

CHAPTER I GENERAL

1.1 Trend of Revenue Receipts

1.1.1 The Revenue Receipts of the State for the year 2016-17 comprised of:

- Tax and non-tax Revenue raised by the Government of Telangana
- 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 of revenue receipts along with the corresponding figures from 2 June 2014 to 31 March 2017 have been depicted in **Table 1.1**:

Table 1.1
Trend of Revenue Receipts

(₹ in crore)				
Sl. No.	Particulars	2 June 2014 to 31 March 2015	2015-16	2016-17 ¹
1.	Revenue raised by the State Government			
	• Tax Revenue	29,288.30	39,974.63	48,407.73
	• Non-tax Revenue	6,446.82	14,414.36	9,781.70
	Total	35,735.12	54,388.99	58,189.43
2.	Receipts from the Government of India			
	• Share of Net Proceeds of Divisible Union Taxes and Duties	8,188.58	12,350.72	14,877.04
	• Grants-in-Aid	7,118.10	9,394.12	9,751.90
	Total	15,306.68	21,744.84	24,628.94
3.	Total revenue receipts of the State Government (1 and 2)	51,041.80	76,133.83	82,818.37
4.	Percentage of 1 to 3	70	71	70

Source: Finance Accounts for the year 2016-17 of Government of Telangana

In the year 2016-17, the revenue raised by the State Government (₹ 58,189.43 crore) was 70 per cent of the total revenue receipts. The revenue under the head VAT accounted for 71 per cent of the total tax revenue receipts of the State. The balance (₹ 24,628.94 crore) 30 per cent of the receipts during the period was from the Government of India.

1 For details please see Statement No.14-Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of Telangana for the year 2016-17. Figures under the Minor Head 901-Share of net proceeds assigned to the States 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 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.

1.1.2 The details of Tax Revenue raised during the period from 2 June 2014 to 31 March 2017 are given in **Table 1.2**:

Table 1.2
Details of Tax Revenue Raised

(₹ in crore)

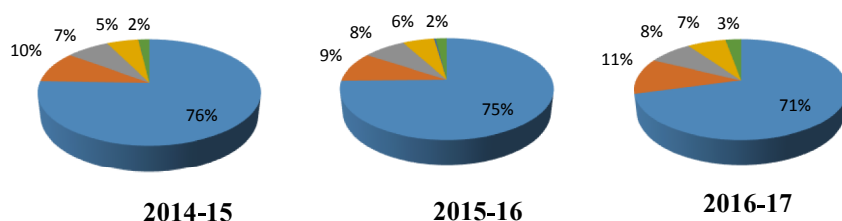
Sl. No.	Head of Revenue	2 June 2014 to 31 March 2015		2015-16		2016-17		Percentage of increase (+)/ decrease (-) in 2016-17 over 2015-16
		Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	
1.	Commercial Tax	26,963.30	22,120.78	35,463.39	29,846.91	42,073.53	34,234.69	(+) 14.70
2.	State Excise	2,823.54	2,807.69	3,916.43	3,809.07	4,543.06	5,580.71	(+) 46.51
3.	Stamp Duty and Registration Fees	2,583.88	2,176.90	3,700.00	3,102.23	4,292.00	3,821.66	(+) 23.19
4.	Taxes on Vehicles	2,226.86	1,617.66	2,500.00	2,309.13	2,900.00	3,394.16	(+) 46.99
5.	Land Revenue	72.89	9.25	13.46	103.71	15.61	6.70	(-) 93.54
6.	Others	10,457.13	556.02	901.46	803.58	1,045.71	1,369.81	(+) 70.46
	Total	45,127.60	29,288.30	46,494.74	39,974.63	54,869.91	48,407.73	(+) 21.10

Source: Budget Estimates, Finance Accounts for the year 2016-17 of Government of Telangana

There has been increase of 21.10 per cent of Tax Revenue during the year 2016-17 over the previous year. The revenue under the heads – VAT, State Excise, Taxes on Vehicles, Stamp Duty and Registration Fee had increased. There was a decline under revenue head – Land Revenue.

Analysis of growth chart across all the Taxes is given below:

Department wise revenue



■ Taxes on Sales, Trade etc. ■ State Excise ■ Stamp Duty and Registration Fees ■ Taxes on Vehicles ■ Others

The respective Departments reported the following reasons for variation:

Commercial Taxes Department: Variation between budget estimates and actuals was due to reduction of rates of Tax on liquor from 190 per cent to 70 per cent from December 2016 onwards.

Prohibition and Excise Department: Variation between budget estimates and actuals was due to revision of rates of Excise Duties.

Registration and Stamps Department: Variation between budget estimates and actuals was due to demonetisation.

Other Departments had not furnished the reasons for variation in budget estimates and actuals though called for (June and August 2017).

1.1.3 The details of Non-tax Revenue raised during the period from 2 June 2014 to 31 March 2017 are given in **Table 1.3**:

Table 1.3
Details of Non-tax Revenue Raised

(₹ in crore)

Sl. No.	Head of Revenue	2 June 2014 to 31 March 2015		2015-16		2016-17		Percentage of increase(+)/ decrease (-) in 2016-17 over 2015-16
		Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	
1.	Interest Receipts	2,638.20	2,766.01	2,793.95	2,877.54	1,701.01	1,790.82	(-) 37.77
2.	Mines and Minerals	1,877.52	1,719.29	3,300.00	2,212.51	2,687.87	3,148.40	(+) 42.30
3.	Education, Sports, Art and Culture	826.72	411.57	841.72	184.00	400.75	768.33	(+) 317.57
4.	Others	7,899.58	1,549.95	15,477.60	9,140.31	12,752.69	4,074.15	(-) 55.43
	Total	13,242.02	6,446.82	22,413.27	14,414.36	17,542.32	9,781.70	(-) 32.14

Source: Budget Estimates, Finance Accounts for the year 2016-17 of Government of Telangana

The Non-tax Revenue decreased by 32.14 *per cent* during the year 2016-17 over the previous year.

The revenue under the head Mines and Minerals and Education, Sports, etc. had increased by 42.30 *per cent* and 317.57 *per cent* respectively. Revenue under the head - Interest Receipts, had declined over the previous year.

Non-tax Revenue constituted 11.81 *per cent* of the total revenue of the State for the year 2016-17.

Departments did not furnish the reasons for variation in budget estimates and actuals though called for (June and August 2017).

1.2 Analysis of Arrears of Revenue

The arrears of revenue, as on 31 March 2017 on some principal heads of revenue amounted to ₹ 10,647.87 crore 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 2017	Amount outstanding for more than five years as on 31 March 2017	Reasons for arrears																		
0040 - Taxes on Sales, Trade, etc.																						
1.	Taxes on Sales, Trade etc.	8,027.03	4,049.86	Department stated reasons for arrears as under: <table border="1"> <tr> <td>• Demands raised based on AG objections, Vigilance and Enforcement Action Taken Reports and locked up in closed cases</td> <td>174.07</td> </tr> <tr> <td>• Cases where notices have been issued</td> <td>758.90</td> </tr> <tr> <td>• Due to non submission of statutory forms at the time of final assessments. Demand notices have been issued in these cases</td> <td>1,038.32</td> </tr> <tr> <td>• Cases pending before Courts, dealers whereabouts not known, etc.,</td> <td>6,055.74</td> </tr> </table>	• Demands raised based on AG objections, Vigilance and Enforcement Action Taken Reports and locked up in closed cases	174.07	• Cases where notices have been issued	758.90	• Due to non submission of statutory forms at the time of final assessments. Demand notices have been issued in these cases	1,038.32	• Cases pending before Courts, dealers whereabouts not known, etc.,	6,055.74										
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0039 – State Excise																						
2.	State Excise	39.79	39.79	Department did not furnish the reasons for pendency in arrears																		
0041-Taxes on Vehicles																						
3.	Taxes on Vehicles	75.66	31.46	Department did not furnish the reasons for pendency in arrears																		
0030 – Stamp Duty and Registration Fees																						
4.	Stamp Duty and Registration Fees	50.20	9.06	The Commissioner and Inspector General (Registration and Stamps) stated (December 2017) that parties have not turned up to pay the arrears																		
0853-Mines & Minerals																						
5.	Mines and Minerals	87.83	38.17	Department stated reasons for arrears as under: <table border="1"> <tr> <td>• Cement Corporation of India referred to Board for Industrial and Financial Reconstruction</td> <td>12.09</td> </tr> <tr> <td>• Referred under R.R.Act,1864</td> <td>18.98</td> </tr> <tr> <td>• Non tracing of defaulters, non working of leases, etc.</td> <td>56.76</td> </tr> </table>	• Cement Corporation of India referred to Board for Industrial and Financial Reconstruction	12.09	• Referred under R.R.Act,1864	18.98	• Non tracing of defaulters, non working of leases, etc.	56.76												
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0043-Taxes and Duties on Electricity																						
6	Taxes and Duties on Electricity	2367.36	1355.88	Department stated reasons for arrears as under: <table border="1"> <tr> <td>• Amount due from M/s Singareni Collieries Company Ltd (case pending in High Court)</td> <td>8.07</td> </tr> <tr> <td>• Recovery due from Sanghi Group of Industries (case pending in High Court)</td> <td>0.74</td> </tr> <tr> <td>• Amount due from Rural Electric Co-operative Societies</td> <td>0.15</td> </tr> <tr> <td>• Recovery due from A.P. Gas Power Corporation Ltd (Pending distribution between the States of Andhra Pradesh and Telangana)</td> <td>138.30</td> </tr> <tr> <td>• Amount due from M/s Sanghi Polysters Ltd(case pending in High Court)</td> <td>0.99</td> </tr> <tr> <td>• Amount due from other licensees and generating companies(SLPs pending in Supreme Court)</td> <td>182.53</td> </tr> <tr> <td>• Amount due from A.P. Genco (Demand notice was issued)</td> <td>1,935.88</td> </tr> <tr> <td>• Amount due from two DISCOMs</td> <td>100.40</td> </tr> <tr> <td>• Amount due from HT installations including Government installations</td> <td>0.30</td> </tr> </table>	• Amount due from M/s Singareni Collieries Company Ltd (case pending in High Court)	8.07	• Recovery due from Sanghi Group of Industries (case pending in High Court)	0.74	• Amount due from Rural Electric Co-operative Societies	0.15	• Recovery due from A.P. Gas Power Corporation Ltd (Pending distribution between the States of Andhra Pradesh and Telangana)	138.30	• Amount due from M/s Sanghi Polysters Ltd(case pending in High Court)	0.99	• Amount due from other licensees and generating companies(SLPs pending in Supreme Court)	182.53	• Amount due from A.P. Genco (Demand notice was issued)	1,935.88	• Amount due from two DISCOMs	100.40	• Amount due from HT installations including Government installations	0.30
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Total		10647.87	5524.22																			

Source : Information furnished by the Departments concerned

Arrears of taxes on Sales, Trade, etc., accounted for 75.39 *per cent* of total outstanding arrears. Fifty *per cent* of the total outstanding taxes on sales was in arrears for more than 5 years.

Arrears in Taxes and Duties on Electricity (₹ 2367.36 crore) for the year 2016-17 accounted for 22.23 *per cent* of total outstanding arrears. The annual collection for the year 2016-17 under the head 'Taxes and Duties on Electricity' was ₹ 514.01 crore. More than 50 *per cent* of the total outstanding Taxes and Duties on Electricity was in arrears for more than 5 years. Land Revenue department did not furnish the information on arrears of revenue.

Detailed Compliance Audit on 'Functioning of Chief Electrical Inspectorate to Government' was conducted for the years 2014-15 to 2016-17 and included in chapter V of this Report. Audit scrutiny revealed that the accumulated monthly dues amounting to ₹ 268.51 crore of Electricity Duty for the period November 2014 to March 2016 were not remitted on monthly basis to Government account by the DISCOMs. The DISCOMs paid ₹ 223.67 crore only in March 2017.

1.3 Arrears in Assessments

As per the provisions of the Telangana VAT Act², 2005, annual assessments are not mandatory for the VAT dealers. Assessments under the CST Act are to be completed within four years. The Commercial Taxes Department, despite being requested (June 2017), did not furnish the information on arrears of CST assessments.

1.4 Evasion of Tax

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 2017 are given in **Table 1.5**:

Table 1.5
Evasion of Tax

Sl. No.	Name of the department	Cases pending as on 31 March 2016	Cases detected during 2016-17	Total	Number of cases in which assessments / investigations completed and additional demand including penalty raised			No. of cases pending finalisation as on 31 March 2017	
					No. of cases	Amount of demand			
						Tax	Penalty		Total
1.	Commercial Taxes	242	368	610	394	130.33	5.69	136.02	216
2.	Registration and Stamps	767	495	1262	1262	Information not furnished	Information not furnished	5.28	Nil

Source : Information furnished by the Departments concerned

² Changed from APVAT Act to Telangana VAT Act vide G.O.Ms. No. 32 Revenue (CT-II) Department, dated 15 October 2014.

There were no cases of evasion in State Excise and Energy Departments during the year. The Departments of Industries and Commerce, Transport and Land Revenue did not furnish such information.

1.5 Pendency of Refund Cases

The details of refund cases as on 31 March 2017 are given in **Table 1.6**:

Table 1.6
Details of Pendency of Refund Cases

(₹ in crore)

Sl. No.	Particulars	Commercial Taxes		Transport		Registration and Stamps Department	
		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 2016	Nil	Nil	Nil	Nil	35	0.01
2.	Claims received during the year	293	4.13	90	0.64	770	5.85
3.	Total	293	4.13	90	0.64	805	5.86
4.	Refunds made during the year	293	4.13	90	0.64	126	0.37
5.	Cases pending as on 31 March 2017	Nil	Nil	Nil	Nil	679	5.49

Source : Information furnished by the Departments concerned

A total of ₹ 5.14 Crore in 509 cases was refunded by three Departments as of March 2017. Commercial Taxes and Transport department could settle 100 *per cent* of pending claims. The Registration and Stamps Department, however, could settle only 16 *per cent* of pending claims. Hence, suitable steps need to be taken for speedy disposal.

State Excise Department stated that there were no cases of refunds during the year. The Departments of Industries and Commerce, Energy and Land Revenue, did not furnish the information though called for (June 2017).

1.6 Audit process

1.6.1 Audit planning

The unit offices under various Departments have been categorised into high, medium and low risk units according to their revenue potential, past trends of the audit observations and other parameters. The annual audit plan was prepared on the basis of risk analysis which included critical issues in Government revenue and Tax administration. These issues *inter alia* included 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 years, etc.

During the year 2016-17, there were 1,080 auditable units relating to eight Departments³, of which 303 units had been planned and 320 units were

³ Commercial Taxes, Excise, Land Revenue, Transport, Registration, Energy, Endowments, Industries and Commerce.

audited which constituted 30 *per cent* of the total auditable units. One Performance Audit was also taken up to examine the efficacy of enforcement activities in Transport Department.

1.6.2 Conduct of audit

Periodical inspection of the Government Departments were conducted by the Principal Accountant General (Audit), Telangana. It was done to test check the transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot were issued to the heads of the offices inspected. Copies were issued to the next higher authorities for taking prompt corrective action. The heads of offices/ Government were required to promptly comply with the observations contained in the IRs, rectify the defects and omissions. The compliance was to be reported through initial reply to the PAG within one month from the date of issue of the IRs. Serious financial irregularities were reported to the heads of the Departments and the Government.

1.6.3 Results of audit

Test-check of the records of 320 units of Commercial Taxes, Prohibition and Excise, Transport, Land Revenue, Registration and Stamps and other departmental offices conducted during the year 2016-17 showed under-assessment / short levy / loss of revenue aggregating ₹ 1,289.76 crore in 1,553 cases. During the course of the year, the Departments accepted under-assessment and other deficiencies of ₹ 181.25 crore in 888 cases, of which 290 cases involving ₹ 14.35 crore were pointed out in earlier years. An amount of ₹ 1.10 crore was realised in 108 cases during the year 2016-17. Of this, recovery of ₹ 0.85 crore in 91 cases related to previous years.

1.6.4 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue / Non-tax Revenue offices was drawn up sufficiently in advance. The intimations were issued usually one month before the commencement of audit, to the Departments to enable them to keep the relevant records ready for audit scrutiny.

Nature of records not made available to Audit during the year 2016-17, in 91 offices, is given in **Table 1.7**:

Table 1.7
Details of Non-Production of Records

Name of the Office/ Department		Number of offices which did not produce documents for audit	Nature of documents not produced
Revenue	Commercial Taxes	42	Assessment Files, Demand Collection and Balance Registers, Annual Accounts of Assessee etc.
	Prohibition and Excise	4	Retail Liquor Shop Licence files.
	Registration and Stamps	7	Challan remittance registers, stock and sales registers, etc.
	Land Revenue	38	Village Accounts, Jamabandi Files, Mandal Chitta etc.
Total		91	

Source : Records of Office of Principal Accountant General (Audit), Telangana

1.6.5 Response of 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 / Secretaries of the Departments. They were requested to send their response to Audit findings within six weeks. The fact of non-receipt of the replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Audit forwarded 57 draft paragraphs besides one Performance Audit (PA) and one detailed Compliance Audit to the Principal Secretaries /Secretaries of the respective Departments (between June and October 2017). The Principal Secretaries/ Secretaries of the Department furnished replies to one Performance Audit, one detailed Compliance Audit and 39 draft paragraphs. Replies for the remaining 18 draft paragraphs were awaited from the Government.

1.7 Follow-up of audit

1.7.1 Outstanding Inspection Reports

Inspection Reports issued upto December 2016 disclosed that 20,533 paragraphs involving ₹ 8,187.58 crore relating to 4,604 IRs remained outstanding at the end of June 2017, as shown below along with the corresponding figures for the preceding two years in **Table 1.8**:

Table 1.8
Details of Pending Inspection Reports

	June 2015	June 2016	June 2017
Number of IRs pending settlement	4,193	4,222	4,604
Number of outstanding audit observations	15,115	16,852	20,533
Amount of revenue involved (₹ in crore)	6,465.16	7,530.03	8,187.58

Source : Records of Office of Principal Accountant General (Audit), Telangana

1.7.2 The Department-wise details of the IRs and audit paragraphs outstanding as on 30 June 2017 and the amounts involved are mentioned in the **Table 1.9**:

Table 1.9
Department-wise Details of IRs

(₹ in crore)					
Sl. No.	Name of the Department	Nature of Receipt	Number of outstanding Inspection Reports	Number of outstanding Audit Observations	Money Value Involved
1.	Revenue Department	Commercial Taxes	2,002	10,767	2,978.31
		State Excise	244	708	39.29
		Land Revenue	763	2,534	1,582.14
		Stamp Duty and Registration Fees	1,205	4,641	222.86
		Endowments	48	414	NA
2.	Transport, Roads and Buildings	Taxes on Motor Vehicles	205	928	1,787.89
3.	Industries and Commerce	Mines and Minerals	101	460	986.89
4.	Energy	Taxes and Duties on Electricity	36	81	590.20
Total			4,604	20,533	8,187.58

Source : Records of Office of Principal Accountant General (Audit), Telangana

Audit did not receive even the first replies in respect of 216 IRs issued during 2016-17 from the heads of offices within one month from the date of issue of the IRs. Pendency of IRs due to non-receipt of the replies was indicative of lack of action for rectification of defects, omissions and irregularities pointed out in the IRs.

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

1.8 Departmental Audit Committee Meetings

The Government had set up Audit Committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During the year 2016-17, one Audit Committee Meeting (ACM) was held with Registration and Stamps Department. The Committee settled 94 paras involving money value of ₹ 2.33 crore.

1.9 Follow-up on the Audit Reports – summarised position

The Report of the Comptroller and Auditor General of India is laid in the Legislative Assembly. 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.

Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Andhra Pradesh for the years ended 31 March 2012, 2013, 2014 and Government of Telangana for the years ended 31 March 2015 and 2016 contained 176 paragraphs (including performance audits). The reports were placed before the respective State Legislative Assemblies between March 2013 and March 2017. Of these, 101 paragraphs pertain exclusively to Telangana whereas 75 paragraphs pertain to both Andhra Pradesh and Telangana. Explanatory notes in respect of 11 paragraphs from the Departments concerned of Telangana were received with delays ranging from 3 to 33 months. Explanatory notes for the remaining 165 paragraphs were awaited from seven Departments⁴.

The explanatory notes due on audit paragraphs of the Reports are indicated in **Table 1.10**:

Table 1.10
Details of Explanatory Notes due from Government

Year of Audit Report	Number of paragraphs included		Explanatory Notes received		Explanatory Notes to be received (December 2017)	
	Telangana	Andhra Pradesh and Telangana	Telangana	Andhra Pradesh and Telangana	Telangana	Andhra Pradesh and Telangana
2011-12	6	23	5	0	1	23
2012-13	3	24	2	0	1	24
2013-14	5	27	4	0	1	27
2014-15	50	0	0	0	50	0
2015-16	37	0	0	0	37	0
Standalone Audit Reports ⁵	0	1	0	0	0	1
Total	101	75	11	0	90	75

Source : Records of Office of Principal Accountant General (Audit), Telangana

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

The system of addressing the issues highlighted in the Inspection Reports/ Audit Reports by the Departments/ Government in respect of one Department was evaluated. The evaluation was on action taken on the paragraphs and PAs

⁴ Commercial Taxes, Excise, Land Revenue, Transport, Registration, Industries and Commerce, Endowments.

⁵ Stand alone Report on 'Functioning of the Directorate of Mines and Geology' published in the year 2014-15.

included in the Audit Reports of the last five years and were included in this Audit Report.

The performance of Prohibition and Excise Department under revenue head 0039-State Excise and cases detected in local audit during the last three years had been discussed. Further, the cases included in the Audit Reports for the years 2014-15 to 2016-17 have also been discussed in the succeeding paragraphs 1.10.1 to 1.10.2.

1.10.1 Position of Inspection Reports

The summarised position of the IRs relating to the Prohibition and Excise Department, issued during the last three years, paragraphs included in these reports and their status as on 31 March 2017 are given in **Table 1.11**:

Table 1.11
Position of Inspection Reports (IRs)

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing Balance		
		IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value
1.	2014-15	364	1,097	67.52	22	190	3.45	3	57	0.21	383	1230	70.76
2.	2015-16	383	1,230	70.76	33	230	2.30	136	690	33.60	280	770	39.46
3.	2016-17	280	770	39.46	23	111	27.20	40	75	0.06	263	806	66.60

Source : Records of Office of Principal Accountant General (Audit), Telangana

The Government arranges Audit Committee meetings between the Department and Principal Accountant General's office to settle the old paragraphs. Against 364 outstanding IRs with 1,097 paragraphs as at the beginning of 2014-15, the number of outstanding IRs decreased to 263 with 806 paragraphs at the end of 2016-17.

1.10.2 Action taken on the recommendations of Audit by the Department/ Government

Audit selected the Prohibition and Excise Department for an analysis of action taken on findings featured in the Audit Reports. The Performance Audit on "Functioning of Prohibition and Excise Department" covering the period from 2005-06 to 2009-10 was conducted in 2010-11 and a Stand-alone audit report was tabled in the erstwhile Andhra Pradesh State Legislature in December 2011. A follow-up audit was conducted in 2015-16 to assess the progress on the recommendations made in the Report. Out of nine recommendations, the Government accepted eight recommendations for taking necessary corrective actions, the progress was as indicated in **Table No 1.12**:

Table 1.12
Status of Audit recommendations

Sl. No	Recommendation	Status
1.	Monitoring manufacture of Rectified Spirit with licensed capacity	No progress
2.	Barcoding system	Implemented
3.	Factor the sales potential in fixing upset prices	Implemented
4.	Computerisation and tracking of sales and movement	Substantially implemented
5.	Review of liquor shops operating near educational/religious institutions and hospitals	No progress
6.	Complaints register	Implemented
7.	Border check posts to prevent illicit distillation	Substantially implemented
8.	Regular training policy	Implemented

Explanatory notes from Government is awaited in respect of Performance Audit and Follow-up audit.

1.11 Coverage of this Report

This Report contains 21 paragraphs besides one Performance Audit on “Enforcement activities of Transport Department including implementation of High Security Registration Plates” and one detailed Compliance Audit on “Functioning of Chief Electrical Inspectorate to Government of Telangana”, which were selected from the audit findings detected during the local audits carried out in 2016-17 and in earlier years, which could not be included in previous reports.

The financial effect of the paragraphs of this report is ₹ 260.04 crore. The Departments/ Government have accepted audit observations involving ₹ 173 crore. The replies to the paragraphs involving ₹ 67.46 crore have not been received (December 2017).