

# CHAPTER-I

## GENERAL



## CHAPTER-I: GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Bihar during the year 2014-15, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table-1.1**.

**Table- 1.1**  
**Trend of revenue receipts**

(₹ in crore)						
Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
<b>1.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	9,869.85	12,612.10	16,253.08	19,960.68	20,750.23
	• Non-tax revenue	985.53	889.86	1,135.27	1,544.83	1,557.98
	<b>Total</b>	<b>10,855.38</b>	<b>13,501.96</b>	<b>17,388.35</b>	<b>21,505.51</b>	<b>22,308.21</b>
<b>2.</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	23,978.38	27,935.23	31,900.39	34,829.11	36,963.07 <sup>1</sup>
	• Grants-in-aid	9,698.56	9,882.98	10,277.92	12,584.03	19,146.26
	<b>Total</b>	<b>33,676.94</b>	<b>37,818.21</b>	<b>42,178.31</b>	<b>47,413.14</b>	<b>56,109.33</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>44,532.32</b>	<b>51,320.17</b>	<b>59,566.66</b>	<b>68,918.65</b>	<b>78,417.54</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>24</b>	<b>26</b>	<b>29</b>	<b>31</b>	<b>28</b>

(Source: Finance Accounts, Government of Bihar)

The above table indicates that during the year 2014-15, the revenue raised by the State Government (₹ 22,308.21 crore) was 28 *per cent* of the total revenue

<sup>1</sup> For details, please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2014-15. Figures under Minor Head – 901 - Share of net proceeds assigned to the State under the Major Heads 0020 - Corporation Tax (₹ 12,907.72 crore), 0021 - Taxes on income other than Corporation Tax (₹ 9,217.35 crore), 0028 – Other taxes on Income and expenditure (₹ 0.31 crore), 0032 - Taxes on Wealth (₹ 34.84 crore), 0037 – Customs (₹ 5,977.99 crore), 0038 - Union Excise Duties (₹ 3,375.58 crore) and 0044 - Service Tax (₹ 5,449.29 crore) and 0045 – Other taxes and duties on commodities and services (- ₹ 1.00 lakh) booked in the Finance Accounts under A - Tax Revenue have been excluded from the revenue raised by the State and included in State's share of divisible union taxes in this statement.

receipts. The balance 72 per cent of receipts during 2014-15 was from the Government of India.

1.1.2 The details of tax revenue raised during the period 2010-11 to 2014-15 are given in Table-1.2.

**Table- 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 (+)/decrease (-) in actual of 2014-15 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2014-15	Actual of 2013-14
1.	Taxes on Sales, Trade etc.	<u>5,627.69</u> 4,557.18	<u>6,508.00</u> 7,476.36	<u>8,071.00</u> 8,670.79	<u>12,324.04</u> 8,453.02	<u>12820.15</u> 8,607.16	(-) 32.86	(+) 1.82
2.	Taxes on Goods and Passengers	<u>1,623.76</u> 2,006.32	<u>1,940.00</u> 828.30	<u>2,800.00</u> 1,932.12	<u>1,192.75</u> 4,349.00	<u>4117.50</u> 4,451.25	(+) 8.11	(+) 2.35
3.	State Excise	<u>1,400.00</u> 1,523.35	<u>1,790.00</u> 1,980.98	<u>2,715.00</u> 2,429.82	<u>3,300.00</u> 3,167.72	<u>3700.00</u> 3,216.58	(-) 13.07	(+) 1.54
4.	Stamps and Registration Fees	<u>1,215.00</u> 1,098.68	<u>1,600.00</u> 1,480.07	<u>1,906.00</u> 2,173.02	<u>3,200.00</u> 2,712.41	<u>3600.00</u> 2,699.49	(-) 25.01	(-) 0.48
5.	Taxes on Vehicles	<u>550.00</u> 455.43	<u>537.00</u> 569.13	<u>644.40</u> 673.39	<u>800.00</u> 837.48	<u>1000.00</u> 963.56	(-) 3.64	(+) 15.05
6.	Land Revenue	<u>112.17</u> 139.02	<u>125.20</u> 167.49	<u>185.00</u> 205.45	<u>205.00</u> 201.71	<u>250.00</u> 277.13	(+) 10.85	(+) 37.39
7.	Taxes and Duties on Electricity	<u>90.25</u> 65.22	<u>60.70</u> 54.69	<u>60.70</u> 102.55	<u>66.17</u> 141.31	<u>82.70</u> 374.76	(+)353.16	(+) 165.20
8.	Other Taxes and Duties on Commodities and Services	<u>24.29</u> 24.65	<u>24.99</u> 25.52	<u>41.99</u> 28.99	<u>34.14</u> 50.43	<u>48.59</u> 105.34	(+)116.79	(+) 108.88
9.	Other Taxes on Income and Expenditure-Taxes on Professions, Trades, Callings and Employment	<u>1.00</u> Nil	<u>23.30</u> 29.56	<u>31.00</u> 36.95	<u>32.59</u> 47.60	<u>44.00</u> 54.96	(+) 24.91	(+) 15.46
<b>Total</b>		<u>1,0644.16</u> 9,869.85	<u>12,609.19</u> 12,612.10	<u>16,455.09</u> 16,253.08	<u>21,154.69</u> 19,960.68	<u>25,662.94</u> 20,750.23		(+) 3.96

{Source: Finance Accounts, Government of Bihar and Revenue and Capital Receipts (Detail)}

It can be seen from the table 1.2 that there was a variation of (-) 32.86 to (+) 353.16 *per cent* between the budget estimates and the actual during 2014-15. Further there was a variation of (-) 0.48 *per cent* to (+) 165.20 *per cent* between actuals of 2013-14 and 2014-15 under various heads of taxes.

The following reasons for variation were reported by the concerned Departments.

**Taxes on Sales, Trade etc.:** The increase (1.82 *per cent*) over the actual of 2013-14 was due to enhancement of rate of tax on diesel from 16 *per cent* to 18 *per cent*, enhancement of rate of surcharge on petrol and diesel from 10 *per cent* to 20 *per cent*, multi-point levy of tax on potable spirit, wine or liquor and massive mobile checking and inspection of business premises. The decrease (32.86 *per cent*) over the BE was mainly due to reduction of rate of tax on tobacco from 30 *per cent* to 20 *per cent*.

**Stamps and Registration fees:** The decrease (25.01 *per cent*) over the BE was due to reduction of value of land in MVR and decrease in number of documents presented.

**Land Revenue:** The increase (37.39 *per cent*) over the actuals of 2013-14 was due to collection of establishment charges in respect of acquisition of land and cost of alienated government land to the Bihar State Electricity Board and other companies during the year.

The other departments did not inform (August 2015) the reasons for variation, despite being requested (between April and August 2015).

**We recommend that while preparing budget estimates, the State Government may take realistic inputs as significant variations were noticed between budget estimates and actual.**

**1.1.3** The details of non-tax revenue raised during the period 2010-11 to 2014-15 are indicated in **Table 1.3**.

**Table- 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 (+)/decrease (-) in actual of 2014-15 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2014-15	Actual of 2013-14
1.	Non-ferrous Mining and Metallurgical Industries	<u>294.00</u> 405.59	<u>280.00</u> 443.10	<u>470.00</u> 511.08	<u>641.00</u> 569.14	<u>750.00</u> 879.87	(+) 17.32	(+) 54.60
2.	Interest Receipts	<u>216.37</u> 237.96	<u>370.82</u> 573.70	<u>263.74</u> 167.12	<u>338.48</u> 269.48	<u>202.22</u> 344.77	(+) 70.49	(+) 27.94
3.	Roads and Bridges	<u>27.98</u> 39.60	<u>33.00</u> 60.35	<u>44.67</u> 32.56	<u>64.03</u> 40.72	<u>64.03</u> 54.52	(-) 14.85	(+) 33.89
4.	Medical and Public Health	<u>17.60</u> 15.33	<u>14.94</u> 23.91	<u>13.41</u> 41.02	<u>25.40</u> 29.93	<u>43.24</u> 30.22	(-) 30.11	(+) 0.97
5.	Police	<u>56.52</u> 11.85	<u>12.62</u> 9.26	<u>67.83</u> 25.01	<u>70.59</u> 27.27	<u>69.74</u> 29.50	(-) 57.70	(+) 8.18
6.	Forestry and Wild Life	<u>6.55</u> 7.64	<u>8.00</u> 11.04	<u>7.05</u> 16.60	<u>13.20</u> 19.58	<u>17.61</u> 25.24	(+) 43.33	(+) 28.91
7.	Medium Irrigation	<u>4.00</u> 15.45	<u>4.00</u> 17.59	<u>4.00</u> 13.99	<u>4.00</u> 18.22	<u>4.00</u> 16.95	(+) 323.75	(-) 6.97
8.	Fisheries	<u>7.32</u> 7.28	<u>15.89</u> 10.16	<u>9.14</u> 11.79	<u>10.78</u> 10.72	<u>12.50</u> 10.71	(-) 14.32	(-) 0.09
9.	Other Administrative Services	<u>39.37</u> 19.98	<u>59.64</u> 11.49	<u>46.56</u> 10.01	<u>65.01</u> 10.18	<u>251.60</u> 21.77	(-) 91.35	(+) 113.85
10.	Miscellaneous General Services	<u>385.27</u> 0.34	<u>0.34</u> (-)383.78	<u>1.20</u> 22.03	<u>0.86</u> 0.28	<u>0.91</u> 1.99	(+) 118.68	(+) 610.71
11.	Other non-tax receipts	224.51	113.04	284.06	549.31	142.44		(-) 74.07
<b>Total</b>		<b>985.53</b>	<b>889.86</b>	<b>1,135.27</b>	<b>1544.83</b>	<b>1557.98</b>		<b>(+) 0.85</b>

{Source: Finance Accounts, Government of Bihar and Revenue and Capital Receipts (Detail)}

It can be seen from the above table that there was a variation of (-) 91.35 to (+) 323.75 per cent between the budget estimates and the actual during 2014-15. Further, there was a variation of (-) 6.97 per cent to (+) 610.71 per cent between actuals of 2013-14 and 2014-15 under various heads of taxes.

The following reasons for variation were reported by the concerned Department.

**Mines and Geology Department:** The increase (54.60 per cent) over the actual of 2013-14 and increase (17.32 per cent) in comparison to BE in 2014-15 was due to settlement of several sand ghats.

We recommend that while preparing budget estimates, the State Government may take realistic inputs as significant variations were noticed between budget estimates and actual.

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 in respect of the principal heads of revenue amounted to ₹ 3,440.55 crore of which ₹ 444.27 crore was outstanding for more than five years as detailed in the **Table-1.4**.

**Table- 1.4**  
**Arrears of revenue**

(₹ in crore)				
Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2015	Amount outstanding for more than five years as on 31 March 2015	Replies of Department
1.	Taxes on Sales, Trade etc.	1,772.42	280.70	Out of ₹ 1,772.42 crore, demands for ₹ 308.71 crore were certified for recovery as arrears of land revenue, recovery of ₹ 410.93 crore and ₹ 16.60 crore were stayed by the courts and the Government respectively, recovery of ₹ 12.73 crore was held up due to rectification/review of appeal, a sum of ₹ 4.37 crore was held up due to assesseees/dealers becoming insolvent and an amount of ₹ 1,019.08 crore was pending at other stages.
2.	Taxes on Goods and Passengers	438.87	4.84	Out of ₹ 438.87 crore, demands for ₹ 67.48 lakh were certified for recovery as arrears of land revenue, recovery of ₹ 320.85 crore was stayed by the courts and an amount of ₹ 117.34 crore was pending at other stages.
3.	Taxes and Duties on Electricity	559.89	2.27	Out of ₹ 559.89 crore, demands for ₹ 1.49 crore were certified for recovery as arrears of land revenue, recovery of ₹ 19.37 crore and ₹ 8.22 lakh were stayed by the courts and the Government respectively and an amount of ₹ 538.94 crore was pending at other stages.
4.	State Excise <sup>2</sup>	55.66	8.73	Out of ₹ 55.66 crore, demands for ₹ 34.13 crore were certified for recovery as arrears of land revenue, recovery of ₹ 4.51 crore was stayed by the courts, ₹ 3.71 lakh was stayed by the Government; recovery of ₹ 13.77 lakh was held up due to dealer/party

<sup>2</sup> The amount of arrears in respect of State Excise does not include figures in respect of Aurangabad, Kaimur and Kishanganj District offices.

				becoming insolvent, an amount of ₹ 35.74 lakh was likely to be written off and ₹ 16.48 crore was pending at other stages.
5.	Taxes on vehicles	192.67	Not furnished	Arrear outstanding for more than five years and stages at which the arrears were pending for collection have not been intimated, despite being requested (between April and August 2015).
6.	Other Taxes and Duties on Commodities and Services	10.83	9.51	Out of ₹ 10.83 crore, demands for ₹ 9.67 crore were certified for recovery as arrears of land revenue; recovery of ₹ 4.52 lakh was stayed by the courts and an amount of ₹ 1.11 crore was pending at other stages.
7.	Land Revenue	188.03	Not furnished	Stages at which the arrears were pending for collection have not been intimated, despite being requested (between April and August 2015).
8.	Mines and Geology	218.12	137.71	Stages at which the arrears were pending for collection have not been intimated, despite being requested (between April and August 2015).
9.	Stamps and Registration fees	4.06	0.51	Stages at which the arrears were pending for collection have not been intimated, despite being requested (between April and August 2015).
<b>TOTAL</b>		<b>3,440.55</b>	<b>444.27</b>	

(Source: Information furnished by the Departments)

It would be seen from the table that recovery of ₹ 444.27 crore was pending for more than five years and no sincere efforts were being made to recover them. Arrears of ₹ 1,692.95 crore were pending with the departmental authorities. The cases referred for write off (₹ 35.74 lakh) were also not being pursued with the quarters concerned.

### **1.3 Arrear in assessments**

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Tax Department in respect of Taxes on Sales, Trade etc., Taxes on Goods and Passenger, Other Taxes and Duties on Commodities and Services and Taxes and Duties on Electricity are as given in **Table 1.5**.



**Table 1.5**  
**Arrears in assessments**

Head of revenue	Opening balance	New cases due for assessment during 2014-15	Total assessments due	Cases disposed of during 2014-15	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Taxes on Sales, Trade etc.	38971	85289	124260	43271	80989	34.82
Taxes on Goods and Passenger	1234	7400	8634	3059	5575	35.43
Other Taxes and Duties on Commodities and Services	1847	1063	2910	744	2166	25.57
Taxes and Duties on Electricity	308	32	340	16	324	4.71

(Source: Information furnished by the Departments)

It would be seen from the above table that in Commercial Taxes Department the percentage of finalization of assessment ranged from 4.71 per cent to 35.43 per cent only during the year.

#### 1.4 Evasion of tax

The details of cases of evasion of tax detected, cases finalised and the demands for additional tax raised as reported by the Commercial Taxes Department and Registration, Excise and Prohibition Department are given in Table 1.6.

**Table- 1.6**  
**Evasion of Tax**

Sl. No.	Head of revenue	Cases pending as on 31 March 2014	Cases detected during 2014-15	Total	Number of cases in which assessments/investigation completed and additional demand including penalty etc., raised during the year 2014-15		Number of cases pending for initialisation as on 31 March 2015
					Number of cases	Amount of demand	
1.	Commercial Taxes <sup>3</sup>	292	476	768	449	3.15	319
2.	State Excise	25	11	36	Nil	Nil	36
3.	Stamps and Registration fees	4	Nil	4	Nil	Nil	4

(Source: Information furnished by the Departments)

<sup>3</sup> Commercial taxes include Taxes on Sales, Trade etc., Taxes on Goods and Passengers; Taxes and Duties on Electricity; Other Taxes on Income and Expenditure-Taxes on Professions, Trades, Callings and Employment and Other Taxes and Duties on Commodities and Services.

It would be seen from the foregoing table that in the Commercial Taxes Department and Registration, Excise and Prohibition (Excise) Department the number of cases pending at the end of the year was more than the number of cases pending at the beginning of the year, which needs to be looked into 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 cases pending at the close of the year 2014-15 as reported by the Departments is given in **Table 1.7**.

**Table- 1.7**  
**Details of pendency of refund cases**

(₹ in crore)

Sl. No.	Particulars	Taxes on Sales, Trade etc.		Entry tax		Entertainment tax		State excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1684	80.02	103	14.81	6	0.02	634	20.06
2.	Claims received during the year	229	76.75	04	1.48	Nil	Nil	181	1.85
3.	Refunds made during the year	266	85.42	02	0.18	Nil	Nil	555	5.76
4.	Balance outstanding at the end of the year	1647	71.34	105	16.12	6	0.02	260	16.15

(Source: Information furnished by the Departments)

Section 70 (1) of the Bihar VAT Acts provides for payment of interest, at the rate of half *per cent* per month, if the excess amount is not refunded to the dealer within 90 days from the date of the order.

The progress to dispose of the refund cases of Tax on sales, trade etc. and entry tax was very slow during the year.

### 1.6 Response of the Government /departments towards audit

The Accountant General (AG), Audit, Bihar conducts periodical inspection of the Government departments to test-check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action.

The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Analysis of Inspection reports issued upto December 2014 disclosed that 13,028 paragraphs involving ₹ 9,157.77 crore relating to 1,790 IRs remained outstanding at the end of June 2015 as mentioned below along with the corresponding figures for the preceding two years in **Table 1.8**.

**Table- 1.8**  
**Details of pending Inspection Reports**

	June 2013	June 2014	June 2015
<b>Number of IRs pending for settlement</b>	4,165	4,806	1,790 <sup>4</sup>
<b>Number of outstanding audit observations</b>	23,327	27,764	13,028
<b>Amount involved (₹ in crore)</b>	10,847.46	17,825.55	9,157.77

**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 **Table 1.9**.

**Table- 1.9**  
**Department wise details of IRs**

(₹ in crore)					
Sl. No.	Name of the departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on Sales, Trade etc, Entry tax Electricity duty Entertainment tax, Luxury tax, etc.	274	4954	4772.58
2.	Registration, Excise and Prohibition (Excise)	State Excise	245	1034	1028.63
3.	Revenue and Land Reforms	Land Revenue	446	2730	1129.66
4.	Transport	Taxes on Vehicles	294	1988	1177.95
5.	Registration, Excise and Prohibition (Registration)	Stamps and Registration Fees	248	706	180.23
6.	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	283	1616	868.72
<b>Total</b>			<b>1790</b>	<b>13028</b>	<b>9157.77</b>

<sup>4</sup> The responsibility to follow up/settlement of the outstanding Inspection Reports upto 2006-07 had been left to the Departments concerned except the cases pending with Public Accounts Committee and the Hon'ble courts.

Audit did not receive even the first replies from the heads of offices, though these were required to be furnished within four weeks of receipt of the IRs, for 1,166 IRs issued upto December 2014. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

**The Government may consider to have an effective system for prompt and appropriate response to audit observations.**

### **1.6.2 Departmental audit committee meetings**

The Government set up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. During the course of the year, only three audit committees were held in which 88 paragraphs involving ₹ 256.09 crore were settled as mentioned in the **Table 1.10**.

**Table- 1.10**  
**Audit Committee meetings**

(₹ in crore)			
Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Commercial Taxes	1	6	0.30
State Excise	1	69	255.66
Taxes on motor vehicles	1	13	0.13
<b>Total</b>	<b>3</b>	<b>88</b>	<b>256.09</b>

Holding of only three meetings during the entire year (2014-15) had deprived the Government of the opportunity of settlement of more number of outstanding audit observations as mentioned in preceding paragraph.

**The Government may take suitable steps to hold departmental audit committee meetings at regular intervals for the settlement of outstanding IRs/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, usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2014-15 as many as 357 assessment files, returns, refunds, registers and other relevant records were not made available to audit. In none of these cases the revenue involved could be ascertained. Break up of these cases are given in **Table 1.11**.

**Table- 1.11**  
**Details of non-production of records**

Name of the Department	Year in which it was to be audited	Number of cases not audited
Revenue and Land Reforms	2014-15	226
Transport	2014-15	3
Registration, Excise and Prohibition (Excise)	2014-15	14
Mines and Geology	2014-15	77
Registration, Excise and Prohibition (Registration)	2014-15	37
<b>Total</b>		<b>357</b>

#### **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 Department, 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.

Thirty nine draft paragraphs including one Performance Audit, one IT Audit and one Long draft paragraph were sent to the Principal Secretaries/Secretaries of the respective Departments by name between May and July 2015. Mines and Geology Department had sent replies of five paragraphs and the Secretary of the Registration, Excise and Prohibition Department had sent replies of four paragraphs relating to Stamps and Registration fees and two paragraphs pertaining to State excise. The Principal Secretaries/ Secretaries of the remaining departments did not send replies despite issue of reminders (October 2015) and the same have been included in this Report without the response of the Government.

#### **1.6.5 Follow up on the Audit Reports-summarised position**

The Manual of Instructions (1998) of the Finance Department, Government of Bihar envisages that the Secretaries to Government of the concerned departments submit explanatory notes to the Assembly Secretariat on audit paragraphs and performance audits included in Audit Reports (AR) after vetting in audit within two months from the date of presentation of the ARs to the State Legislature without waiting for any notice or call from the Public Account Committee (PAC). In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Three hundred thirty five paragraphs (including performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Bihar for the years 2004-05 to 2013-14 were placed before the State Legislature Assembly between March 2006 and December 2014. Action taken explanatory notes in respect of 117 paragraphs from departments concerned had not been received for the Audit Report for the years 2004-05 to 2013-14 so far (October 2015).

## 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 ten years for one Department is evaluated and included in Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the Revenue and Land Reforms Department under revenue head '0029-Land Revenue' and cases detected in the course of local audit during the last eight years and also the cases included in the Audit Reports for the years 2004-05 to 2013-14.

### 1.7.1 Position of Inspection Reports

The summarised position of the inspection reports issued during the last eight years, paragraphs included in these reports and their status as on 31 March 2015 are mentioned in **Table-1.12**.

**Table 1.12**  
**Position of Inspection Reports**

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance		
		IRs	Paragraphs	Money value	IRs	Paragraphs	Money value	IRs	Paragraphs	Money value	IRs	Paragraphs	Money value
1.	2007-08 <sup>5</sup>	0	0	0	25	86	3.75	0	0	0	25	86	3.75
2.	2008-09	25	86	3.75	59	246	58.35	0	0	0	84	332	62.10
3.	2009-10	84	332	62.10	61	309	245.27	0	13	0.03	145	641	307.38
4.	2010-11	145	641	307.38	46	216	80.06	6	35	1.47	185	822	385.96
5.	2011-12	185	822	385.96	25	132	5.73	0	18	0.02	210	936	391.68
6.	2012-13	210	936	391.68	83	652	216.89	0	4	0.04	293	1,584	608.52
7.	2013-14	293	1,584	608.52	101	861	40.53	0	11	0.17	394	2,434	648.88
8.	2014-15	394	2,434	648.88	73	425	536.53	0	22	0.77	467	2,837	1,184.65

The Government arranges ad-hoc Committee meetings between the Department and AG's office to settle the old paragraphs. As would be evident from the above table, the number of outstanding IRs accumulated to 467 with 2,837 paragraphs at the end of 2014-15. This is indicative of the fact that adequate steps were not taken by the Department in this regard resulting in heavy accumulation of the outstanding IRs and paragraphs.

### 1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last ten years, those accepted by the Department and the amount recovered are mentioned in **Table 1.13**.

<sup>5</sup> The responsibility to follow up/settlement of the outstanding Inspection Reports upto 2006-07 had been left to the Departments concerned except the cases pending with Public Accounts Committee and the Hon'ble courts.

**Table 1.13**  
**Recovery of accepted cases**

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Cumulative position of recovery of accepted cases as of 31.03.2015
2004-05	1	58.53	Nil	Nil	Nil
2005-06	1 (Review)	161.11	1 (Partial)	154.78	Nil
2006-07	1	1.18	1	1.18	1.50
2007-08	2	204.72	2	204.72	Nil
2008-09	2	23.88	2	23.88	Nil
2009-10	Nil	Nil	Nil	Nil	Nil
2010-11	Nil	Nil	Nil	Nil	Nil
2011-12	4	138.07	3 (2 Partial)	2.85	Nil
2012-13	3	2.25	3	2.25	0.36
2013-14	1	0.11	1	0.11	Nil

It is evident from the above table that the progress of recovery even in accepted cases was very slow throughout during the last ten years. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government. In the 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 draft performance audits conducted by the AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These performance audits are also discussed in an exit conference and the Department's/Government's views are included while finalising the performance audits for the Audit Reports.

The following performance audits on the Department of Revenue and Land Reforms featured in the last ten years Reports. The details of recommendations and their status are given in **Table 1.14**.

**Table 1.14**

Year of Audit Report/Name of the Performance Audit	Number of recommendations	Details of recommendations	Status
2005-06 Levy and collection of land Revenue	02	Provisions of Acts/Rules and instructions of the Department should be followed for assessment and collection of Land rent/Cess and renewal of leases etc.	Reply awaited

		Internal control may be evolved to monitor assessment and collection of revenue.	
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## **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 1190 auditable units, of which 296 units were planned and 287 units had been audited, which is 24.12 *per cent* of the total auditable units. The details are shown in the **Annexure-I**.

Besides, the compliance audit mentioned above, one performance audit and one Information Technology Audit was also taken up to examine the efficacy of the tax administration.

## **1.9 Results of audit**

### **Position of local audit conducted during the year**

Test-check of the records of 287 units of Commercial Taxes, State Excise, Taxes on vehicles, Stamp duty and registration fees, Land revenue and receipts from Mines and minerals conducted during the year 2014-15 showed underassessment/short levy/loss of revenue aggregating ₹ 2,808.25 crore in 3,537 cases. During the period April 2014 to October 2015, the Department accepted underassessment and other deficiencies of ₹ 688.10 crore in 373 cases, out of which 87 cases involving ₹ 596.43 crore were pointed out during 2014-15 and the rest in earlier years.

### **1.10 Coverage of this Report**

This Report contains 39 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years, which could not be included in earlier reports) including one Performance audit on 'System of assessment under VAT' and one Information Technology audit on 'Computerisation of Commercial Taxes Department', involving financial effect of ₹ 1,235.07 crore.

The Departments/Government have accepted audit observations involving ₹ 540.61 crore out of which ₹ 13.93 crore had been recovered. The replies in the remaining cases have not been received (October 2015). These are discussed in succeeding Chapters II to VI.