

CHAPTER-I

CHAPTER I

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenues raised by the Government of West Bengal during the year 2015-16, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are detailed in **Table – 1.1**.

Table – 1.1

Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Revenue raised by the State Government					
	(a) Tax revenue	24,938.16	32,808.49	35,830.56	39,411.98	42,492.08
	(b) Non-tax revenue	1,340.25	1,918.15	2,022.72	1,626.66	1,861.79
	Total	26,278.41	34,726.64	37,853.28	41,038.64	44,353.87
2.	Receipts from the Government of India					
	(a) Share of net proceeds of divisible Union taxes and duties	18,587.81	21,226.27	23,175.02	24,594.93	37,163.93
	(b) Grants-in-aid	13,888.82	12,342.84	11,853.49	20,880.64	28,214.41
	Total	32,476.63	33,569.11	35,028.51	45,475.57	65,378.34
3.	Total revenue receipts of the State Government (1 and 2)	58,755.04	68,295.75	72,881.79	86,514.21	1,09,732.21¹
4.	Percentage of 1 to 3	45	51	52	47	40

During the year 2015-16, the total revenue raised by the State Government (₹ 44,353.87 crore) was 40 *per cent* of the total revenue receipts. The remaining 60 *per cent* came from the Government of India.

¹ For details, please see Statement No. 14 – Detailed statement of revenue by minor heads in the Finance Accounts of Government of West Bengal for the year 2015-16. Figures under the heads 0020 - Corporation tax, 0021 - Taxes on income other than Corporation tax, 0032- Taxes on wealth, 0037 – Customs duty, 0038 - Union Excise duties and 0044 - Service tax mentioned in the Statement under caption “A - Tax revenue” have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes.

1.1.2 The details of the tax revenue raised during the period 2011-12 to 2015-16 are given in **Table 1.2**.

Table 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 (+)/ decrease (-) in 2015-16 over 2014-15
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1.	Taxes on sales, trade etc.	17,024.44	15,888.41	20,167.37	18,554.76	22,783.98	21,931.09	27,472.66	24,021.91	29,115.91	26,050.16	(+) 8.44
2.	Stamp duty and registration fees	3,002.92	2,731.68	2,940.74	4,357.23	4,500.00	4,053.07	5,399.06	4,196.20	4,597.67	4,174.97	(-) 0.51
3.	State excise	2,418.83	2,117.04	2,786.47	2,621.43	3,202.02	3,017.66	3,810.41	3,587.02	4,418.15	4,015.12	(+) 11.93
4.	Land revenue	1,694.37	1,872.23	1,805.27	2,023.72	3,942.82	2,253.54	2,829.13	2,275.74	3,031.85	2,456.27	(+) 7.93
5.	Taxes and duties on electricity	1,040.95	408.19	884.46	1,837.15	1,380.00	1,213.30	1,403.74	1,946.83	1,660.22	2,091.63	(+) 7.44
6.	Taxes on vehicles	1,358.97	1,007.23	1,595.13	1,221.55	1,389.97	1,350.66	1,667.96	1,504.68	1,590.00	1,707.02	(+) 13.45
7.	Others	1,149.51	913.38	1,042.80	2,192.65	2,584.83	2,011.24	2,830.99	1,879.60	2083.01	1,996.91	(+) 6.24
Total		27,689.99	24,938.16	31,222.24	32,808.49	39,783.62	35,830.56	45,413.95	39,411.98	46,496.81	42,492.08	(+) 7.82

Source: Finance Accounts and Budget Publications of the Government of West Bengal.

As to reasons for variation in actual receipts in 2015-16 over actual receipts in 2014-15, Director of Electricity Duty stated that the variation occurred due to variation in power consumption. Reasons for variation in respect of other principal heads of tax revenue were not furnished by the Departments concerned, though requested (May 2016) and followed by reminders. However, no abnormal variations were noticed in respect of the tax revenues of the Government.

The details of the non-tax revenue raised during the period 2011-12 to 2015-16 are given in **Table 1.3**.

Table 1.3
Details of non-tax revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2011-12		2012-13		2013-14		2014-15		2015-16		Percentage of increase (+)/ decrease (-)/ in 2015-16 over 2014-15
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1.	Interest receipts	602.91	291.54	1,008.14	934.10	478.41	986.29	775.45	277.46	1,152.93	334.94	(+) 20.72
2.	Miscellaneous general services	158.61	273.10	88.71	187.96	330.46	231.78	227.73	185.79	276.89	180.24	(-) 2.99
3.	Forestry and wild life	84.86	92.47	93.00	113.61	111.89	123.76	137.47	135.73	144.35	134.86	(-) 0.64
4.	Police	130.91	152.79	127.67	133.76	184.87	139.17	161.85	126.61	162.33	104.38	(-) 17.56
5.	Other non-tax receipts	2,217.17	530.35	1,945.34	548.72	650.57	541.72	687.85	901.07	643.39	1,107.37	(+) 22.90
Total		3,194.46	1,340.25	3,262.86	1,918.15	1,756.20	2,022.72	1,990.35	1,626.66	2,379.89	1,861.79	(+) 14.45

Source : Finance Accounts and Budget Publications of the Government of West Bengal.

Reasons for variation in respect of principal heads of non-tax revenue were not furnished by the Departments concerned, though requested (May 2016) and followed by reminders.

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 ₹ 196.99 crore, of which ₹ 134.18 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.	Head of revenue	Total amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016	Replies of the Department
1.	Taxes administered by Directorate of Agricultural Income Tax	142.15	97.10	Reasons for accrual of revenue were not furnished.
2.	State Excise	54.64	37.08	The Directorate attributed accrual of revenue to recoveries stayed by the Hon'ble High Court and other judicial authorities, cases pending at appeal stage before the Government and other appellate authorities, recoveries held up due to rectification/review of demands. Certificate cases were initiated against defaulters and process of recovery was underway.
3.	Taxes and Duties on Electricity	0.20	Nil	The concerned Collectors/District Magistrates were the collecting authority. The Directorate of Electricity Duty compiled the data furnished by the various District collectors regarding estimation of Electricity duty.
Total		196.99	134.18	

Other principal revenue generating Departments/Directorates, viz. Directorate of Commercial Taxes, Directorate of Registration and Stamp Revenue, Land and Land Reforms Department and Transport Department did not furnish the figures of arrears of revenue (October 2016) though requested (May 2016) and followed by reminders.

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year, as furnished by the Directorate of Electricity Duty and Commissioner of Agricultural Income Tax, are given in Table 1.5.

Table 1.5
Arrears in assessments

Head of revenue	Opening balance	New cases due for assesment 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)
Taxes and duties on electricity	Nil	175	175	175	Nil	100
Taxes administered by Directorate of Agricultural Income Tax	42,379	11,448	53,827	12,555	41,272	23.32

The Directorate of Agricultural Income Tax attributed the accrual of arrears in assessment to acute shortage of officers and staff.

Arrears in assessments in respect of VAT/Sales Tax were not furnished by the Finance Department, despite being requested (October 2016).

1.4 Evasion of tax detected by the department

Commissioner of Agricultural Income Tax, Directorate of Electricity Duty and Directorate of Excise stated that no case of evasion was pending as on 31 March 2015 and no case was detected during 2015-16 also.

Other principal revenue generating Departments/Directorates, viz. Directorate of Commercial Taxes, Directorate of Registration and Stamp Revenue, Land and Land Reforms Department and Transport Department did not furnish any information on evasion of tax (October 2016) though requested (May 2016) and followed by reminders.

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 Departments are, given in **Table 1.6**.

Table 1.6
Details of pendency of refund cases

(₹ in crore)

SL. No.	Particulars	Taxes and duties on electricity		Taxes administered by Directorate of Agricultural Income Tax	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	47	Not furnished	12	3.59
2.	Claims received during the year	98		09	1.10
3.	Refunds made during the year	91	67.18	06	0.82
4.	Balance outstanding at the end of the year	54	Not furnished	15	3.87

Directorate of Excise furnished a nil report regarding claims outstanding at the beginning of the year, claims received during the year, refunds made during the year and balance outstanding at the end of the year.

Other principal revenue administering Departments/Directorates viz. Directorate of Commercial Taxes, Directorate of Registration and Stamp Revenue, Land and Land Reforms Department and Transport Department did not furnish details of refund cases (October 2016) though requested (May 2016) and followed by reminders.

1.6 Response of the Government/Departments towards audit

The Accountant General (Economic and Revenue Sector Audit), West Bengal conducts periodical inspection of the Government Departments to test check transactions and verify 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 Accountant General (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.

Inspection reports issued upto December 2015 disclosed that 4,460 paragraphs involving ₹ 2,536.06 crore relating to 853 IRs had remained outstanding at the end of June 2016, as mentioned along with the corresponding figures for the preceding two years in **Table 1.7**.

Table 1.7
Details of pending Inspection Reports

	June 2014	June 2015	June 2016
Number of IRs pending for settlement	882	918	853
Number of outstanding audit observations	3,997	4,695	4,460
Amount of revenue involved (₹ in crore)	1,472.12	2,311.57	2,536.06

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2016 and the corresponding amounts involved are mentioned in the **Table 1.8**.

Table - 1.8
Department-wise details of IRs

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Finance	Sales Taxes/ VAT	215	1,624	1,335.94
		Electricity duty	24	65	64.68
		Amusement Tax	33	92	13.64
		Profession Tax	69	203	9.42
		Stamp duty and registration fees	238	578	119.06
		Non-judicial Stamp duty	19	48	8.44
		Departmental Receipts	2	3	0.16
2.	Excise	State excise	29	105	10.73
3.	Land and Land Reforms	Land Revenue	71	916	336.20
		Receipts from mines and minerals	78	382	70.67
4.	Transport	Taxes on motor vehicles	75	444	567.12
Total			853	4,460	2,536.06

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of 364 IRs issued during 2015-16. The large pendency of 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 instituting 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 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 1.9**.

Table - 1.9
Details of Departmental audit committee meetings
(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Number of meetings held	Number of paras settled	Amount
1.	Land and Land Reforms	Land Revenue	1	6	0.19
		Receipts from mines and minerals		3	0.06
Total			1	9	0.25

The progress of settlement of paragraphs pertaining to the Land and Land Reforms Department was insignificant as compared to the huge pendency of the IRs and paragraphs, despite holding a Departmental Audit Committee meeting. The Finance Department, the Excise Department and the Transport Department did not hold any audit committee meeting during 2015-16 though requested.

1.6.3 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 PAG/AG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their responses within six weeks. The fact of non-receipt of the replies from the Department/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Twenty five draft paragraphs (DPs) besides two Performance Audits (PAs) and two theme based compliance audits were sent to the Principal Secretaries/Secretaries of the respective Departments by name between May and September 2016. The Principal Secretaries/Secretaries of the Departments did not send replies to 23 DPs despite reminders and as such, these have been included in this Report without their response.

1.6.4 Follow up on the Audit Reports-summarised position

The internal working system of the Public Accounts Committee (PAC), notified in December 2002, laid down that after presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, explanatory notes on audit paragraphs of the Reports were being delayed inordinately. One hundred fifty eight paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of West Bengal for the years ended 31 March 2011, 2012, 2013, 2014 and 2015 were placed before the State Legislative Assembly between 24 September 2012 and 04 July 2016. The action taken explanatory note in respect of only one sub-paragraph of Performance Audit was received on time. The action taken explanatory notes from the concerned Departments on eleven sub-paragraphs/paragraphs were received late with average delay of 15 months in respect of Audit Reports for the years ended 31 March 2011, 2012, 2013, 2014 and 2015. Action taken explanatory notes in respect of remaining paragraphs from five Departments (Finance, Commerce & Industries, Transport, Home and Land & Land Reforms) had not been received for the Audit Reports for the years ended 31 March 2011, 2012, 2013, 2014 and 2015 so far (October 2016).

The Public Accounts Committee discussed (February 2016) only one selected paragraph of the Audit Report for the year 2010-11 during 2015-16. The recommendations on the paragraph were incorporated in their 14th Report of 2015-16. Action Taken Notes (ATNs) on the recommendations of the PAC were submitted by the Land & Land Reforms Department.

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 IRs/Audit Reports by the Departments/Government, action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department was evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 and 1.7.2 discuss the performance of the Excise 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 years 2006-2007 to 2015-16.

1.7.1 Position of Inspection Reports

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2016 are tabulated in **Table 1.10**.

Table 1.10
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	144	366	502.77	7	72	41.27	10	93	26.30	141	345	517.74
2.	2007-08	141	345	517.74	10	122	22.57	3	75	98.57	148	392	441.74
3.	2008-09	148	392	441.74	6	52	27.67	1	36	3.72	153	408	465.69
4.	2009-10	153	408	465.69	10	82	59.06	132	370	463.44	31	120	61.31
5.	2010-11	31	120	61.31	6	80	42.36	14	78	9.58	23	122	94.09
6.	2011-12	23	122	94.09	7	80	63.12	1	42	66.13	29	160	91.08
7.	2012-13	29	160	91.08	10	92	46.87	6	72	17.36	33	180	120.59
8.	2013-14	33	180	120.59	10	87	22.98	2	90	91.05	41	177	52.52
9.	2014-15	41	177	52.52	17	117	19.50	25	129	18.24	33	165	53.78
10.	2015-16	33	165	53.78	11	81	2.24	11	123	45.01	33	123	11.01

The Government arranges Audit Committee meetings between the Department and AG's office to settle old paragraphs. As would be evident from the above table, against 144 outstanding IRs with 366 paragraphs at the beginning of 2006-2007, the number of outstanding IRs were 33 with 123 paragraphs at the end of 2015-16.

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 Department and the amount recovered are mentioned in **Table 1.11**.

Table 1.11
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 of recovery of accepted cases as of 31.03.2016
2005-06	04	0.35	04 ²	0.30	0.14
2006-07	14	37.69	07	27.02	0.59
2007-08	04	11.13	02	0.27	0.24
2008-09	06	20.66	03	0.73	0.43
2009-10	04	2.49	03	0.86	0.02
2010-11	01	293.85 ³	01 ⁴	85.06	0.08
2011-12	01	0.06	Nil	Nil	Nil
2012-13	01	1.96	01	1.96	0.06
2013-14	02	0.56	02 ⁵	0.25	Nil
2014-15	02	3.05	02	3.05	Nil

It is evident from the above table that the recovery, even in accepted cases, was meagre during these 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.

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

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

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

The status of action taken on recommendations featured in the last five years' Reports as furnished by the Departments till October 2016 is given in **Table 1.12**.

² Partly accepted.

³ High money value was due to inclusion of a Performance Audit in the Audit Report.

⁴ Partly accepted.

⁵ Partly accepted.

Table 1.12
Action taken on recommendations

Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
2010-11	Assessment, levy and collection of Excise Duty and fees	4	Incorporating suitable provisions in the Acts and Rules regarding charging fees on short production of spirit from molasses, charging late fee for delay in application for renewal of licence of foreign liquor manufactories and charging interest for non/delayed payment of Excise duties;	<p>As per memo No. 2A-09/2011-12/110/1 E.G. dated 8 September 2016, the reply of the Excise Commissioner, WB is as follows:</p> <p>In terms of a policy decision taken by the Government, production of spirit has shifted from molasses-based to grain-based. Accordingly, production of molasses-based spirit has been discontinued and is being discouraged henceforth. Hence, recommendation in this context is not considered at present.</p> <p>In terms of Government Notification No 158 EX dated 29 February 2016, late fee for delay in application for renewal of license of Foreign Liquor (FL) manufactories, trades etc., has been introduced with immediate effect.</p> <p>Excise Duty(s) in respect of all Excise Licence(s) in West Bengal, is/are collected in advance, i.e., at the point of production or import. Hence, there is the least chance for non-payment/delayed payment of Excise duty(s). Therefore, the consideration of the recommendation in this context does not arise.</p>
			Amending the provision of transit and handling wastages of spirit in respect of foreign liquor manufactories to remove the discrepancies of allowable wastages between Country Spirit (CS) manufactories and FL manufactories and introduction of minimum penalty for contravention of conditions of license under BE Act/WBMC Act;	<p>In terms of Government Notification No. 300-EX dated 19 March 2013, allowable limit of transit wastages, in respect of FL manufactories [Rule-32 of the WBE (FL) Rules], has been revised downward; making the allowance at par with the CS Sector.</p> <p>In respect of handling wastage, the manufacturing process of foreign liquor involves number of steps. Primarily Over-Proof spirit is reduced in strength, blended with specialised spirit, matured over a period of time ranging from five to 20 days and then colouring and flavouring agents are added to obtain the final product.</p> <p>Manufacture of country spirit involves the simple process of reduction of strength of OP spirit and maximum period of</p>

				<p>maturation is 48 hours only.</p> <p>As such, the handling and bottling wastages involved in the manufacture of foreign liquor will always be slightly higher than that of country spirit. Based on this logic, the rate of allowable handling wastage and bottling wastage should be proportionately higher in a foreign liquor manufactory than that of country spirit bottling plant.</p> <p>In terms of existing provision of the Rules under BE Act, the Excise Commissioner, WB has the power for composition of the contravention of the conditions of any Excise Licence, including Molasses Licence, to impose a fine/penalty, not exceeding ₹ one lakh, in lieu of cancellation or suspension of the licence under consideration.</p> <p>Introduction of minimum penalty will transgress the discretionary power of the Trying Authority and would be <i>ultra vires</i> to the spirit of Law.</p>
			<p>Introducing computerised system of chemical examination of samples to avoid delay and improving the infrastructure in the chemical examination laboratory;</p>	<p>The computerised system, for keeping a vigil on the samples under analysis and the report thereof, in the chemical examination laboratory, has been developed. It has been accepted by the Government that the process of analysis of samples of various alcoholic products in the chemical examination laboratory was affected by the shortage of manpower and inadequate infrastructure. However, attention is drawn to the reply furnished by the Government to the Audit Para(s) 4.7.26 and 4.7.27 of the CAG Report – 2011 in which it was submitted that emphasis has been given for utilisation of modern equipment and instruments, which were hitherto unavailable; and also to fill up the vacant posts.</p> <p>It may be mentioned that a number of technical posts have been filled up through Public Service Commission, West Bengal and some modern equipment have been installed in the Chemical Examination laboratory and now it is working properly.</p>

			Strengthening the internal control for effective implementation of Rules and Regulations and control over the functioning of the Department.	<p>To improve the internal control of the Excise Department for effective implementation of Rules and Regulations, re-organisation of the Excise Administration has been effected on and from November 2012, in terms of Government Notification No. 1074-EX dated 1 November 2012.</p> <p>In terms of this direction, Excise Districts have been divided in suitable numbers of Ranges and Ranges have been divided in suitable numbers of Circles, to provide round-the-clock vigil over the area under their control. Eight Excise Divisions have also been re-organised, headed by Additional Excise Commissioners, to control the 24 Excise Districts in this State. The Software "Slack" is being used in the Excise Department for all over the State for strengthening of internal control and also for effective implementations of Rules and Regulations.</p> <p>Further, vacant posts under different categories of Excise Establishment, have been filled up through Public Service Commission/Staff Selection Commission.</p>
2013-14	Administration of taxes under various Acts by Directorate of Agricultural Income Tax in West Bengal	7	Establishing a system to mandatorily coordinate with different Departments, local bodies and other sources and exchanging of relevant information so as to bring eligible tax payers into the tax net.	<p>All attempts have been made to enlist a system of co-ordination with different Departments, local bodies etc. Agricultural Income Tax Officers have been directed to coordinate systematically with different Departments, local bodies and other sources and to exchange relevant information to bring the maximum number of tax payers into the tax net. Accordingly, a good number of Agricultural Income Tax Offices have requested the District Collector to check from the Cinema Hall owners the Entertainment Tax Clearance Certificates issued by the Agricultural Income Tax Office before renewal of Cinema Hall licenses. The same approach has also been taken in respect of Entertainment programmes as well.</p> <p>The Head Post Offices have been requested to follow the same</p>

				<p>approach before issuing or renewing the Registration Certificates under the Cable Television Networks (Regulation) Act, 1995.</p> <p>The District Land and Land Reforms authority are being contacted by the Agricultural Income Tax Officers to detect new cases of Tea Gardens, followed by physical inspections.</p>
			Timely initiation of recovery proceedings and evolving a mechanism to monitor compliance of Appellate orders for efficient tax administration.	The Deputy Commissioners of Agricultural Income Tax in charge of different Circles have been directed to monitor timely initiation of recovery proceedings and early compliance of the appellate orders at the level of Assessing Officers.
			Making the definition of luxury more inclusive in the tax.	The matter will be examined by the Government and if it is found justified considering all aspects, required amendments will be made in the said Act.
			Widening the scope of taxation under the Bengal Amusement Tax Act 1922, on complimentary tickets of commercialised entertainment/sports events.	Widening the scope of taxation of complementary tickets for the Sports under the Bengal Amusement Tax Act will be examined by the Government. If it is found justified considering all aspects, necessary amendment will be made in the said Act.
			Ensuring timely assessment of taxes under the West Bengal Entertainment-cum-Amusement Tax Act, 1982 and the Bengal Amusement Tax Act, 1922.	The Agricultural Income Tax Officers have been asked to reduce the number of pending assessments under the West Bengal Entertainment-cum-Amusement Tax Act, 1982 and the Bengal Amusement Tax Act, 1922, by taking appropriate steps. The Officers of this Directorate have undertaken the work of timely assessments for both the aforesaid Acts.
			Contemplating provisions in the Bengal Amusement Tax Act, 1922 for levy of interest.	It will be examined by the Government. If it is found justified considering all aspects, necessary amendment will be made in the said Act.
			Establishing an effective internal audit wing and formulating the office procedure manual to ensure that various provisions of the Acts and Rules are efficiently administered for effective tax administration.	At present, there is a functional Internal Audit Wing of the Directorate which is functioning. Steps are being taken to further streamline the proper functioning of the Internal Audit Wing.

The following Departments did not furnish any reply in respect of action taken on the recommendations of reviews/Performance Audits featured in the last five years' Audit Reports, though requested (August 2016) and followed by reminders as mentioned in **Table 1.13**.

Table – 1.13
Non-submission of reply

Name of the department	Year of Audit Report	Name of the Performance Audit
Finance	2010-11	Utilisation of declaration forms in inter- state trade and commerce
	2011-12	e-Services in the Directorate of Commercial Taxes
	2012-13	Efficiency of the Administration of Value Added Tax in West Bengal
	2012-13	Evasion of Stamp Duty and Registration Fees
	2013-14	Assessment, levy and collection of Value Added Tax from works contractors
	2014-15	System of Assessment under Value Added Tax
Transport	2010-11	Computerisation in Motor Vehicles Department
Home	2010-11	Assessment and collection of Police Receipts
Land and Land Reforms	2011-12	Management of Government Land
		Receipts from Major Minerals
	2014-15	Assessment and Collection of revenue from Minor Minerals

As the Transport Department did not furnish any reply on action taken on the recommendations, a follow up audit of the Performance Audit on “Computerisation in Motor Vehicles Department” that was incorporated in the Audit Report (Revenue Receipts) of 2010-11 was taken up to analyse the action taken on the accepted audit observations, which has been included in this Report in Chapter IV.

1.9 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which includes 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, issues related to the tax administration, the extent of audit coverage and its impact during past five years etc.

During the year 2015-16, there were 573 auditable units, of which 184 units were planned and 184 units audited, which was 32.11 *per cent* of the total auditable units. The details are shown in the **Appendix – I**.

Besides the compliance audits mentioned above, two Performance Audits and two theme-based compliance audits were also taken up to examine the efficacy of the tax administration of these receipts.

1.10 Results of audit

Position of local audit conducted during the year

Test check of the records of 184 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles tax, Land and Land Reforms, Stamp Duty and Registration Fees and other Departmental offices conducted during the year 2015-16 showed under assessment/short levy/loss of revenue aggregating ₹ 1,121.01 crore in 1,830 cases. During the course of the year, the Departments concerned accepted under-assessment and other deficiencies of ₹ 256.95 crore involved in 955 cases, which were pointed out in audit during 2015-16. The Departments collected ₹ 3.98 crore in 221 cases during 2015-16 pertaining to the audit findings.

1.11 Coverage of this Report

This Report contains 25 paragraphs (selected from the audit observations made during the local audits referred to above and during earlier years, which could not be included in earlier reports), besides two Performance Audits on “Assessment, Levy and Collection of Excise Revenue” and “West Bengal State Lotteries”, and two theme based compliance audits on “Receipts under the State Transport Authority” and “Administration of recovery of assessed dues by the TROs under the Directorate of Commercial Taxes” involving financial effect of ₹ 812.61 crore. A follow-up audit on Performance Audit on “Computerisation in Motor Vehicles Department” featured in the Audit Report for the year 2010-11 has also been included in this Report.

The Departments/Government have accepted audit observations involving ₹ 404.30 crore of which ₹ 95.33 lakh had been recovered. No replies /specific replies had been furnished in respect of the remaining cases (October 2016). These are discussed in succeeding Chapters II to VIII.

