

## CHAPTER-I GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Uttar Pradesh during the year 2015-16, 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**.

**Table- 1.1.1**

#### Trend of revenue receipts

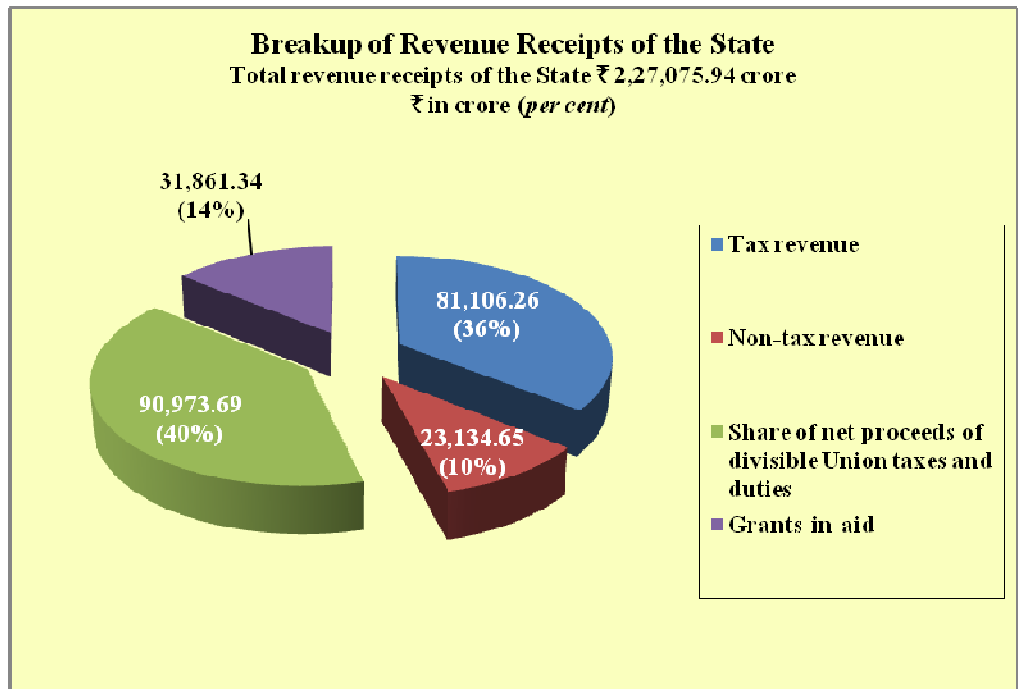
(₹ in crore)						
Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
<b>1.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	52,613.43	58,098.36	66,582.08	74,172.42	81,106.26
	• Non-tax revenue	10,145.30	12,969.98	16,449.80	19,934.80	23,134.65
	<b>Total</b>	<b>62,758.73</b>	<b>71,068.34</b>	<b>83,031.88</b>	<b>94,107.22</b>	<b>1,04,240.91</b>
<b>2.</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	50,350.95	57,497.86	62,776.70	66,622.91	90,973.69 <sup>1</sup>
	• Grants-in-aid	17,760.02	17,337.79	22,405.17	32,691.47	31,861.34
	<b>Total</b>	<b>68,110.97</b>	<b>74,835.65</b>	<b>85,181.87</b>	<b>99,314.38</b>	<b>1,22,835.03</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>1,30,869.70</b>	<b>1,45,903.99</b>	<b>1,68,213.75</b>	<b>1,93,421.60</b>	<b>2,27,075.94</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>48</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>46</b>

Source: Finance Accounts of the Government of Uttar Pradesh

The above table indicates that during the year 2015-16, the revenue raised by the State Government (₹ 1,04,240.91 crore) was 46 *per cent* of the total revenue receipts (₹ 2,27,075.94 crore). The balance 54 *per cent* of the receipts during 2015-16 was from the Government of India.

<sup>1</sup> For details, please see Statement No. 14 - detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2015-16. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other Taxes on Income and Expenditure, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - Share of net proceeds assigned to States booked in the Finance Accounts under 'A - Tax revenue' have been excluded from revenue raised by the State and included in 'State's share of divisible Union taxes' in this statement.

Chart 1.1



1.1.2 The details of the tax revenue raised during the period 2011-12 to 2015-16 are given in Table 1.1.2.

Table 1.1.2

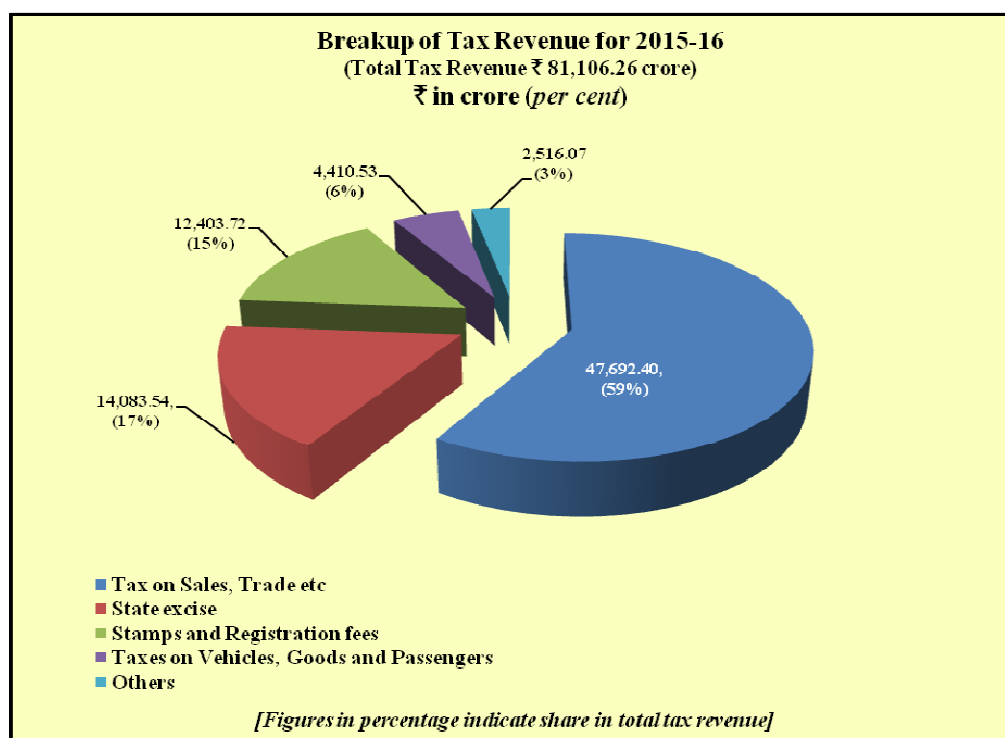
Details of Tax Revenue raised

(₹ in crore)								
Sl. No.	Head of revenue	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+) or decrease (-) in actual of 2015-16 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2015-16	Actual of 2014-15
1	Tax on Sales, Trade etc.	32,000.00 33,107.34	38,492.18 34,870.16	43,936.00 39,645.45	47,497.92 42,931.54	52,670.69 47,692.40	(-) 9.45	(+) 11.09
2	State excise	8,124.08 8,139.20	10,068.28 9,782.49	12,084.00 11,643.84	14,500.00 13,482.57	17,500.00 14,083.54	(-) 19.52	(+) 4.46
3	Stamps and Registration Fees	6,612.00 7,694.40	9,308.00 8,742.17	10,555.00 9,520.92	12,722.67 11,803.34	14,836.00 12,403.72	(-) 16.39	(+) 5.09
4	Taxes on Vehicles, Goods and Passengers (0041 & 0042)	2,329.95 2,380.67	3,093.90 2,993.96	3,713.00 3,442.01	3,950.00 3,797.58	4,658.00 4,410.53	(-) 5.31	(+) 16.14
5	Others <sup>2</sup>	1,268.12 1,291.80	1,094.68 1,709.58	1,905.00 2,329.86	2,327.34 2,157.39	2,250.31 2,516.07	(+) 11.81	(+) 16.63
<b>Total</b>		<b>50,334.15</b> <b>52,613.41</b>	<b>62,057.04</b> <b>58,098.36</b>	<b>72,193.00</b> <b>66,582.08</b>	<b>80,997.93</b> <b>74,172.42</b>	<b>91,915.00</b> <b>81,106.26</b>	<b>(-) 11.76</b>	<b>(+) 9.35</b>

Source: Finance Accounts of the Government of Uttar Pradesh

<sup>2</sup> Others includes receipts ( less than five per cent of tax revenue) from the following : Taxes and duties on Electricity, Land Revenue, Hotel Receipt Tax, Entertainment Tax and Betting Tax.

Chart 1.2



It can be seen from the **Table 1.1.2** that the variation ranged between (-) 19.52 and (+) 11.81 *per cent* between the budget estimates and the actual during 2015-16 and variation between actual of 2014-15 and 2015-16 under various heads of revenue ranged between (+) 4.46 to (+) 16.63 *per cent*.

The respective Departments reported the following reasons for variation:

**Tax on Sales, Trade etc:** The reason attributed by the Department for not achieving the Budget Estimate was due to reduction in price of crude oil, natural gas and cement. However, reason<sup>3</sup> for increase of actual receipts was due to collection of more receipts under Tax on Sales, Trade etc..

**State Excise Department:** The reason attributed by the Department for not achieving the Budget Estimate was mainly due to lesser cess, consideration fees and prices of liquor in nearby States in comparison to this State. However reason<sup>4</sup> for increase in actual receipts was due to realisation of more revenue on account of sale of Country Spirits and Malt Liquors etc

**Stamps and Registration Fees:** The reason attributed by the Department for not achieving the Budget Estimate was due to lack of interest shown by the public in real estates especially in western Uttar Pradesh. However, actual receipt was higher than the previous years' due to increase in annual rate list.

The other Departments despite being requested did not intimate the reasons for variation in Budget Estimate and receipts from that of previous year (October 2016).

**1.1.3:** The details of the non-tax revenue raised during the period 2011-12 to 2015-16 are indicated in **Table 1.1.3**.

<sup>3</sup> As per Finance Accounts.

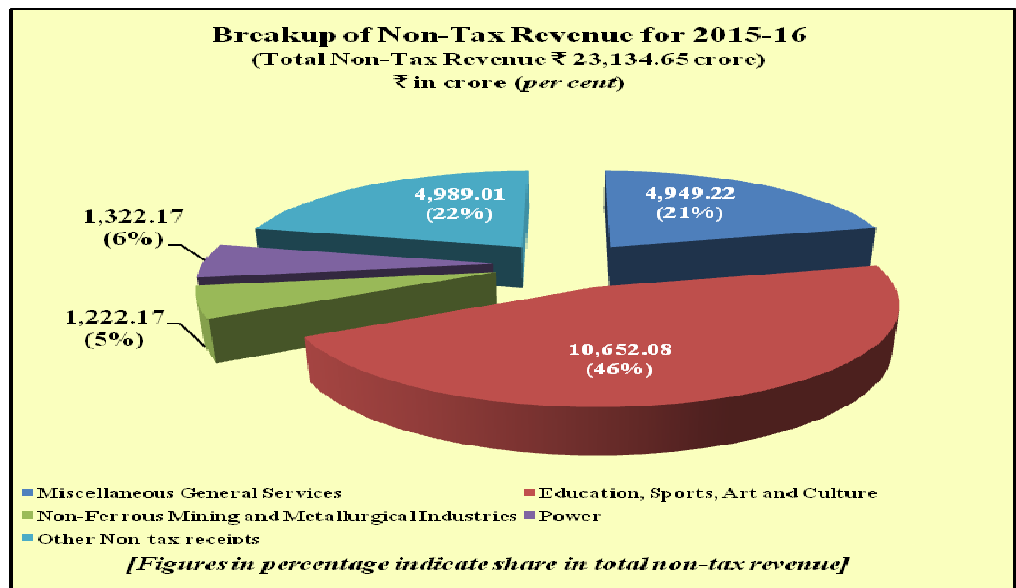
<sup>4</sup> As per Finance Accounts.

**Table 1.1.3**  
**Details of Non-tax revenue raised**

Sl. No.	Head of revenue	(₹ in crore)						
		2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+) or decrease (-) in actual of 2015-16 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 2015-16	Actual of 2014-15
1	Miscellaneous General Services	4,216.01	3,264.23	2,970.98	4,037.81	4,774.00	(+)	3.67
		4,035.23	4,494.11	3,194.28	6,400.41	4,949.22		
2	Education, Sports, Art and Culture	3,000.00	5,410.00	5,852.75	6,887.18	7,600.00	(+)	40.16
		2,008.55	4,211.69	6,414.09	5,798.52	10,652.08		
3	Non-Ferrous Mining and Metallurgical Industries	900.00	954.00	1,000.00	1,100.00	1,500.00	(-)	18.52
		593.28	722.13	912.52	1,029.42	1,222.17		
4	Power	180.00	90.00	270.00	2,700.00	2700.00	(-)	51.03
		76.83	72.80	1,060.81	967.87	1322.17		
5	Other Non-tax receipts <sup>5</sup>	3,815.55	4,455.59	3,088.75	5,506.96	5,062.32	(-)	1.45
		3,431.41	3,469.25	4,868.10	5,738.58	4989.01		
	<b>Total</b>	<u>12,111.56</u>	<u>14,173.82</u>	<u>13,182.48</u>	<u>20,231.95</u>	<u>21,636.32</u>	(+)	6.93
		10,145.30	12,969.98	16,449.80	19,934.80	23,134.65		

Source: Finance Accounts of the Government of Uttar Pradesh

**Chart 1.3**



It can be seen from the **Table 1.1.3** that the variation ranged between (-) 51.03 and (+) 40.16 per cent between the budget estimates and the actual during

<sup>5</sup> Others includes receipts ( less than five per cent of non- tax revenue) from the following : Other Fiscal Services, Interest receipts, Dividends and Profits, Public Service Commission, Police, Jail, Stationery & Printing, Public Works, Other Administrative Services, Contribution & Recoveries towards pension and other retirement benefits, Medical & Public Health, Family Welfare, Water Supply & Sanitation, Housing, Urban Development, Information & Publicity, Labour & Employment, Social Security & Welfare, Other Social Services, Crop Husbandry, Animal Husbandry, Dairy Development, Fisheries, Forest & Wild Life, Agriculture & Research & Education, Cooperation, Other Agriculture Programs, Land Reforms, Other Rural Development Programs, Other special areas programs, Major Irrigation, Medium Irrigation, Minor Irrigation, Non Conventional Source of Energy, Village & Small Industries, Industries, Other Industries, Civil Aviation, Roads & Bridges, Road Transport, Tourism, Civil Supply and Other General Economic Services.

2015-16 and variation between actual of 2014-15 and 2015-16 under various heads of revenue ranged between (-) 22.67 to (+) 83.70 per cent.

The respective Departments reported the following reasons for variation:

**Non-Ferrous Mining and Metallurgical Industries:** The reason attributed by the Department for not achieving the Budget Estimate was due to revision in rates of royalty and mining of sand/*maurang* which was banned by order of Hon'ble high court. The reason for increase of receipt over previous year was due to increase of rates of royalty and special attention by enforcement.

The other Departments despite being requested did not intimate the reasons for variation in receipts from that of previous year (October 2016).

## 1.2 Analysis of arrears of revenue

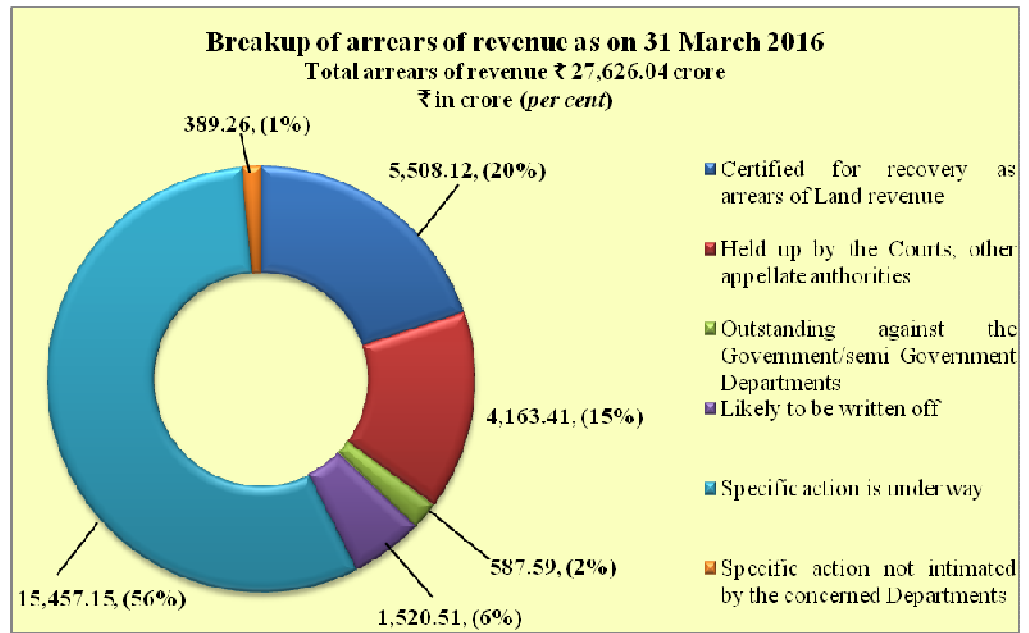
The arrears of revenue as on 31 March 2016 in respect of some principal heads of revenue amounted to ₹ 27,626.04 crore of which ₹ 11,864.37 crore was outstanding for more than five years, as detailed in **Table 1.2**.

**Table 1.2**  
Arrears of revenue

(₹ in crore)				
Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016	Stages at which arrears were pending
1.	Tax on Sales, Trade etc.	27,188.58	11,804.32	Out of ₹ 27,188.58 crore, demand for ₹ 4,270.19 crore had been certified for recovery as arrears of land revenue; recovery certificates for ₹ 1,195.28 crore have been sent to other states; recoveries for ₹ 4,122.26 crore had been stayed by the courts/appellate authority and Government; recoveries for ₹ 587.59 crore were outstanding against the Government/semi Government Departments; the demand for recovery of ₹ 1,514.74 crore was likely to be written off; and ₹ 41.37 crore was outstanding from transporters. For remaining amount of ₹ 15,457.15 crore, specific action is underway in the Department.
2.	Stamps and Registration Fees	243.76	The Department has no such data.	The details of arrears outstanding for more than five years were not available with the Department. The Department could not furnish stages under which recovery is pending.
3.	Taxes on Vehicles	118.11	The Department has no such data.	Out of ₹ 118.11 crore, demand for ₹ 13.98 crore had been stayed by the Hon'ble courts and Government. The details of arrears outstanding for more than five years were not available with the Department at Headquarter level.
4.	State Excise	52.72	52.25	Demand for the entire outstanding amount ie. ₹ 52.72 crore had been certified for recovery as arrears of land revenue. Out of ₹ 52.72 crore, recovery certificates for ₹ 0.06 crore have been sent to other states; demand for ₹ 16.81 crore had been stayed by the Hon'ble courts and ₹ 5.77 crore was likely to be written off.
5.	Entertainment Tax	22.87	7.80	Out of ₹ 22.87 crore, demand for ₹ 10.36 crore had been stayed by the Hon'ble courts/appellate authority and demand for ₹ 12.51 crore had been certified for recovery as arrears of land revenue.
6.	Non-Ferrous Mining and Metallurgical Industries	Department has no such data	Department has no such data	The details of arrear were not available with the Department at Directorate level.
<b>Total</b>		<b>27,626.04</b>	<b>11,864.37</b>	

Source: Information provided by the Departments

Chart 1.4



Out of the total outstanding of ₹ 27,626.04 crore, ₹ 5,508.12 crore was certified for recovery as arrears of land revenue, ₹ 4,163.41 crore was held up by the Courts, other appellate authorities, ₹ 587.59 crore was outstanding against the Government/semi Government Departments, ₹ 1,520.51 crore was likely to be written off and for ₹ 15,457.15 crore specific action is underway in the Commercial Tax Department whereas specific action taken in respect of the remaining ₹ 389.26 crore was not intimated by the concerned departments.

### 1.3 Arrears in assessment

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. (Sales Tax, Value Added Tax, Entry Tax, Central Sales Tax and tax on works contracts) was as below in **Table 1.3**.

Table 1.3

#### Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2015-16	Total assessments due	Cases disposed of during 2015-16	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Tax on Sales, Trade etc.	66,261	2,21,963	2,88,224	2,79,019	9,205	96.81

Source: Information provided by the Department

The percentage of disposal was good but efforts may be made to dispose off cases in the same year so that arrears do not raise.

## 1.4 Evasion of tax detected by the Departments

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

**Table 1.4**  
**Evasion of Tax**

(₹ in crore)							
Sl. No.	Head of revenue	Cases pending as on 31 March 2015	Cases detected during 2015-16	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 2016
					Number of cases	Amount of demand	
1.	Tax on Sales, Trade etc.	9,003	6,682	15,685	6,788	2,374.25	8,897
2.	Stamps and Registration Fees	18,831	31,127	49,958	32,047	N.A.	17,911
3.	Taxes on Vehicles	5,358 <sup>6</sup>	297	5,655	10	0.27	5,645
4.	Entertainment Tax	17	13	30	30 <sup>7</sup>	0.04	0
<b>Total</b>		<b>33,209</b>	<b>38,119</b>	<b>71,328</b>	<b>38,875</b>	<b>2,374.56</b>	<b>32,453</b>

Source: Information provided by the Departments

It would be seen from the above table that number of cases pending for finalisation at the end of the year did not increase except in case of Taxes on Vehicles, but the reduction in pendency of cases was very slow.

## 1.5 Pendency of refund cases

The number of refund cases pending at the beginning of the year 2015-16, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2015-16 as reported by the Commercial Tax and State Excise Department is given in **Table 1.5**.

**Table 1.5**  
**Details of pendency of refund cases**

(₹ in crore)					
Sl. No.	Particulars	Sales tax / VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	171	27.88	02	1.83
2.	Claims received during the year	9,761	731.49	0	0
3.	Refunds made during the year	9,814	754.44	0	0
4.	Balance outstanding at the end of the year	118	4.93	02	1.83

Source: Information provided by the Departments

<sup>6</sup> The Department stated that the data of opening balance as on 01.04.2015 informed earlier was provisional and has been amended.

<sup>7</sup> This includes 17 cases of previous year in which no discrepancy was found.

Uttar Pradesh VAT Act provide for payment of interest, at the rate of one *per cent* per month, if the excess amount is not refunded to the dealer within 30 days from the date of order of refund passed by the assessing authority till the refund is made. Though the progress of refund cases of sales tax/ VAT was considerably good but the pendency of the refund at the end of the year is liable for payment of interest. In State Excise Department the claims pending from previous year were not refunded during the year.

### **1.6 Response of the Government / Departments towards audit**

The Accountant General (E&RSA), Uttar Pradesh 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 irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Analysis of Inspection Reports issued upto December 2015 disclosed that 39,256 audit observations involving ₹ 6,977.03 crore relating to 11,616 IRs remained outstanding at the end of June 2016 as mentioned below alongwith the corresponding figures for the preceding two years in **Table 1.6**.

**Table 1.6**

#### **Details of pending Inspection Reports**

	<b>June 2014</b>	<b>June 2015</b>	<b>June 2016</b>
Number of IRs pending for settlement	11,104	10,899	11,616
Number of outstanding audit observations	34,446	38,049	39,256
Amount of revenue involved (₹ in crore)	6,816.69	6,813.44	6,977.03

Source: Information available in the audit office

**1.6.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2016 and the amounts involved are mentioned in the **Table 1.6.1**.



**Table 1.6.1**  
**Department-wise details of IRs**

(₹ in crore)					
Sl. No	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Finance	Taxes on Sales, Trade etc.	5,191	22,796	3,573.00
		Entertainment tax	163	344	15.25
2	State Excise	State Excise	1,161	2,260	1,075.62
3	Transport	Taxes on vehicles	1,253	4,885	812.09
4	Stamps and Registration	Stamps and registration fees	3,680	8,147	740.45
5	Geology and Mining	Non-ferrous mining and metallurgical industries	168	824	760.62
<b>Total</b>			<b>11,616</b>	<b>39,256</b>	<b>6,977.03</b>

Source: Information available in the audit office

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs for 631 IRs issued during 2015-16. This large pendency of the IRs due to not receiving the replies is indicative of the fact that the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

### 1.6.2 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. The details of the audit committee meetings held during the year 2015-16 and the paragraphs settled are mentioned in **Table 1.6.2**.

**Table 1.6.2**  
**Details of Departmental audit committee meetings**

(₹ in crore)				
Sl. No.	Head of revenue	Number of meetings held	Number of paras settled	Amount
1.	Tax on Sales, Trade etc.	23	72	2.11
2.	Taxes on Vehicles	02	53	0.24
3.	Stamp and Registration fees	01	76	1.33
4.	Entertainment Tax	01	19	0.12
<b>Total</b>		<b>27</b>	<b>220</b>	<b>3.80</b>

Source: Information available in the audit office

The progress of settlement of paragraphs pertaining to the Commercial Tax Department, Transport Department, Stamp and Registration Department and Entertainment Department was negligible as compared to the huge pendency of the IRs and paragraphs; despite holding Departmental audit committee meetings. State Excise Department and Geology and Mining Department did not hold any Departmental audit committee meetings despite the request.

**The Government may consider devising an effective system for prompt and appropriate response to audit observations and to hold audit committee meetings.**

### **1.6.3 Records not produced 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 2015-16 in 29 commercial tax offices list of deemed cases, assessment files, returns, refunds registers and other relevant records were not made available to Audit. Audit could not ascertain the amount involved in these cases due to unavailability of records.

### **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 not receiving 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 including one Performance audit were sent to the Principal Secretaries of the respective Departments by name between May 2016 and July 2016. The replies of the Government/Department have been included in this Report.

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

To ensure accountability of the executive in respect of all the issues dealt in the various Audit Reports (ARs), the Department of Finance issued instructions in June 1987 to initiate *suo moto* action on all paragraphs/Performance audits figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the Public Accounts Committee (PAC) or not. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Two hundred and fourteen paragraphs (including Performance audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Uttar Pradesh for the years ended 31 March 2011, 2012, 2013, 2014 and 2015 were placed before the State Legislature Assembly between 30 May 2012 and 08 March 2016. The action taken explanatory notes from the Departments concerned on these paragraphs were received late. For the Audit Reports 2010-11 to 2014-15, against 214 paragraphs action taken explanatory notes of 129 paragraphs were received late with delay ranging between one month and 43 months. Action taken explanatory notes in respect of 85 paragraphs from the Departments had not been received for the Audit Report year ended 31 March 2011, 2012, 2013, 2014 and 2015 so far (October 2016).

The PAC discussed 96 selected paragraphs pertaining to the Audit Reports for the years from 2010-11 to 2013-14. However, Action Taken Notes (ATNs)

have not been received in respect of 96 paragraphs of the PAC from the Departments concerned as mentioned in **Table 1.6.3**.

**Table 1.6.3**  
**Summarised position of ATNs of Audit Reports**

Year	Name of the Department	Total
2010-11	State Excise, Transport and Stamp & Registration, Weight and Measurement	17
2011-12	Commercial Tax, State Excise, Transport, Stamp & Registration, Geology and Mining, Medical Health and Family Welfare/ Forest, Weight and Measurement	54
2012-13	State Excise, Transport, Geology and Mining, Weight and Measurement	18
2013-14	State Excise, Commercial Tax	07
	<b>Total</b>	<b>96</b>

Source: Information available in the audit office

## 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 included in the Audit Reports of the last 10 years for Transport Department was evaluated and is included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.2 discuss the performance of the Transport Department under revenue head 0041 and 0042 and cases detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2006-07 to 2015-16.

### 1.7.1 Position of Inspection Reports

The summarised position of the Inspection Reports issued to Transport Department during the last 10 years, paragraphs included in these reports and their status as on 31 March 2016 are tabulated below in **Table-1.7.1**.

**Table 1.7.1**  
**Position of Inspection Reports**

(₹ in crore)													
Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
		IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
1	2006-07	904	2,710	102.72	61	171	9.22	1	4	0.01	964	2,877	111.93
2	2007-08	964	2,877	111.93	67	295	11.35	6	12	0.10	1,025	3,160	123.18
3	2008-09	1,025	3,160	123.18	74	245	107.19	208	546	10.73	891	2,859	219.65
4	2009-10	891	2,859	219.65	78	360	25.74	39	111	11.15	930	3,108	234.24
5	2010-11	930	3,108	234.24	60	183	8.34	132	610	15.57	858	2,681	227.01
6	2011-12	858	2,681	227.01	71	510	87.47	4	24	0.39	925	3,167	314.09
7	2012-13	925	3,167	314.09	80	744	170.80	0	5	0.12	1,005	3,906	484.77
8	2013-14	1,005	3,906	484.77	78	733	327.22	7	114	1.77	1,076	4,525	810.22
9	2014-15	1,076	4,525	810.22	60	575	57.88	0	6	0.20	1,136	5,094	867.90
10	2015-16	1,136	5,094	867.90	66	526	28.95	0	53	0.24	1,202	5,567	896.61

Source: Information available in the audit office

The Government arranges Audit Committee Meetings between the Department and AG's office to settle the old paragraphs. As would be evident from the above table, against 904 outstanding IRs with 2,710 paragraphs as on 01 April 2006, the number of outstanding IRs increased to 1,202 with 5,567 paragraphs as on 31 March 2016. This is indicative of the fact that adequate steps were not taken by the Department in this regard resulting in increase in the number 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 10 years, those accepted by the Transport Department and the amount recovered are mentioned in **Table 1.7.2**.

**Table 1.7.2**  
**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	Amount recovered
2005-06	3	1.73	3	1.30	1.18
2006-07	2	6.11	0	0	0
2007-08	2	82.02	1	30.62	16.12
2008-09	4	5.80	4	1.48	0.38
2009-10	6	15.62	4	3.48	1.98
2010-11	7	2.46	6	1.58	0.72
2011-12	9	15.42	5	11.28	4.21
2012-13	8	9.75	6	1.88	0.64
2013-14	10	35.58	0	0	0
2014-15	7	38.82	6	38.52	0.20

Source: Information available in the audit office

It is evident from the above table that the progress of recovery even in accepted cases was negligible 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 recovery of accepted cases.

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

### **1.8 Action taken on recommendations accepted by the Departments/ Government**

The draft 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 Performance audits were also discussed in an exit conference and the Department's/ Government's views were included while finalising the Performance audits for the Audit Reports.

The details of accepted recommendations and their status in respect of

Performance audits on the Commercial Tax Department, Transport Department and Stamp and Registration Department featured in the last five years Reports are shown in the **Appendix-I**.

### **1.9 Audit execution for the financial year 2015-16**

The unit offices under various Departments are categorised as 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 2015-16, there were 2,352 auditable units, of which 585 units were planned and 580 units had been audited, which is 25 *per cent* of the total auditable units. Five planned units could not be audited due to one unit being closed, one unit refused audit referring to Hon'ble High Court's decision and three units requested for audit after March 2016 due to administrative reason (**Appendix-II**).

### **1.10 Deficiencies noticed in the audit conducted during the year**

During the year 2015-16 we test checked the records of 580 units relating to Tax on Sales, Trade, etc., State Excise, Taxes on Vehicles, Goods and Passengers, Stamps and Registration fees, Entertainment Tax and Mining Receipts and found underassessment/ short levy/ loss of revenue aggregating to ₹ 3,240.99 crore in 2,673 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 1,552.24 crore involved in 788 cases, of which 462 cases involving ₹ 1,547.67 crore were pointed out in 2015-16 and rest in earlier years. An amount of ₹ 1.73 crore was realised in 277 cases of which 50 cases involving ₹ 84.71 lakh were pointed out in 2015-16 and rest pertains to earlier years.

### **1.11 Coverage of this Report**

This Report contains 26 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 of **“Working of the Transport Department”** and three audits of **“Sustainable mining with optimization of revenue in Geology and Mining Department”**, **“System of collection of arrears of revenue in Commercial Tax Department in Uttar Pradesh”** and **“E-Stamping and PRERNA software in Stamp and Registration Department”** involving financial effect of ₹ 2,895.55 crore.

The Departments/Government have accepted audit observations involving ₹ 1,547.50 crore out of which ₹ 82.05 lakh had been recovered (September 2016). These are discussed in succeeding Chapters II to VI.

