	H503	IV A, US	51-60, 61-90, 0-50	0-2	3.777	43800	23500	20300	46%	02-05-12
23	H547	IV A, US	51-60, 61-90, 0-50	2-3	5.098	60300	30000	30300	50%	02-05-12
24	H555	III B, IV A, US	51-60, 61-90, 91-120, 0-50	0-2, 3-5	3.28	47700	29000	18700	39%	02-05-12
Date of Auction: 03-12-2012										
25	H529	IV A, IV B	61-90, 91-120, 120-Ov	0-2, 2-3, 3-5	2.253	30000	15000	15000	50%	02-05-12
Date of Auction: 03-01-2013										
26	I24	IV A	51-60, 61-90, 91-120, 120-Ov	0-2, 2-3	3.021	38600	31000	7600	20%	02-11-12
Date of Auction: 03-03-2013										
27	H1044	IV A	61-90, 91-120, 120-Ov	2-3, 3-5	5.379	85400	49500	35900	42%	03-08-12
28	I178	IV A, IV B	51-60, 61-90, 91-120, 120-Ov	0-2, 2-3, 3-5	4.447	52500	34500	18000	34%	02-11-12
TOTAL					141.526	1743000	1099000	644000		
GRAND TOTAL					193.786	3865200	2708000	1157200		

Appendix 6.2
(Referred to in paragraph 6.3.2)

Lot No.	Species	Girth	Length	Volume	Upset Price	Sale Price	Non commercial Rate	Non commercial Value	Short realisation	Date of First Auction
Date of Auction: 02-09-2011										
G263	SAL	91-120	3-5	6.943	99400	74000	11924	82788	8788	02-06-2011
G283	SAL	91-120	0-2	5.76	63200	45100	8335	48010	2910	02-06-2011
G316	SAL	61-90	3-5	2.814			10072	28343		
		61-90	3-5	2.573			10072	25915		
		91-120	2-3	0.565			10141	5730		
		91-120	2-3	2.384			10141	24176		
		TOTAL			8.336	98500	70000		84164	14164
G327	TEAK	136-150	3-4	0.381			35770	13628		
		150-Ov	2-3	1.093			34729	37959		
		136-150	2-3	0.358			34150	12226		
		121-135	2-3	0.229			33572	7688		
		150-Ov	1-2	0.931			30098	28021		
		TOTAL			2.992	107100	75600		99522	23922
G348	SAL	120-Ov	3-5	6.132	94000	68500	12734	78085	9585	02-06-2011
G382	SAL	91-120	0-2	0.094			8335	783		
		91-120	2-3	0.726			10141	7362		
		91-120	3-5	0.297			11924	3541		
		120-Ov	2-3	0.519			11113	5768		
		120-Ov	3-5	1			12734	12734		
		120-Ov	3-5	3.918			12734	49892		
		TOTAL			6.554	88400	62500		80080	17580
Date of Auction: 04-01-2012										
G463	SAL	120-Ov	3-5	1.468	17400	11500	12734	18694	7194	02-09-2011
G496	SAL	120-Ov	0-2	0.479			9642	4619		
		120-Ov	3-5	1.997			12734	25430		
		TOTAL			2.476	28500	20000		30049	10049
G513	SAL	120-Ov	3-5	2.452			12734	31224		

		120-Ov	5-Ov	0.546			13892	7585		
		120-Ov	3-5	0.896			12734	11410		
		120-Ov	2-3	2.137			11113	23748		
		TOTAL		6.031	78100	44000		73967	29967	02-09-2011
H48	SAL	91-120	2-3	0.495			10141	5020		
		91-120	3-5	0.261			11924	3112		
		120-Ov	2-3	1.94			11113	21559		
		120-Ov	3-5	1.917			12734	24411		
		TOTAL		4.613	53500	42800		54102	11302	02-11-2011
Date of Auction: 02-06-2012										
H277	SAL	91-120	3-5	7.176	107900	71000	11924	85567	14567	02-02-2012
H280	SAL	120-Ov	3-5	3.444	55500	36000	12734	43856	7856	02-02-2012
H284	SAL	61-90	3-5	0.213			10072	2145		
		91-120	2-3	0.261			10141	2647		
		91-120	3-5	4.262			11924	50820		
		TOTAL		4.736	70600	37000		55612	18612	02-02-2012
H299	SAL	91-120	3-5	1.029			11924	12270		
		91-120	5-Ov	0.406			12734	5170		
		120-Ov	3-5	1.175			12734	14962		
		120-Ov	5-Ov	0.555			13892	7710		
		TOTAL		3.165	51100	25000		40112	15112	02-02-2012
H304	SAL	91-120	2-3	3.799			10141	38526		
		91-120	0-2	2.702			8335	22521		
		TOTAL		6.501	84300	44000		61047	17047	02-02-2012
H310	SAL	91-120	2-3	0.162			10141	1643		
		120-Ov	2-3	1.975			11113	21948		
		TOTAL		2.137	36100	14000		23591	9591	02-02-2012
H433	SAL	91-120	3-5	4.974	78500	63000	14309	71173	8173	03-04-2012
H456	SAL	120-Ov	3-5	2.326	39300	31500	15281	35544	4044	03-04-2012
Date of Auction: 03-07-2012										
H296	SAL	51-60	2-3	0.255			6598	1682		
		61-90	2-3	3.942			8335	32857		

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		TOTAL		4.197	50300	30000		34539	4539	02-02-2012
H341	SAL	61-90	2-3	1.805			10002	18054		
		51-60	2-3	0.056			7918	443		
		61-90	2-3	2.58			10002	25805		
		TOTAL		4.441	61200	42000		44302	2302	03-04-2012
H353	SAL	91-120	3-5	2.67	42200	28500	14309	38205	9705	03-04-2012
H357	SAL	120-Ov	3-5	3.062	51800	40000	15281	46790	6790	03-04-2012
H366	SAL	120-Ov	2-3	3.986	60000	44500	13336	53157	8657	03-04-2012
H388	SAL	120-Ov	3-5	5.485			15281	83816		
		120-Ov	2-3	0.781			13336	10415		
		TOTAL		6.266	104400	68500		94232	25732	03-04-2012
H394	SAL	120-Ov	3-5	1.782	30100	19500	15281	27231	7731	03-04-2012
H402	SAL	51-60	2-3	0.061			7918	483		
		61-90	2-3	3.358			10002	33587		
		61-90	3-5	0.134			12086	1620		
		TOTAL		3.553	45100	30000		35689	5689	03-04-2012
H431	SAL	120-Ov	0-2	0.983			11571	11374		
		120-Ov	2-3	2.415			13336	32206		
		TOTAL		3.398	43600	29500		43581	14081	03-04-2012
H464	SAL	120-Ov	3-5	0.811			15281	12393		
		120-Ov	2-3	3.472			13336	46303		
		120-Ov	0-2	0.192			11571	2222		
		TOTAL		4.475	68700	48000		60917	12917	03-04-2012
H519	SAL	120-Ov	3-5	5.111	76900	62000	15281	78101	16101	02-05-2012
Date of Auction: 03-08-2012										
H342	SAL	91-120	0-2	1.986	25100	15000	10002	19864	4864	03-04-2012
H412	SAL	91-120	0-2	1.777	22500	14000	10002	17774	3774	03-04-2012
H447	SAL	91-120	2-3	0.992			12169	12072		
		120-Ov	2-3	1.319			13336	17590		
		120-Ov	0-2	1.361			11571	15748		
		TOTAL		3.672	53800	24000		45410	21410	03-04-2012
H556	SAL	120-Ov	3-5	0.441			15281	6739		

		120-Ov	2-3	1.44			13336	19204		
		120-Ov	0-2	0.699			11571	8088		
		TOTAL		2.58	39300	22000		34031	12031	02-05-2012
Date of Auction: 03-09-2012										
H1001	SAL	120-Ov	3-5	5.172	79600	73000	15281	79033	6033	03-08-2012
Date of Auction: 03-12-2012										
H942	TEAK	41-50	2-3	3.408			23557	80282		
		41-50	1-2	0.057			19766	1127		
		TOTAL		3.465	105200	59000		81409	22409	03-08-2012
H951	TEAK	51-60	4-6	1.423			29555	42057		
		41-50	4-6	0.876			27823	24373		
		TOTAL		2.299	92200	49000		66430	17430	03-08-2012
H961	SAL	120-Ov	2-3	2.549			13336	33993		
		120-Ov	3-5	2.124			15281	32457		
		120-Ov	3-5	2.447			15281	37393		
		TOTAL		7.12	107300	62000		103843	41843	03-08-2012
H1016	TEAK	150-Ov	2-3	1.682	62600	42000	39938	67176	25176	03-08-2012
Date of Auction: 03-01-2013										
H1085	TEAK	51-60	3-4	1.742			28490	49630		
		61-75	3-4	0.095			30086	2858		
		TOTAL		1.837	73500	49000		52488	3488	03-09-2012
TOTAL				160.295	2546800	1687000		2190163	503163	

Appendix 6.3
(Referred to in paragraph 6.7)

Quantity of coal estimated to be extracted during the lease period of 30 years (as per mining plan)		277 MT
Estimated average annual extraction		9.23 MT/ 92,30,000 ton
Estimated annual average royalty (@ ₹ 84 per ton for Grade 12)		₹ 77,53,20,000
Calculation of market value as per section 35 of Schedule 1 A of Indian Stamp Act, 1899 (five times the estimated annual average royalty)		₹ 3,87,66,00,000
Stamp Duty (5 per cent)	₹ 19,38,30,000	
Cess (5 per cent of SD)	₹ 96,91,500	
Total Stamp Duty leviable		₹ 20,35,21,500
Registration fee leviable (75 per cent of Stamp Duty)		₹ 14,53,72,500
Stamp Duty levied		₹ 16,31,70,000
Registration fee levied		₹ 11,65,50,000
Short levy of Stamp Duty		₹ 4,03,51,500
Short levy of Registration fee		₹ 2,88,22,500
Total Short levy		₹ 6,91,74,000

Appendix 6.4
(Referred to in paragraph 6.8)

Name of Lessee/ Period of lease/ Mineral	District/ Village/ Area (ha.)	Quantity mentioned in the application	Rate of Royalty	Calculation of Royalty, SD & RF paid		Period for which royalty paid	Actual royalty paid	Calculation of Annual Average Royalty and payable SD & RF		Non realisation of SD & RF
BSCPL Infrastructure Pvt. Ltd./ 15.05.12 to 14.05.22/ Stone	Mahasamund/ Chhuipali/ 2.59	10000 cubic meter	₹ 103 per cubic meter	Royalty	343334	May 2012 - July 2014 (two years and three months)	11650000	Royalty	5177778	
				SD	28325			SD	427167	398842
				RF	21245			RF	320375	299130
				Total (SD & RF)	49570			Total (SD & RF)	747542	697972
Chandan Chandrakar, transferred to BSCPL Infrastructure Pvt. Ltd./ 19.07.11 to 18.07.21/ Stone	Mahasamund/ Barbaspur/ 1.10	1000 cubic meter	₹ 103 per cubic meter	Royalty	103000	July 2011 – June 2014 (three years)	11402110	Royalty	3800703	
				SD	10720			SD	313558	302838
				RF	8040			RF	235169	227129
				Total (SD & RF)	18760			Total (SD & RF)	548727	529967
BSCPL Infrastructure Pvt. Ltd./ 15.05.12 to 14.05.22/ Stone	Bilaspur/ Mohtara/ 11.036	500 ton annually	₹ 63 per ton	Royalty	45000	December 2008 to December 2013 (five years)	9762858	Royalty	1952572	
				SD	2520			SD	117154	114634
				RF	1890			RF	87866	85976
				Total (SD & RF)	4410			Total (SD & RF)	205020	200610
Grand Total				SD & RF paid	72740	Royalty paid	32814968	payable SD & RF	1501289	1428549

Appendix 8.1
(Referred to in paragraph 8.27)

Dealer Name	Challan No.	Challan date	Amount in ₹	Returns in which used
NTPC SAIL Power Company Private Ltd. (TIN-22863201285)	053466	10.09.2014	13,70,736	VAT and ET
	143340	29.10.2014	63,887	
	143549	29.10.2014	72,66,302	
	977659	08.08.2014	41,42,826	
	053521	10.09.2014	91,505	
YUM! Restaurants Private Limited (TIN-22081703258)	019446	10.11.2013	62,930	
Hari Om Ingots & Power Private Limited.(TIN-22793202439)	7	14.08.2014	3,24,376	VAT and CST
Automation Engineering (TIN-22083201811)	Cst-8	23.02.2011	68,192	
Kanhaiya Steel Industries (TIN-22103200248)	203	25.08.2011	2,57,643	
Bharat Heavy Electrical Limited (TIN-22173202974)	183	31.03.2010	3,20,392	
J.S.Oil (TIN-22603202980)	20015	08.07.2014	4,80,000	
Laxmi Paper Works (TIN-22961700058)	122	30.04.2013	29,770	
R.V.Sons (TIN-22961702968)	84	31.01.2015	1,10,905	
	Total		1,30,38,137	

GLOSSARY OF ABBREVIATIONS

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Abbreviation	Full Form
ACCT	Assistant Commissioner, Commercial Tax
ACM	Audit Committee Meeting
ACTO	Assistant Commercial Tax Officer
Addl. CCT	Additional Commissioner of Commercial Tax
Addl. DMA	Additional Director, Mining Administration
Addl. TC	Additional Transport Commissioner
AG	Accountant General
AMO	Assistant Mining Officer
AO	Assessing Officer
APCCF	Additional Principal Chief Conservator of Forests
AR	Audit Report
ARTO	Additional Regional Transport Officer
ATC	Assistant Transport Commissioner
ATN	Action Taken Note
BE	Budget Estimate
CCF	Chief Conservator of Forests
CCT	Commissioner of Commercial Tax
CF	Conservator of Forests
CGCOMTAX	Chhattisgarh commercial tax module applicable in Commercial Tax Department
CGET Act	Chhattisgarh Entry Tax Act
CGMK Adhiniyam/ Act	Chhattisgarh Motoryan Karadhan Adhiniyam/ Act
CGVAT Act	Chhattisgarh Value Added Tax Act
CI	Cast Iron
CMV Rules	Central Motor Vehicle Rules
CSLR	Commissioner, Settlement and Land Records
CST	Central Sales Tax
CT	Commercial Tax
CTI	Commercial Tax Inspector

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CTO	Commercial Tax Officer
DC	Deputy Commissioner
DDM	Deputy Director, Mining
DFO	Divisional Forest Officers
DGM	Director, Geology and Mining
DLT	Digital Linear Tape
DMO	District Mining Officer
DPR	Dealer Point Registration
DTAP	Directorate of Treasury, Accounts & Pension
DTC	Deputy Transport Commissioner
DTO	District Transport Officer
ET	Entry Tax
GoCG	Government of Chhattisgarh
Ha.	Hectare
HoD	Head of the Department
IAW	Internal Audit Wing
ICM	Internal Control Mechanism
IF Act	Indian Forest Act
IR	Inspection Report
IS Act	Indian Stamp Act
IT	Information Technology
ITR	Input Tax Rebate
LDP	Long Draft Paragraph
MI	Mining Inspector
MIS	Management Information System
MNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MT	Metric Ton
NIC	National Informatics Centre
NT	Notional Ton
PA	Performance Audit
PAC	Public Accounts Committee

PCCF	Principal Chief Conservator of Forests
RDF	Rehabilitation of Degraded Forests
RO	Range Officer
RRC	Revenue Recovery Certificate
RTO	Regional Transport Officer
SDD	System Design Document
SQL	Structured Query Language
SR	Service Regulation
SRS	Simple Random Sampling
SRS	System Requirement Specification (IT)
TC	Transport Commissioner
TO	Transport Offices
TREREFERENCENO	Treasury Reference Number
URS	User Requirement Specification
VAT	Value Added Tax
WP	Working Plan



**COMPTROLLER AND
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