

# **CHAPTER – I**

## **GENERAL**

## Chapter-I General

### 1.1 Trend of revenue receipts

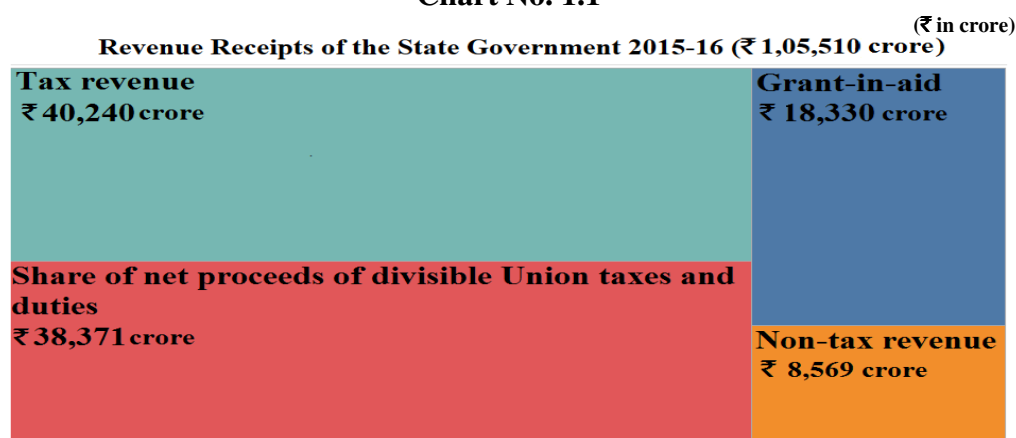
**1.1.1** The tax and non-tax revenue raised by the Government of Madhya Pradesh during the year 2015-16, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from Government of India during the year and the corresponding figures for the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

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

(₹ in crore)						
Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
<b>1.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	26,973.44	30,581.70	33,552.16	36,567.31	40,240.43
	• Non-tax revenue	7,482.73	7,000.22	7,704.99	10,375.23	8,568.80
	<b>Total</b>	<b>34,456.17</b>	<b>37,581.92</b>	<b>41,257.15</b>	<b>46,942.54</b>	<b>48,809.23</b>
<b>2.</b>	<b>Receipts from Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	18,219.14	20,805.16	22,715.27	24,106.80	38,371.06 <sup>1</sup>
	• Grants-in-aid	9,928.77	12,040.20	11,776.82	17,591.44	18,330.31
	<b>Total</b>	<b>28,147.91</b>	<b>32,845.36</b>	<b>34,492.09</b>	<b>41,698.24</b>	<b>56,701.37</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>62,604.08</b>	<b>70,427.28</b>	<b>75,749.24</b>	<b>88,640.78</b>	<b>1,05,510.60</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>55</b>	<b>53</b>	<b>54</b>	<b>53</b>	<b>46</b>

(Source: Finance Accounts of Government of Madhya Pradesh)

**Chart No. 1.1**



The above table indicates that during the year 2015-16, the revenue raised by

<sup>1</sup> For details, please see Statement No.14-“Detailed accounts of revenue and capital receipts by minor heads” in the Finance Accounts of the Government of Madhya Pradesh for the year 2015-16. Figures under the head “Share of net proceeds assigned to States” under Major heads “0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0032-Taxes on wealth, 0037-Customs, 0038-Union Excise duties and 0044-Service Tax” booked in the Finance Accounts under A-Tax revenue have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

the State Government (₹ 48,809.23 crore) was 46 per cent of the total revenue receipts. The balance 54 per cent of the receipts during 2015-16 was from the Government of India.

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)

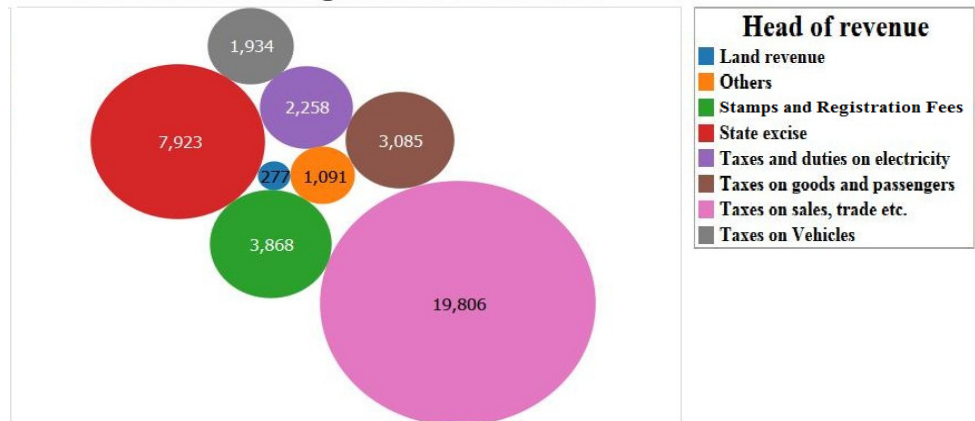
Sl. No.	Head of revenue	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+)/ decrease (-) in actual of 2015-16 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2015-16	Actual of 2014-15
1.	Taxes on sales, trade etc.	<u>11830.00</u> 12516.73	<u>14000.00</u> 14856.30	<u>16500.00</u> 16649.85	<u>19500.00</u> 18135.96	<u>21300.00</u> 19806.15	(-) 7.01	(+) 9.21
2.	State excise	<u>4050.00</u> 4316.49	<u>4800.00</u> 5078.06	<u>5750.00</u> 5907.39	<u>6730.00</u> 6695.54	<u>7800.00</u> 7922.84	(+) 1.57	(+) 18.33
3.	Stamps and Registration fees	<u>2000.00</u> 3284.46	<u>3200.00</u> 3944.24	<u>4000.00</u> 3400.00	<u>4000.00</u> 3892.77	<u>4700.00</u> 3867.69	(-) 17.71	(-) 0.64
4.	Taxes on goods and passengers	<u>1815.00</u> 2047.46	<u>2150.00</u> 2395.03	<u>2640.00</u> 2578.74	<u>2900.00</u> 2686.39	<u>3200.00</u> 3084.76	(-) 3.60	(+) 14.83
5.	Taxes and duties on electricity	<u>1370.00</u> 1773.32	<u>1370.00</u> 1477.71	<u>1600.00</u> 1972.20	<u>2050.00</u> 2010.20	<u>2200.00</u> 2257.83	(+) 2.63	(+) 12.32
6.	Taxes on Vehicles	<u>1285.00</u> 1357.12	<u>1400.00</u> 1531.25	<u>1650.00</u> 1598.93	<u>2000.00</u> 1823.84	<u>2300.00</u> 1933.57	(-) 15.93	(+) 6.02
7.	Land revenue	<u>500.31</u> 279.06	<u>550.00</u> 443.59	<u>572.00</u> 366.23	<u>700.10</u> 243.10	<u>500.00</u> 276.86	(-) 44.63	(+) 13.89
8.	Others	<u>267.69</u> 1398.80	<u>842.00</u> 855.52	<u>670.00</u> 1078.82	<u>1109.50</u> 1079.51	<u>1447.68</u> 1090.73	(-) 24.66	(+) 1.04
<b>Total</b>		<u><b>23118.00</b></u> <b>26973.44</b>	<u><b>28312.00</b></u> <b>30581.70</b>	<u><b>33382.00</b></u> <b>33552.16</b>	<u><b>38989.60</b></u> <b>36567.31</b>	<u><b>43447.68</b></u> <b>40240.43</b>		

(Source: Finance accounts and Budget Estimates of Government of Madhya Pradesh)

**Chart No. 1.2**

(₹ in crore)

**Tax Revenue during 2015-16 (₹ 40,240.43 crore)**



It can be seen from the Table 1.2 that there was a variation of (+) 2.63 and (-) 44.63 *per cent* between the budget estimates and the actuals during 2015-16. Further, there was a variation of (-) 0.64 *per cent* to (+) 18.33 *per cent* between actuals of 2014-15 and 2015-16 under various heads of revenue.

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

**State Excise:** The increase (18.33 *per cent*) over actual of 2014-15 was mainly due to increase in the reserve price of tenders.

**Stamps and Registration Fees:** There was a decrease (17.71 *per cent*) over budget estimate of 2015-16 was mainly due to decrease in the number of registry of documents and economic recession.

**Taxes on Vehicles:** The increase (14.83 *per cent*) over actual of 2014-15 was mainly due to increase in 'Receipt under Motor Vehicle Taxation Act'.

**Land Revenue:** Revenue collected under this head was 13.89 *per cent* more than the revenue collected in 2014-15, but it was 44.63 *per cent* less than the budget estimates. The increase was attributed to increase in revenue recovery in 2015-16. However, no comments were offered by the Department for less revenue collection vis-à-vis budget estimates.

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

**Table 1.3**  
**Details of non-tax revenue raised**

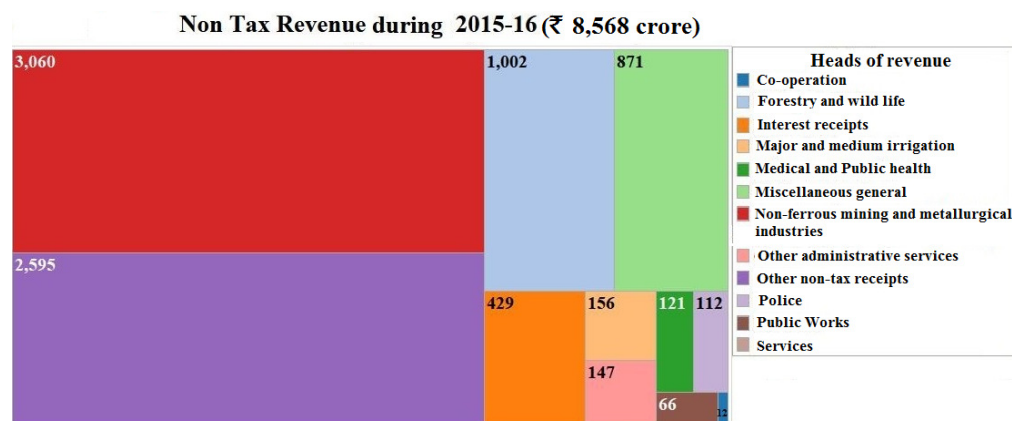
Sl. No.	Head of revenue	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+)/ decrease (-) in actual of 2015-16 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2015-16	Actual of 2014-15
1.	Non-ferrous mining and metallurgical industries	<u>2540.00</u> 2038.31	<u>2300.00</u> 2443.39	<u>2220.00</u> 2306.17	<u>2500.00</u> 2813.66	<u>3200.00</u> 3059.64	(-) 4.39	(+) 8.74
2.	Interest receipts	<u>166.90</u> 1571.41	<u>202.00</u> 301.47	<u>204.15</u> 317.85	<u>1133.60</u> 1260.65	<u>383.37</u> 429.47	(+) 12.11	(-) 65.93
3.	Forestry and wild life	<u>1027.32</u> 878.81	<u>969.04</u> 910.38	<u>1100.00</u> 1036.80	<u>1250.23</u> 968.77	<u>1250.31</u> 1001.71	(-) 19.88	(+) 3.40
4.	Public works	<u>55.54</u> 47.92	<u>63.55</u> 33.22	<u>38.49</u> 46.92	<u>49.50</u> 50.82	<u>50.76</u> 65.71	(+) 29.45	(+) 29.30
5.	Miscellaneous general Services	<u>22.07</u> 145.44	<u>19.88</u> 30.40	<u>16.95</u> 33.69	<u>17.48</u> 222.37	<u>34.07</u> 871.22	(+) 2457.15	(+) 291.79
6.	Other administrative services	<u>117.50</u> 106.05	<u>93.49</u> 239.15	<u>184.40</u> 380.22	<u>165.50</u> 140.21	<u>182.14</u> 147.01	(-) 19.29	(+) 4.85
7.	Police	<u>85.00</u> 63.19	<u>100.00</u> 83.59	<u>107.04</u> 71.92	<u>100.00</u> 93.50	<u>160.00</u> 111.50	(-) 30.31	(+) 19.25
8.	Medical and Public Health	<u>40.11</u> 30.16	<u>21.00</u> 44.83	<u>46.65</u> 57.76	<u>56.25</u> 120.16	<u>101.56</u> 121.04	(+) 19.18	(+) 0.73
9.	Co-operation	<u>9.01</u> 11.65	<u>9.59</u> 13.02	<u>10.06</u> 12.24	<u>9.97</u> 16.58	<u>10.02</u> 10.75	(+) 7.29	(-) 35.16

10.	Major and medium irrigation	<u>90.44</u> 263.15	<u>96.18</u> 137.74	<u>116.86</u> 138.48	<u>120.09</u> 137.55	<u>186.08</u> 156.16	(-) 16.08	(+) 13.52
11.	Other Non-tax receipts	<u>1845.11</u> 2326.64	<u>3452.27</u> 2763.03	<u>3538.40</u> 3302.94	<u>1356.27</u> 4550.96	<u>4565.97</u> 2594.59	(-) 43.18	(-) 42.99
<b>Total</b>		<b><u>5999.00</u></b> <b>7482.73</b>	<b><u>7327.00</u></b> <b>7000.22</b>	<b><u>7583.00</u></b> <b>7704.99</b>	<b><u>6758.89</u></b> <b>10375.23</b>	<b><u>10123.98</u></b> <b>8568.80</b>		

(Source: Finance accounts and Budget Estimates of Government of Madhya Pradesh)

Chart No. 1.3

(₹ in crore)



It can be seen from the Table 1.3 that there was a variation of (-) 43.18 and (+) 2457.15 *per cent* between the budget estimates and the actuals during 2015-16. Further, there was a variation of (-) 65.93 *per cent* to (+) 291.79 *per cent* between actuals of 2014-15 and 2015-16 under various heads of revenue.

**Interest Receipts:** The decrease (65.93 *per cent*) over actuals of 2014-15 was mainly due to decrease in receipts under “Interest from Public Sector and other Undertakings”.

**Miscellaneous general services:** The increase (291.79 *per cent*) over actual of 2014-15 was mainly due to increase in receipts under “Unclaimed Deposits” and “Other Receipts”.

**Police:** There was an increase in revenue by 19.25 *per cent* over previous year while against budget estimates; receipts were short by 30.31 *per cent*. The increase was mainly due to increase in receipts from police supply to other Governments and other parties, fees, fines and forfeitures.

## 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 ₹ 1,457.06 crore of which ₹ 566.64 crore was outstanding for more than five years as detailed in **Table 1.4**.

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

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2015	Total Amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016	Replies of Department
1.	Taxes on sales, trade etc.	603.91	936.91	382.99	Stages at which the arrears were pending for collection have not been intimated despite being requested (May and July 2016).
2.	Excise	76.64	158.27	87.16	An amount of ₹ 13.16 crore was not recovered due to stay by the Hon'ble Court and ₹ 45.89 crore was not recoverable for which action has been initiated to write off the amount as irrecoverable. The department did not elaborate on the remaining arrears.
3.	Stamps and Registration fees	168.92	190.60	69.73	Stages at which the arrears were pending for collection have not been intimated despite being requested (May and July 2016).
4.	Non-ferrous mining and metallurgical industries	10.32	13.33	Not furnished	Stages at which the arrears were pending for collection have not been intimated despite being requested (May and July 2016).
5.	Taxes and duties on Electricity	156.96	157.95	26.76	Amounts pending as recovery of dues through RRC amounting to ₹ 126.95 crore not made. Pending due to court cases ₹ 9.63 crore and pending with the departmental authorities ₹ 28 lakh. Pending from sick cloth mills ₹ 3.67 crore and other pending ₹ 17.41 crore.
<b>Total</b>		<b>1,016.75</b>	<b>1,457.06</b>	<b>566.64</b>	

It may be seen from the Table 1.4 that arrears pertaining to Taxes on sales, trade etc. increased by 55.14 *per cent* in the year 2015-16 in comparison to arrears at the end of the year 2014-15. Similarly, arrears of Excise Department increased by 106.51 *per cent* in the year 2015-16 in comparison to arrears at the end of the year 2014-15.

### 1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed off during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Tax Department in respect of sales tax, profession tax, entry tax, luxury tax and tax on works contracts are as given below in **Table 1.5**.

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

Head of revenue	Year	Opening balance	New cases due for assessment during the year	Total assessments due	Cases disposed off during the year	Balance cases at the end of the year	Percentage of column 6 to 5
1	2	3	4	5	6	7	8
Taxes on Sales, Trade, etc.	2013-14	1,20,111	2,78,856	3,98,967	2,30,404	1,68,563	57.75
	2014-15	1,68,563	3,42,803	5,11,366	3,42,242	1,69,124	66.93
	2015-16	1,69,124	3,74,074	5,43,198	3,55,804	1,87,391	65.50
Profession tax	2013-14	47,174	96,790	1,43,964	89,473	54,491	62.15
	2014-15	54,491	89,140	1,43,631	1,03,005	40,626	71.72
	2015-16	40,626	1,25,589	1,66,215	1,18,675	47,540	71.40
Entry tax	2013-14	91,117	2,28,794	3,19,911	1,87,253	1,32,658	58.53
	2014-15	1,32,658	3,06,952	4,39,610	2,89,572	1,50,038	65.87
	2015-16	1,50,038	3,30,879	4,80,917	3,14,572	1,66,345	65.41
Luxury tax	2013-14	886	1,517	2,403	1,256	1,147	52.27
	2014-15	1,147	1,831	2,978	2,037	941	68.40
	2015-16	941	1,991	2,932	2,022	910	68.96
Tax on works contracts	2013-14	3,686	7,793	11,479	5,192	6,287	45.23
	2014-15	6,287	12,724	19,011	9,164	9,847	48.20
	2015-16	9,847	14,773	24,620	14,513	10,107	58.95

It may be seen from Table 1.5 that there has been an increase in disposal of assessment cases relating to Sales tax/VAT, Entry tax and Tax on works contracts during 2015-16 as compared to the previous years. However, large number of cases were still pending for disposal.

#### 1.4 Evasion of tax detected by the Department

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

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

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 (₹ in crore)	
1.	Taxes on sales, trade etc. and Entry Tax	340	354	694	333	677.09	361
2.	Stamps and Registration fees	15,244	14,773	30,017	11,403	69.79	18,614
3.	Mining Receipts	722	13,314	14,036	12,191	4,853.86	1,845
	<b>Total</b>	<b>16,306</b>	<b>28,441</b>	<b>44,747</b>	<b>23,927</b>	<b>5,600.74</b>	<b>20,820</b>

It could be seen from the Table 1.6 that the number of cases pending is high at the end of the year in respect of Stamps and Registration fees.

### 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 1.7**.

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

(₹ in crore)

Sl. No.	Particulars	Taxes on Sales, Trade, etc.		Stamps and Registration Fees		State Excise		Taxes and duties on electricity	
		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	619	137.77	1,605	7.81	10	0.19	174	7.36
2.	Claims received during the year	7,635	1,879.07	3,180	19.79	9	0.26	26	1.89
3.	Refunds made during the year	7,189	1,871.80	3,444	10.35	14	0.39	23	1.74
4.	Balance outstanding at the end of year	1,065	145.04	1,341	17.25	5	0.06	175	7.40
5.	Percentage of refund (3 to 1+2)	87.10	92.81	71.97	37.50	73.68	86.67	11.5	18.81

It can be seen from the above table that the progress in issuance of refunds was slow in Energy Department.

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

The Accountant General (Economic & Revenue Sector Audit), MP, 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 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 IRs issued up to December 2015 disclosed that 19,563 paragraphs involving ₹ 10,395.37 crore relating to 4,452 IRs remained outstanding at the end of June 2016 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 2014	June 2015	June 2016
<b>Number of IRs pending for settlement</b>	3,757	4,273	4,452
<b>Number of outstanding audit observations</b>	16,280	18,181	19,563
<b>Amount of revenue involved (₹ in crore)</b>	7,520.60	8,450.35	10,395.37

**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 **Table 1.9**.

**Table 1.9**

**Department-wise details of IRs**

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved
1.	Finance	Taxes on Sales, Trade etc.	1,308	7,136	2,098.40
2.	Energy	Taxes and duties on electricity	73	251	682.45
3.	Excise	State Excise	323	1,282	1,218.92
4.	Revenue	Land R  evenue	1,296	4,313	3,281.99
5.	Transport	Taxes on vehicles	498	2,961	432.56
6.	Registration and stamps	Stamp duty and Registration fees	647	2,153	697.55
7.	Mines and Geology	Non-ferrous mining and metallurgical industries	307	1,467	1,983.50
<b>Total</b>			<b>4,452</b>	<b>19,563</b>	<b>10,395.37</b>

Audit did not receive even the first replies from the heads of offices for 193 IRs issued during 2015-16. This large pendency of the IRs due to absence of the replies from the Department 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 progress of the settlement of the IRs and paragraphs in the IRs. No audit committee meeting (ACM) was held during the year 2015-16.

**It is recommended that the Government may ensure convening of ACMs by all the Departments for effective and expeditious settlement of outstanding paragraphs.**

### **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, 2,659 assessment files, returns, refunds, registers and other relevant records were not made available to audit. The tax effect could not be computed in all the cases. Break-up of these cases are given in **Table 1.10**.

**Table 1.10**  
**Details of records not produced**

<b>Name of the Office/Department</b>	<b>Year in which it was to be audited</b>	<b>Number of cases not audited</b>
Land Revenue	2015-16	21
State Excise	2015-16	857
Commercial Tax	2015-16	1,780
Registration and Stamps	2015-16	1
<b>Total</b>		<b>2,659</b>

### **1.6.4 Response of the Department 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 AG to the Principal Secretaries / Secretaries of the Department concerned, drawing their attention to audit findings and requesting them to send their response within six weeks. A meeting was also held with the heads of the respective Departments in which replies of all the Department were received, except from Commercial Tax Department who stated that detailed replies would be sent later as they have to reopen every case and a fresh assessment was done to investigate the case. Their replies have not yet been received (October 2016). Replies given by other Departments during the meeting have been duly incorporated.

Forty nine paragraphs, Information Technology (IT) Audit on “e-Registration (SAMPADA)” and two audits on “Disposal of Appeal and Remand cases under Section 46 of MPVAT Act 2002” and “Levy and Collection of Electricity Duty, Fees and Cess” were sent to the Principal Secretaries/Secretaries of the respective Departments between April and July 2016. The Department of Energy had sent replies to the audit paras and the same have been suitably included in the Report. The Principal Secretaries/Secretaries of the Department of Commercial Tax and Registration and Stamp Duty did not provide replies to the IT report and the audit para despite issue of reminders and the same have been included in this Report without the response of the Department/Government. However, responses

received for IT Audit during exit conference held with the Government, have been appropriately included at relevant places in the Report.

### 1.6.5 Follow up on the Audit Reports

As per the recommendations made by the High Powered Committee<sup>2</sup>, *suo moto* explanatory notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the Departments, duly vetted by the Accountant General to the Public Accounts Committee (PAC) within three months<sup>3</sup> from the date of placing of Audit Reports in the Legislature.

Explanatory Notes in respect of 57 paragraphs from State Revenue Departments (Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamp Duty and Registration Fee and Mining) had not been received (March 2016).

As per the instructions issued (November 1994) by the State Legislative Affairs Department, Action Taken Reports (ATR) on the recommendations of the PAC should be submitted within six months from the date of recommendations by the PAC. In spite of these provisions, the ATRs on audit paragraphs of the Reports were being delayed inordinately as discussed below.

Two hundred nineteen paragraphs included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Madhya Pradesh for the years ended 31 March 2011, 2012, 2013, 2014 and 2015 were placed before the State Legislature between March 2011 and July 2015. Action Taken Notes in respect of 72 paragraphs from State Revenue Departments (Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamp Duty and Registration Fee and Mining) had not been received so far (March 2016).

## 1.7 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 Department / Government, the action taken on the Paragraphs and PAs included in the Audit Reports of the last 10 years for **Transport Department** is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the **Transport 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 2006-07 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 1.11** below:

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<sup>2</sup> High Powered Committee appointed to review the response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India (Shakdher Committee Report).

<sup>3</sup> *Suo moto* replies to be furnished within three months; in case Audit paragraphs are not selected by the PAC/COPU during this period

**Table 1.11**  
**Position of Inspection Reports for Transport Department**

(₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance at the end of the year		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2006-07	267	1425	272.13	29	177	29.70	5	142	31.75	291	1460	270.08
2007-08	291	1460	270.08	22	148	24.13	7	67	15.56	306	1541	279.37
2008-09	306	1541	279.37	28	164	19.72	7	65	20.08	327	1640	279.01
2009-10	327	1640	279.01	29	179	38.52	0	40	0.97	356	1779	316.49
2010-11	356	1779	316.49	26	153	11.37	0	16	1.38	382	1916	326.55
2011-12	382	1916	326.55	13	85	7.94	0	11	2.00	395	1990	332.49
2012-13	395	1990	332.49	36	303	30.78	0	8	0.01	431	2285	363.26
2013-14	431	2285	363.26	21	209	19.94	1	15	0.38	451	2479	382.82
2014-15	451	2479	382.82	25	314	23.58	0	12	1.05	476	2781	405.35
2015-16	476	2781	405.35	25	237	37.03	0	9	0.02	501	3009	442.36

The Government arranges ad-hoc Committee meetings between the Department and AG office to settle the outstanding paragraphs. As would be evident from the above table, against 267 outstanding IRs with 1,425 paragraphs as on start of 2006-07, the number of outstanding IRs increased to 501 with 3,009 paragraphs at the end of 2015-16. The increase in the number of outstanding IRs and paragraphs is indicative of the fact that adequate steps were not taken by the Department to settle the number of 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 Department and the amount recovered are mentioned in Table 1.12.

**Table 1.12**  
**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 during the year	Cumulative position of recovery of accepted cases as of 31.03.2016
2005-06	1 Review	11.84	2	3.10	0.92	1.25
2006-07	3 + 1 Review	5.39	1	5.05	0	0.02
2007-08	11	21.18	6	19.86	0.36	2.89
2008-09	7	20.22	6	18.45	0.64	3.38
2009-10	8	11.49	5	5.36	0.94	5.36
2010-11	6 + 1 Review	10.49	4	9.52	0.79	2.39

(₹ 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 during the year	Cumulative position of recovery of accepted cases as of 31.03.2016
2011-12	4	9.48	1	7.16	0.17	0.87
2012-13	7 + 1 Review	21.94	4	7.20	0.24	3.34
2013-14	4 + 1 Review	27.00	3	24.74	0.01	0.01
2014-15	3	9.48	0	0.00	0.00	0.00

It is evident from the above table that the progress of recovery pertaining to the period 2010-11 to 2012-13 was moderate. However, in other years, even in accepted cases, recovery was negligible/nil. 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.

### 1.7.3 Action taken on the recommendations accepted by the Department/Government

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

The PAs on the Transport Department featured during the last five years in the Audit Reports and their recommendations are given in **Table 1.13** below:

**Table 1.13**  
**Action taken on the recommendations**

Year of Report	Name of the PA	No. of recommendations	Summary of recommendations
2010-11	Computerisation in the Motor Vehicles Department	3	<ol style="list-style-type: none"> <li>1. Modifying the software to fulfill the requirements of business rules like generation of demand notice, penalty for delayed payment of tax etc. for better enforcement of the Act and rules;</li> <li>2. Introducing proper input and validation checks as well as ensuring adequate supervision over data entry to ensure data integrity; and</li> <li>3. Training departmental officials in the system management and database operations.</li> </ol>
2012-13	Working of National Permit System and Bilateral Agreements Regulating Interstate vehicular traffic including	1	Till such time the new software is put in operation, the Government may consider prescribing a mechanism for consolidating the centrally available data regarding plying of traffic under bilateral arrangements

	Information Technology aspect		
2013-14	Assessment and collection of tax on public service vehicles plying on regular stage/contract carriage permit	8	<ol style="list-style-type: none"> <li>1. The seating capacity of the old and new passenger vehicles should be revised as per rules.</li> <li>2. The enforcement wing should be strengthened to detect the vehicles plying without payment of tax and penalty.</li> <li>3. A system should be evolved to co-ordinate amongst all the unit offices and also with TC Office so that leakages of the revenue may be plugged.</li> <li>4. The Department should take immediate steps to verify the fitness for all the vehicles which are due, to avoid loss of revenue and in the interest of public safety.</li> <li>5. The Government may consider prescribing a mechanism to detect the vehicles plying without payment of tax and without renewal of fitness.</li> <li>6. An effective mechanism for regular monitoring and follow up of recovery action in each pending case should be evolved by the Department.</li> <li>7. The Department should devise a mechanism for consolidating the centrally available data specifically for the vehicles plying on stage/contract carriage to avoid leakage of tax revenue.</li> <li>8. The Government may consider prescribing a manual and proper mechanism to exercise the check over leakage of revenue receipt amongst the various functionaries of the Department.</li> </ol>

All the above recommendations of the PAs were accepted by the Department during the exit conference. However, no information on its implementation has been received so far (October 2016).

## 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 2015-16, there were 1,020 units, of which 398 units were planned and 396 units had been audited, which is 99.50 *per cent* of the

planned units. Details are shown in **Table 1.14** below:

**Table 1.14**

Name of department	Total no. of units	No. of units planned	No. of units audited
Commercial Tax	132	115	114
State Excise	61	44	43
Transport	52	28	28
Land Revenue	384	79	79
Registration and Stamps	273	76	76
Mining	71	32	32
Energy	47	24	24
<b>Total</b>	<b>1020</b>	<b>398</b>	<b>396</b>

## 1.9 Results of Audit

### Position of local audit conducted during the year

We test-checked records of 396 units relating to Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Mining Receipts and Electricity Duty during the year 2015-16 and observed underassessment/short levy/loss of revenue amounting to ₹ 2,229.45 crore in 6,45,050 cases. The Departments concerned accepted underassessment and other deficiencies of ₹ 868.37 crore involved in 64,031 cases which were pointed out in audit during 2015-16. Of this, ₹ 6.55 crore in 7,403 cases was collected.

### 1.10 Coverage of this Report

This Report contains 49 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), IT audit on “**e-Registration (SAMPADA)**” and two Audits on “**Disposal of Appeal and Remand cases under Section 46 of MPVAT Act 2002**” and “**Levy and Collection of Electricity Duty, Fees and Cess**”, involving financial effect of ₹ 970.62 crore.

The Departments/Government have accepted audit observations involving ₹ 183.88 crore out of which ₹ 2.50 crore was recovered. The replies in the remaining cases have not been received. These are discussed in succeeding Chapters II to VIII.