

CHAPTER I
GENERAL

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1.1 Trend of Revenue Receipts

1.1.1 The revenue receipts of the State for the year 2017-18 comprised of:

- Tax and non-tax revenue raised by the Government of Andhra Pradesh
- State's share of net proceeds of divisible Union taxes
- Duties assigned to the State
- Grants-in-Aid received from the Government of India

The details along with the corresponding figures for the preceding four years have been depicted in **Table 1.1**.

Table 1.1.
Trend of revenue receipts

(₹ in crore)						
Sl. No.	Particulars	2013-14*	2014-15**	2015-16	2016-17	2017-18 ²
1.	Revenue raised by the State Government					
	• Tax revenue	64,123.53	42,618.02	39,907	44,181	49,486
	• Non-tax revenue	15,472.86	10,975.97	4,920	5,193	3,814
	Total	79,596.39	53,593.99	44,827	49,374	53,300
2.	Receipts from the Government of India					
	• Share of Net Proceeds of Divisible Union Taxes and Duties	22,131.89	15,299.25	21,894	26,264	29,001
	• Grants-in-Aid	8,990.55	21,779.21	21,927	23,346	22,761
	Total	31,122.44	37,078.46	43,821	49,610	51,762
3.	Total revenue receipts of the State Government (1 and 2)	1,10,718.83	90,672.45	88,648	98,984	1,05,062
4.	Percentage of 1 to 3	72	59	51	50	51

Source: Finance Accounts for the year 2017-18 of Government of Andhra Pradesh.

* Data pertains to composite State of Andhra Pradesh for 23 districts.

** Data pertains to composite State of Andhra Pradesh for 23 districts up to 01 June 2014 and the Successor State of Andhra Pradesh with 13 districts from 02 June 2014 to 31 March 2015.

² For details please see Statement No.14- Detailed accounts of revenue by Minor Heads in the Finance Accounts of Government of Andhra Pradesh for the year 2017-18. Figures under the Minor Head 901-share of net proceeds assigned to the States under the Major Heads 0005-Central Goods and Service Tax, 0008-Integrated Goods and Service Tax, 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 booked in the Finance Accounts under A-Tax Revenue have been excluded from the revenue raised by the State and exhibited as State's share of divisible Union taxes.

In the year 2017-18 revenue raised by the State Government (₹ 53,300 crore) was 51 per cent of total revenue receipts. The balance (₹ 51,762 crore) 49 per cent of the receipts was from the Government of India.

1.1.2 The details of the Tax Revenue raised during the period 2013-14 to 2017-18 are given in **Table 1.2**.

Table 1.2
Details of tax revenue raised

(₹ in crore)

Sl. No.	Head of Revenue	2013-14*	2014-15**	2015-16	2016-17	2017-18		Percentage of increase (+)/decrease (-) in 2017-18 over 2016-17
						BE	Actuals	
1	Taxes on Sales, Trade etc. and SGST [^]	48,737	30,524	29,104	32,484	39,321	36,155 [#]	(+) 11
2	State Excise	6,250	4,352	4,386	4,645	5,886	5,460	(+) 18
3	Stamp Duty and Registration Fee	4,393	3,250	3,527	3,476	4,000	4,271	(+) 23
4	Taxes on Vehicles	3,335	3,687	2,082	2,467	2,950	3,039	(+) 23
5	Others	1,409	805	808	1,109	1,560	561	(-) 49
	Total	64,124	42,618	39,907	44,181	53,717	49,486	(+) 12

Source: Budget Estimates, Finance Accounts for the year 2017-18 of Government of Andhra Pradesh.

* Data pertains to composite State of Andhra Pradesh for 23 districts.

** Data pertains to composite State of Andhra Pradesh for 23 districts up to 01 June 2014 and the Successor State of Andhra Pradesh with 13 districts from 02 June 2014.

[^] State Goods and Services Tax introduced with effect from 1 July 2017.

[#] includes SGST of ₹ 10,820 crore.

There has been a net increase of 12 per cent of tax revenue during the year 2017-18 over the previous year. The revenue under the heads – State Excise, Stamp Duty and Registration Fee and Taxes on Vehicles had increased.

The drastic reduction in tax revenue under the “others” category was mainly on account of decline in revenue under the head 0043 “Taxes and duties on electricity” which was due to non-payment of dues of ₹ 429.75 crore by Andhra Pradesh power distribution companies from May 2016 to March 2018.

1.1.3 The details of the non-tax revenue raised during the period 2017-18 are indicated in **Table 1.3**.

Table 1.3
Details of non-tax revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2013-14*	2014-15**	2015-16	2016-17	2017-18		Percentage of increase (+) or decrease (-) in 2017-18 over 2016-17
						BE	Actuals	
1.	Interest Receipts	8,646	4,795	133	113	131	96	(-) 15
2.	Mines and Minerals	2,731	1,219	1,523	1,628	2,200	2,156	(+) 32
3.	Education, Sports, Art and Culture	1,676	1,429	856	577	105	104	(-) 82
4.	Others	2,420	3,533	2,408	2,875	2656	1,458	(-) 49
	Total	15,473	10,976	4,920	5,193	5,092	3,814	(-) 27

Source: Budget Estimates, Finance Accounts for the year 2017-18 of Government of Andhra Pradesh.

* Data pertains to composite State of Andhra Pradesh for 23 districts.

** Data pertains to composite State of Andhra Pradesh for 23 districts up to 01 June 2014 and the Successor State of Andhra Pradesh with 13 districts from 02 June 2014.

There had been decrease of non-tax revenue by 27 per cent during the year 2017-18 over the previous year.

Increase under the Head Mines and Minerals by 32 per cent was on account of payment of arrears of ₹ 286 crore by M/s Oil and Natural Gas Corporation and ₹ 199.65 crore by M/s Ultra Tech cements.

1.2 Analysis of Arrears of Revenue

The arrears of revenue as on 31 March 2018 on some principal heads of revenue amounted to ₹ 12,933.54 crore 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 2018	Amount outstanding for more than five years as on 31 March 2018	Replies of Department	
A – Tax Revenue					
0040 - Taxes on Sales, Trade, etc.					
1.	Taxes /VAT on Sales, Trade etc.	5,746.24	2,137.66	Department did not furnish the reasons for pendency in arrears outstanding for more than five years.	
0039 – State Excise					
2.	State Excise	18.34	17.98		
0030 – Stamp Duty and Registration Fees					
3.	Stamp Duty and Registration Fees	59.35	42.04		

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Replies of Department	
0041-Taxes on Vehicles					
4.	Taxes on vehicles	2,418.05	--	Department stated (December 2018) that APSRTC did not pay taxes since 2012-13.	
0029-Land Revenue					
5.	Land Revenue	302.66	262.89	Chief Commissioner of Land Administration stated (May2018) that due to drought and unseasonal conditions, pending amount could not be realised.	
0043-Taxes and Duties on Electricity					
6.	Taxes and Duties on Electricity	4,388.90	3,775.93	Department stated reasons of arrears as under:	
				<ul style="list-style-type: none"> Recovery due from A.P. Gas Power Corporation Ltd. (covered by AP RR Act). 	138.31
				<ul style="list-style-type: none"> Amount due from Rural Electric Supply Co-operative Societies 	2.69
				<ul style="list-style-type: none"> Amount due from licencees and generating companies (covered by AP RR Act). 	1159.41
				<ul style="list-style-type: none"> Amount due from APGENCO (Government had been addressed for waiver of the duty). 	3,028.04
<ul style="list-style-type: none"> Duties due from A.P. Southern/Eastern/Central Power Distribution Corporations. 	60.46				
Total		12,933.54	6,236.50		

Source: Information furnished by the Departments concerned.

It would be seen from the above that 48.22 *per cent* of the total outstanding amount was due for more than five years. Out of total arrear amount of ₹ 12,933.54 crore, an amount of ₹ 1,297.72 crore (10.03 *per cent*) was blocked up in disputes and referred to collector for recovery under A.P. Revenue Recovery Act. Government may take necessary measures to recover arrears amounting to ₹ 11,635.82 crore constituting nearly 90 *per cent* of revenue due for recovery.

There was inconsistency in the information furnished by the Director of Mines and Geology. The matter has therefore been taken up with the Department (November 2018).

Recommendation

The department needs to review the status of recovery of arrears of revenue periodically and monitor the progress of collection.

1.3 Arrears in Assessments

As per the provisions of the AP VAT Act, annual assessments are not mandatory for the VAT dealers. Assessments under the CST Act are to be completed within four years. The information furnished by Commercial Taxes Department is indicated in the **Table 1.5**.

Table 1.5
Arrears in Assessments

Name of tax	Opening balance [^]	New cases due for assessment during 2017-18	Total assessments due	Cases disposed off during 2017-18	Balances at the end of March, 2018	(No. of cases)
						Percentage of cases disposed off
CST	37,214	43,036	80,250	43,837	36,413	55
VAT	3,203	4,103	7,306	2,912	4,394	40
Luxury Tax	352	447	799	445	354	56
Total	40,769	47,586	88,355	47,194	41,161	53

Source: Information furnished by the Commercial Taxes Department.

It would be seen from above that 47 *per cent* of assessments due for clearance needs to be disposed off to avoid blockage of revenue. It could be seen that despite clearance of 47,194 cases, the balances outstanding were 41,161 which means that large number of cases are getting added every year. The department needs to ensure speedy disposal so as to ensure smooth transition to GST as these taxes have been subsumed into GST.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Departments, cases finalised, the demands of additional tax raised and cases pending finalisation as on 31 March 2018 are given in **Table 1.6**.

Table 1.6
Evasion of tax

Sl. No.	Name of Tax/Duty	Cases pending as on 31 March 2017	Cases detected during 2017-18	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised (₹ in crore)		No. of cases pending finalisation as on 31 March 2018
					No. of Cases	Amount of demand	
1.	VAT	5,185 [^]	5,193	10,378	5,395	300.33	4,983

Source: Information furnished by Department of Commercial Taxes.

It would be seen from above that only 52 *per cent* of assessments/ investigations were completed by the Commercial Taxes Department (VAT). Of 4,983 cases pending, about 50 *per cent* (2,506 cases) pertain to 2017-18. Pendency of cases ranging between one to three years constitutes 49 *per cent* (2,444 cases). Cases more than three year old are 27 in number and cases more than four year old are six in number. There is a need for speedy finalisation of the pending cases.

Departments of Transport, Prohibition and Excise, Land Revenue and Energy did not furnish the information though called for (May and August 2018), Department of Industries & Commerce furnished the information but was not

[^] The reasons for discrepancy between closing balance for the year ended 31 March 2017 and opening balance as on 1 April 2017 was stated by department to be on account of compilation error.

adopted due to arithmetical inaccuracy. Matter has been taken up with the Department (November 2018).

1.5 Pendency of Refund Cases

The claims outstanding at the beginning of the year as on 1 April 2017, claims received during the period till 31 March 2018, refunds made during the period and the cases pending as on 31 March 2018, as reported by the Departments are given in **Table 1.7**.

Table 1.7
Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	State Excise		Registration & Stamps		Commercial Taxes ³		Transport	
		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 as on 1 April 2017	0	0	69	0.15	494	108.88	0	0
2.	Claims received during the year	11	1.94	207	1.31	451	143.09	15	0.72
3.	Refunds made during the year	11	1.94	191	1.27	415	138.76	3	0.14
4.	Cases pending as on 31 March 2018	0	0	85	0.19	530	113.21	12	0.58

Source: Information furnished by the Departments concerned.

It would be seen from the above that refunds processed during the year were not commensurate with the claims received. Pendency had increased in terms of amount and number of cases in respect of Commercial Taxes Department. Hence, suitable steps need to be taken for speedy disposal of refund claims as claims not processed within the prescribed time of 90 days carry interest at one *per cent* per month.

Departments of Mines and Geology, Land Revenue, Energy did not furnish the information though called for (May and August 2018).

1.6 Response to Audit

Timely response to audit findings is one of the essential attributes of good governance as it provides assurance that the Government takes its supervisory role seriously.

1.6.1 Response to Recommendations of the Public Accounts Committee (PAC)

PAC Reports / Recommendations are the principal medium by which Legislature ensures financial accountability of the Executive.

³ Number of cases and amount as furnished by the department to the end of 31 March 2017 do not tally with the claims outstanding as on 1 April 2017. The discrepancy was stated to be on account of compilation error.

Government instructed⁴ that all the departments should furnish Action Taken Notes (ATNs) on PAC recommendations to the PAC and to Principal Accountant General (PAG) within six months from date of its receipt. All such ATNs had to be routed through the Finance Department and copies thereof to the Accountant General.

Action Taken Notes on 120 recommendations relating to Audit Reports (Revenue Sector) were due as of March 2018. Of these, 18 recommendations pertain to Andhra Pradesh state and 102 pertain to combined state of Andhra Pradesh and Telangana.

1.6.2 Follow up action on earlier Audit Reports (ARs)

Serious irregularities observed in Audit are included in the Reports of the Comptroller and Auditor General that are presented to State legislature. The internal working system of the Public Accounts Committee laid down that the departments shall submit the explanatory notes on audit paragraphs within three months of tabling the Report. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports are delayed inordinately.

Reports of the Comptroller and Auditor General of India on Revenue Sector of the Government of Andhra Pradesh contained 162 paragraphs (including five Performance Audits and one Stand Alone Report) for the years from 2012-13 to 2016-17. These Audit Reports were placed before the State Legislative Assembly between September 2014 and April 2018. Of these, 110 paragraphs pertain exclusively to Andhra Pradesh and 52 paragraphs (including two Performance Audits and one Stand Alone Report) were common to both Andhra Pradesh and Telangana States. Explanatory notes in respect of 147⁵ paragraphs from seven Departments⁶ have not been received.

1.6.3 Response to Inspection Reports

A review of IRs issued upto December 2017 pertaining to eight departments showed that 20,495 paragraphs relating to 5,177 IRs valuing ₹ 3,512 crore were outstanding at the end of June 2018 (**Appendix 1.1**). Of these, 2,074 IRs containing 4,085 paragraphs are outstanding for more than 10 years. Even first replies from the Heads of offices which was to be furnished within one month has not been received in respect of 196 IRs issued during 2017-18.

Recommendation

The Government should ensure prompt and appropriate response to audit observations as well as take action against those failing to send replies to the IRs/ paragraphs as per the prescribed time schedules.

⁴ Government of Andhra Pradesh U.O.Note No. 1576-A/32/PAC/95 dated 17 May 1995.

⁵ Explanatory notes (EN in respect of one para of Energy Department of Audit report 2016-17 AP) was received by due date in July 2017. ENs for commercial taxes department for 14 paras of ARs 2016-17 (AP) were received in January 2019 with delay of five months.

⁶ Commercial Taxes, Endowment, Industries and Commerce, Prohibition and Excise, Land Revenue, Registration & Stamps and Transport, Roads & Buildings.

1.6.4 Departmental Audit Committee Meetings

The Government has set up audit Committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During the year 2017-18, no Audit Committee Meetings were held by departments.

Recommendation

As the pendency of IRs and paragraphs are accumulating, Government may instruct all the Departments to regularly conduct Audit Committee Meetings to expedite settlement of IRs/ Paragraphs.

1.6.5 Constraints in Audit

The programme of local audit of Tax Revenue/ Non-tax Revenue offices is drawn up sufficiently in advance. 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 (2017-18) 70 offices pertaining to seven departments⁷ did not produce crucial documents like Annual Accounts of dealers, Assessment files, Refund files, Cash Book, Demand Collection and Balance Register, Challan Remittance Register and Reconciliation statements etc.

Non-production of records causes hindrance not only in discharging audit functions effectively by not being able to verify accuracy of revenue collection and expenditure etc., but also may deprive the Government of recoveries effected at the instance of audit.

Recommendation

Government may issue suitable instructions to the heads of Departments concerned for timely production of all the relevant records for audit scrutiny.

1.6.6 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 were forwarded by the Principal Accountant General to the Principal Secretaries of the Departments. They were requested to send their response to audit findings within six weeks.

Audit forwarded 43 draft paragraphs including three detailed Compliance Audits to the Principal Secretaries/ Secretaries of the respective Departments (between August 2018 and January 2019). Special Chief Secretary (Revenue) furnished replies to 22 draft paragraphs in respect of Commercial Taxes and Endowment Departments. Replies to two detailed compliance Audits on “functioning of Registration and Stamps Department”, on “operation of Check posts” and four compliance audit paragraphs of Transport department were

⁷ Commercial Taxes, Prohibition and Excise, Registration and Stamps, Transport, Land Revenue, Endowments, and Mines and Minerals.

received from Heads of the Department. Replies for the remaining 15⁸ draft paragraphs have not been received (February 2020).

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

The system of addressing the issues highlighted in the Inspection Reports/ Performance Audits by the Department/ Government in respect of “Mines and Geology Department under revenue head 0853-Mines & Minerals” Department was evaluated.

The observations relate to 13 Districts of successor State of Andhra Pradesh.

1.7.1 Position of Inspection Reports

The summarised position of the Inspection Reports relating to the Mines and Geology Department, issued during the last 10 years in 13 Districts of successor state of Andhra Pradesh, paragraphs included in these reports and their status as on 31 March 2018 are detailed in **Appendix 1.2**.

The overall performance of the Department in clearance of Inspection Reports and Paragraphs was not encouraging. The earliest IR paragraphs pertain to year 1994-95. There was an increase of IRs by 93 and Paragraphs by 203. However, the clearance during this period was three and seven respectively.

1.7.2 Action taken on the recommendations by the Department/ Government

A Stand-alone report on “Functioning of the Directorate of Mines & Geology” relating to Mines and Geology Department for the year 2013 (Report No. 2 of 2014) contained six recommendations. The Public Accounts Committee completed discussion of the Report in 2016. Recommendations of the committee were tabled⁹ in State Legislature in March 2016. Action Taken Notes on these recommendations have not been received (February 2020).

1.8 Audit Planning

During the year 2017-18, audit of 389 units, out of the 1,445 auditable units was planned based on risk analysis that included critical issues in Government Revenue and Tax Administration. Of 389 units planned, 324 units were audited which constituted 83 *per cent* of the planned audit units.

⁸ Commercial Taxes (1), State Excise Duties (3), Land Revenue (6), Mines and Minerals (1) and Registration & Stamps (4).

⁹ APLA IV Report 2014-2015.

1.9 Results of Audit

1.9.1 Position of local audit conducted during the year

Test check of the records of 324 units (out of 1445 units) of Commercial Taxes, Prohibition and Excise, Transport, Land Revenue, Registration and Stamps and other departmental offices conducted during the year 2017-18 showed underassessments, short levy/ loss of revenue aggregating to ₹ 222.19 crore in 1,245 cases. During the year, the Departments accepted underassessments and other deficiencies of ₹ 125.12 crore in 464 cases, of which 241 cases involving ₹ 7.57 crore were pointed out in earlier years. An amount of ₹ 1.93 crore was realised in 152 cases during the year 2017-18. Of this, recovery of ₹ 0.98 crore in 110 cases relate to previous years.

1.9.2 Coverage of this Report

The financial effect of 20 paragraphs included in this report is ₹ 213.17 crore. The Departments/ Government have accepted audit observations involving ₹ 109.33 crore out of which ₹ 0.26 crore had been recovered. Replies to paragraphs involving ₹ 63.99 crore have not been received (February 2020). The audit observations are discussed in succeeding chapters.

Most of the audit observations are of a nature that may reflect similar errors/ omissions in other units of the State Government departments, but not covered in the test check. The Departments/ Government may therefore like to internally examine all other units with a view to ensure that they are functioning as per requirement and rules.