

CHAPTER IV: REVENUE SECTOR

4.1 GENERAL

4.1.1 Trend of revenue receipts

The Tax and Non-tax Revenue raised by Government of Tripura during the year 2016-17, the net proceeds of State's Share of Union Taxes and Duties assigned to the State and Grants-in-aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are given in **Table 4.1.1**.

Table 4.1.1: Trend of revenue receipts

<i>(₹ in crore)</i>						
Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
I.	Revenue raised by the State Government					
	Tax Revenue	1,004.65	1,073.91	1,174.26	1,332.25	1,422.01
	Non-tax Revenue	178.75	246.52	195.64	262.60	218.85
	Total	1,183.40	1,320.43	1,369.90	1,594.85	1,640.86
	<i>Increase over previous year (%)</i>	<i>10.37</i>	<i>11.58</i>	<i>3.75</i>	<i>16.42</i>	<i>2.88</i>
II.	Receipts from the GoI					
	Net proceeds of State Share of Union Taxes and Duties	1,493.18	1,630.25	1,730.13	3,266.02	3,909.12
	Grants-in-aid	4,373.72	4,699.50	6,139.70	4,565.87	4,095.48
	Total	5,866.90	6,329.75	7,869.83	7,831.89	8,004.60
III.	Total Revenue Receipts of the State Government (I and II)	7,050.30	7,650.18	9,239.73	9,426.74	9,645.46
IV.	Percentage of I to III	16.79	17.26	14.83	16.92	17.01

Source: Finance Accounts,

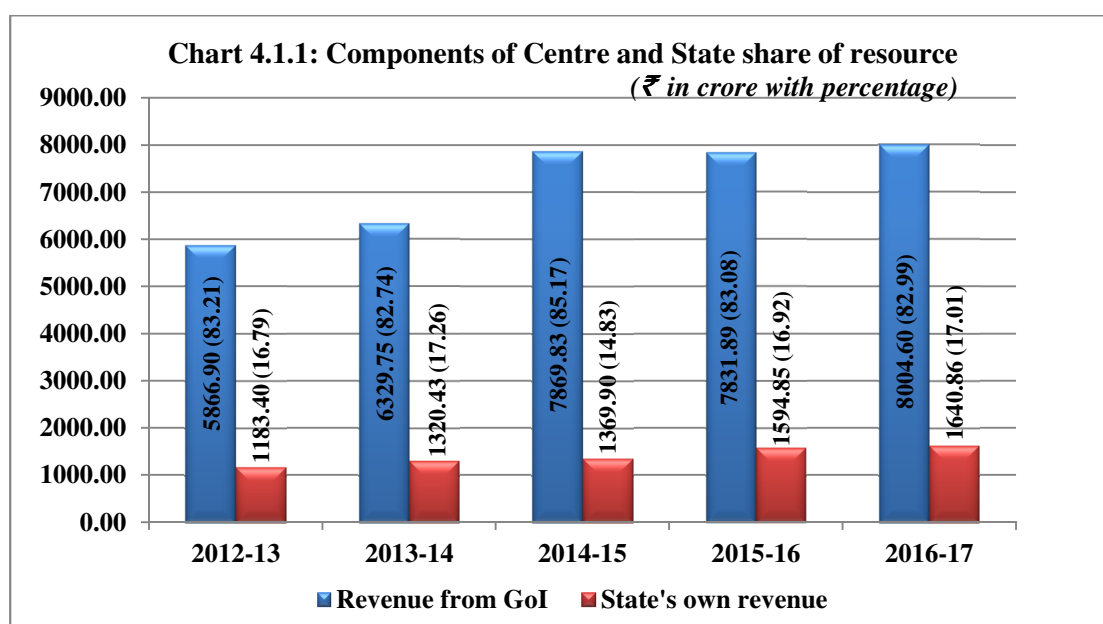


Table 4.1.1 and **Chart 4.1.1** indicates that during the year 2016-17, the revenue raised by the State Government was ₹ 1,640.86 crore which was 17.01 per cent of the

total Revenue Receipts. The balance 82.09 *per cent* of the receipts during 2016-17 was from the GoI. The growth of revenue raised by the State Government during 2016-17 was only 2.88 *per cent* (₹ 46.01 crore) as compared to 16.42 *per cent* during 2015-16. Revenue Receipts of the State Government nominally increased by 2.32 *per cent* from ₹ 9,426.74 crore in 2015-16 to ₹ 9,645.46 crore in 2016-17.

4.1.1(a) Tax Revenue: The details of the Tax Revenue raised during the period 2012-13 to 2016-17 are given in **Table 4.1.2**.

Table 4.1.2: Details of Tax Revenue raised

(₹ in crore)

Sl. No	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Increase (+) or decrease (-) of actual in 2016-17 over 2015-16 (%)
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1	Sales Tax/Value Added Tax (VAT)	670	763.07	914.15	837.09	950	909.81	980	1,058.48	1,144.00	1,112.89	(+) 5.14
2	State Excise	100	114	128.7	115.18	179.46	138.96	180	143.57	165	163.19	(+)13.67
3	Stamps and Registration Fees	30	36.71	37	39.24	42.54	37.56	45	42.49	38	41.83	(-) 1.55
4	Taxes on Vehicles	40	30.73	36.11	36.79	40	36.09	45	37.62	40	43.6	(+)15.90
5	Other Taxes on Income and Expenditure ¹	32	32.16	34	35.03	37	38.93	40	39.67	40	41.96	(+)5.77
6	Land Revenue	20	26.44	30	8.07	24.87	10.76	25	5.97	10	13.32	(+)123.12
7	Other Taxes and Duties on Commodities and Services	1.37	1.36	3.82	1.64	4.25	1.87	4.72	4.29	2.15	3.32	(-) 22.61
8	Others	0.07	0.18	0.22	0.87	0.25	0.28	0.28	0.16	0.83	1.9	(+)1,087.50
Total:		893.4	1,004.65	1,184.00	1,073.91	1,278.37	1,174.26	1,320.00	1,332.25	1,439.98	1,422.01	(+) 6.74

Source: Annual Financial Statement and Finance Accounts.

The Finance (Excise & Taxation) Department furnished the following reasons for increase in revenue in 2016-17 as compared to 2015-16.

Taxes on sales, trade, etc.: The increase in collection of Sales Tax/Value Added Tax (VAT) (5.14 *per cent*) was due to regular efforts made by the Department.

State Excise: The increase in collection of State Excise (13.67 *per cent*) was due to increase of Excise duty, Warehousing fee, Bottling fee and Import fee.

Land Revenue: The increase in collection of Land Revenue (123.12 *per cent*) was due to collection of more premium (Nazar).

¹ Includes taxes on profession, trades, calling and employment.

The other departments (indicated in **Table 4.1.2**), despite being requested (June 2017), did not furnish (February 2018) the reasons for variations in Tax Receipts with respect to the previous year.

4.1.1(b) Non-tax Revenue: The details of the Non-tax Revenue raised during the period 2012-13 to 2016-17 are indicated in **Table 4.1.3**.

Table 4.1.3: Details of Non-tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Increase (+) or decrease (-) of actual in 2016-17 over 2015-16 (%)
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1	Interest Receipts	30.00	67.88	35.00	86.47	80.00	46.02	84.00	55.24	85.00	37.07	(-) 32.89
2	Industries	35.00	41.20	50.44	59.91	85.00	65.01	90.00	96.41	80.00	80.36	(-) 16.65
3	Police	20.00	28.48	48.00	33.95	50.00	34.34	55.00	40.50	50.00	48.07	(-) 18.69
4	Public Works	15.00	5.56	15.00	8.54	25.00	8.92	25.00	8.15	10.00	8.08	(-) 0.86
5	Forestry and Wildlife	1.20	6.56	10.05	7.70	8.00	9.83	9.00	11.86	15.00	11.01	(-) 7.17
6	Water Supply and Sanitation	2.15	1.68	1.52	7.32	1.07	1.92	1.21	1.76	6.05	2.45	(+) 39.20
7	Miscellaneous General Services	11.93	0.80	-	21.24	-	5.27	-	6.48	2.11	7.25	(+) 11.88
8	Other Administrative Services	22.35	5.36	8.00	4.52	5.56	6.28	6.28	6.84	6.78	6.12	(-) 10.53
9	Medical and Public Health	8.00	6.95	9.00	2.84	3.75	3.00	3.70	6.01	3.67	2.42	(-) 59.73
10	Crop Husbandry	2.70	1.97	2.66	2.48	2.50	2.79	2.80	3.61	2.80	2.60	(-) 27.98
11	Animal Husbandry	2.15	1.49	2.13	2.13	1.47	2.47	1.66	2.42	2.70	1.84	(-) 23.97
12	Housing	2.15	1.71	3.28	1.80	2.28	1.84	2.57	1.82	2.00	1.85	(+) 1.65
13	Education, Sports, Art and Culture	2.00	0.68	3.00	1.32	3.00	1.45	3.00	2.30	1.81	2.29	(-) .043
14	Stationery and Printing	1.75	1.28	1.80	1.29	1.50	1.83	1.50	1.16	1.50	1.10	(-) 5.17
15	Others	21.93	7.15	30.12	5.01	20.87	4.67	24.28	18.04	25.72	6.34	(-) 64.86
Total:		178.31	178.75	220.00	246.52	290.00	195.64	310.00	262.60	295.14	218.85	(-) 16.66

Source: Annual Financial Statement and Finance Accounts.

Forest: The reason attributed by the Forest Department for decrease in collection of taxes in Forestry and Wild life (7.17 per cent) was due to lower demand of forest produce.

The other departments (indicated in **Table 4.1.3**), despite being requested (June 2017), did not furnish (February 2018) the reasons for variations in Non-tax Receipts with respect to the previous year.

4.1.2 Analysis of arrears of revenue

The arrears of revenue as on 31st March 2017 on account of Taxes/VAT amounted to ₹ 23.17 crore of which ₹ 13.74 crore was outstanding for more than five years, as detailed in **Table 4.1.4**.

Table 4.1.4: Arrears of revenue(*₹ in crore*)

Sl. No.	Head of revenue	Total amount outstanding as on 31 st March		Amount outstanding for more than five years as on 31 st March		Replies of department
		2016	2017	2016	2017	
1	Taxes/VAT	64.47	23.17	17.16	13.74	-
2	Other Taxes on Income & Expenditure (Tax on profession, Trades, Callings & Employment)	0.48	-	-	-	-
3	Other Taxes & Duties on Commodities & Services	0.11	-	-	-	-
Total:		65.06	23.17	17.16	13.74	

Source: Finance (Excise & Taxation) Department.

It would be seen from **Table 4.1.4** that arrear of revenue decreased from ₹ 65.06 crore at the end of March 2016 to ₹ 23.17 crore at the end of March 2017. The arrear of revenue outstanding for more than five years also decreased from ₹ 17.16 crore to ₹ 13.74 crore during the same period.

4.1.3 Arrears in assessments

The details of taxes on agricultural income assessment cases pending at the beginning of the year 2016-17, cases which became due for assessment during the year, cases disposed during the year and number of cases pending at the end of the year 2016-17 as furnished by the Deputy Commissioner of Tax are mentioned in **Table 4.1.5**.

Table 4.1.5: Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2016-17	Total assessments due	Cases disposed of during 2016-17	Balance at the end of the year
1	2	3	4	5	6
Taxes on Agricultural income	544	-	544	-	544

Source: Finance (Excise & Taxation) Department

The number of arrears in assessments cases at the beginning of the year 2016-17 was 544. Neither new cases were added nor existing cases disposed during the year. Steps may be taken for timely and periodical assessment of cases.

Other departments did not furnish (February 2018) information relating to arrears in assessments, though called for (June 2017).

4.1.4 Evasion of tax detected by the department

The details of cases of evasion of tax detected by the Finance (Excise & Taxation) Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 4.1.6**.

Table 4.1.6: Evasion of tax

Sl. No.	Head of revenue	Cases pending as on 31 st March 2016	Cases detected during 2016-17	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 st March 2017
					No. of cases	(₹ in crore)	
1.	Tax/ VAT	1,050	588	1,638	635	4.05	1,003

Source: Finance (Excise & Taxation) Department

As on 31st March 2016, 1,050 cases of evasion of tax were outstanding. 588 cases of evasion of tax had been detected and reported during 2016-17 taking the total of pending cases to 1,638. Of these pending cases, 635 (38.77 per cent) cases of assessments/investigation were completed and additional demand including penalty, etc. amounting to ₹ 4.05 crore was raised during the year 2016-17. Consequently, 1,003 cases were pending as on 31st March 2017.

It would be seen from **Table 4.1.6** that the number of cases pending at the end of the year had slightly decreased over the cases pending at the start of the year.

4.1.5 Pendency of refund cases

The number of refund cases pending at the beginning of the year 2016-17, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2016-17 as reported by the Department is given in **Table 4.1.7**.

Table 4.1.7: Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	Sales tax / VAT	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	09	8.46
2	Claims received during the year	05	0.98
3	Refunds made during the year	02	0.04
4	Balance outstanding at the end of year	12	9.40

Source: Finance (Excise & Taxation) Department

In addition to the refund, Section 45 (1) of Tripura Value Added Tax (TVAT), Act 2004 provides for payment of simple interest at the rate of 5 per cent per annum for the period commencing after 90 days of the application claiming refund till the date on which the refund is granted.

Claims for refund of ₹ 0.98 crore involving five cases had been reported during 2016-17, refund made during the year was ₹ 0.04 crore involving two cases and outstanding amount of ₹ 9.40 crore involving 12 cases had not been settled (February 2018).

The Department should expeditiously dispose off the 12 refund cases to avoid payment of interest.

4.1.6 Response of the Government/ departments towards audit

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

500 paragraphs involving ₹ 75.80 crore relating to 136 IRs issued upto 31st March 2017 remained outstanding at the end of June 2017. The corresponding position in this regard with respect to the preceding two years is given in **Table 4.1.8**.

Table 4.1.8: Details of pending IRs

	June 2015	June 2016	June 2017
Number of IRs pending for settlement	156	119	136
Number of outstanding audit observations	467	427	500
Amount of revenue involved (₹ in crore)	61.63	69.00	75.80

4.1.6.1 Details of department-wise number of outstanding IRs and audit observations

The department-wise details of the IRs and audit observations outstanding as on 30 June 2017 and the amounts involved are mentioned in **Table 4.1.9**.

Table 4.1.9: Department-wise number of outstanding IRs and audit observations

Sl. No.	Name of department	Nature of receipts	No. of outstanding IRs	No. of outstanding Audit observations	Money value involved (₹ in crore)
1.	Finance	Taxes/VAT	67	303	21.51
		Professional Tax	08	11	0.09
		Agricultural Income Tax	-	-	-
		Amusement Tax	03	08	0.77
		Luxury Tax	-	-	-
2.	Industries and Commerce	Mines and Minerals	-	-	-
3.	Revenue	Stamp Duty and Registration Fees	22	39	1.14
4.	Excise	State Excise	21	64	19.04
5.	Transport	Taxes on Vehicles/Taxes on Goods and Passengers	15	75	33.25
Total			136	500	75.80

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs for 128 IRs issued during 2016-17. This large pendency of the 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 (Audit) in the IRs.

It is recommended that the Government take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as take action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

4.1.6.2 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 (CAG) are forwarded by the AG (Audit) 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. 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.

Three draft paragraphs and two draft Performance Audit Reports of “Systems and Procedures in force in the Taxes and Excise Organisation regarding Excise Duty” and “Border Area Development Programme (BADP)” were sent to the Principal Secretaries/Secretaries of the respective departments (June and August 2017). Replies to both the two Performance Audit Reports were received and have been suitably incorporated in the Report. The replies for three Draft Paragraphs had not been received (February 2018).

4.1.6.3 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 the presentation of the Report of the CAG in the Legislative Assembly, the departments shall initiate action on the audit paragraphs and the *suo motu* reply thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the *suo motu* reply on audit paragraphs of the Reports were being delayed inordinately. 13 paragraphs (including four performance audits) included in the Reports of the CAG on the Revenue Sector, Government of Tripura for the years 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 were placed before the State Legislative Assembly between March 2013 and March 2017. The reply from the departments concerned on eight paragraphs were received late with delays ranging from 1 to 43 months. The reply in respect of five paragraphs from three departments (Revenue: 2, Transport: 1 and Finance: 2) had not been received (February 2018) for the Audit Reports for the years ended 31st March 2011-12 to 2015-16.

The PAC discussed (17th April 2012) five² selected paragraphs pertaining to the Audit Report for the year 2007-08, 2008-09 and 2009-10 and made 25 recommendations³ on the five paragraphs which were incorporated in its 112th Report (September 2012). The Action Taken Notes (ATNs) on the 112th PAC Report have been discussed in the PAC in July 2013 in which the Committee had made 22 recommendations⁴ which were incorporated in the 114th PAC Report (March 2014). The Action Taken Notes (ATNs) on the 114th PAC Report have been discussed in the PAC in 21st May 2015 in which the Committee had made 12 recommendations⁵ which were incorporated in the 130th PAC Report (March 2016). However, ATNs on the 130th PAC Report had not been received (February 2018) from the departments concerned as mentioned in **Table 4.1.10**.

Table 4.1.10

AR Year	Name of department	Para No	No. of PAC recommendation	ATN received	ATN awaited
2007-08	Finance (Excise & Taxation) Department	6.15	3	Nil	3
2008-09		4.5	1	Nil	1
2009-10		4.4	8	Nil	8
Total		3	12	Nil	12

4.1.7 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, the action taken on the paragraphs and performance audits included in the Audit Reports of the last ten years for one department is evaluated and included in this Audit Report.

² Para 6.15 of AR 2007-08, Para 4.5 of AR 2008-09 and Paras 4.2, 4.3 and 4.4 of AR 2009-10.

³ Para 6.15 of AR 2007-08: 11, Para 4.5 of AR 2008-09: 1 and Para 4.2: Nil, Para 4.3: Nil and Para 4.4: 13 of AR 2009-10.

⁴ Para 6.15 of AR 2007-08: 9, Para 4.5 of AR 2008-09: 1 and Para 4.4 of AR 2009-10: 12.

⁵ Para 6.15 of AR 2007-08: 3, Para 4.5 of AR 2008-09: 1 and Para 4.4 of AR 2009-10: 8.

The succeeding Paragraphs 4.1.7.1 & 4.1.7.2 discuss the performance of the Finance (Excise & Taxation) Department in the above respect with reference to cases detected in the course of local audit during the last ten years and the cases included in the Audit Reports for the years 2007-08 to 2016-17.

4.1.7.1 Position of Inspection Reports

The summarised position of the IRs issued during the last ten years, paragraphs included in those reports and their status as on 30th June 2017 in respect of Finance (Excise & Taxation) Department are tabulated in **Table 4.1.11**.

Table 4.1.11: Position of IRs

(₹ in crore)

Years	Opening balance			Addition during the year			Clearance during the year			Closing balance as on June		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2007-08	24	63	2.38	10	43	2.15	01	05	0.11	33	101	4.42
2008-09	33	101	4.42	06	18	1.73	-	04	0.18	39	115	5.97
2009-10	39	115	5.97	04	12	0.36	03	11	0.16	40	116	6.17
2010-11	40	116	6.17	19	78	7.85	-	22	1.63	59	172	12.39
2011-12	59	172	12.39	12	48	5.36	-	03	0.06	71	217	17.69
2012-13	71	217	17.69	12	51	4.17	-	01	0.07	83	267	21.79
2013-14	83	267	21.79	14	76	6.28	21	76	10.48	76	267	17.59
2014-15	76	267	17.59	15	89	13.96	11	66	3.62	80	290	27.93
2015-16	80	290	27.93	17	80	11.35	14	58	5.04	83	312	34.24
2016-17	83	312	34.24	14	96	8.38	01	30	1.98	96	378	40.64

It would be evident from **Table 4.1.11** that against 33 outstanding IRs with 101 paragraphs as at the end of June 2008, the number of outstanding IRs increased to 96 with 378 paragraphs at the end of June 2017. This is indicative of the fact that adequate steps were not taken by the department in this regard resulting in addition of the outstanding IRs and paragraphs.

4.1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last ten years, those accepted by the Department and the amount recovered are shown in **Table 4.1.12**.

Table 4.1.12: Position of recovery of accepted Audit paragraphs of Audit Reports*(₹ in crore)*

Year of Audit Report	Number of paras included	Money value of the paras	Number of paras accepted including money value	Money value of accepted paras	Amount recovered during the year	Position of recovery of accepted cases as of September 2017
2006-07	1 ⁶	0.06	-	-	-	-
2007-08	1	0.34	1	0.34	-	0.22
2008-09	3 ⁷	6.76	3	6.76	0.00 ⁸	0.11
2009-10	3	1.74	2	1.16	Nil	0.60
2010-11	3 ⁹	3.12	3	3.12	0.05	0.39
2011-12	1	0.87	1	0.87	0.02	0.07
2012-13	1	1.51	1	1.51	Nil	0.22
2013-14	3 ¹⁰	11.17	3	6.06	Nil	0.24
2014-15	2	0.39	2	0.39	0.23	0.28
2015-16	2	0.46	2	0.46	-	-
Total	20	26.42	18	20.67	0.30	2.13

It is evident from **Table 4.1.12** that the progress of recovery even in accepted cases was very slow. During the last ten years, 20 paragraphs involving ₹ 26.42 crore featured in the Audit Reports, of which 18 paragraphs involving ₹ 20.67 crore had been accepted by the State Government. Out of this, ₹ 2.13 crore (8.06 *per cent*) had been recovered (February 2018). Thus, the recovery of accepted cases needs to be pursued as arrears and recovered from the parties concerned.

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

4.1.8 Action taken on the recommendations accepted by the departments/Government

The draft performance audits conducted by the AG (Audit) are forwarded to the concerned department for information with a request to furnish its replies. These performance audits are also discussed in exit conference and the department's views are incorporated/considered while finalising the Audit Report.

The following performance audits on the Finance (Excise & Taxation) Department and Transport Department featured in the Audit Reports of the last five years from 2011-12 to 2015-16. The number of recommendations and their status is given in **Table 4.1.13**.

⁶ 1 Para (Para No. 6.15) has been referred to the State Government.

⁷ Including one Performance Audit.

⁸ Negligible figure amounting to ₹ 3,280 only.

⁹ Including one Performance Audit.

¹⁰ Including one Performance Audit.

Table 4.1.13

Year of Report	Name of the performance audit	No. of recommendations	Status (as on September 2017)
2011-12	Computerisation of Transport Department in Tripura.	7	Reply had not been received. The Performance Audit had not been discussed by PAC.
2013-14	Computerisation of Value Added Tax (VAT) Systems in Tripura.	4	The Performance Audit had not been discussed by PAC.
2014-15	IT Audit on Computerisation of Land Records.	3	Reply had not been received. The Performance Audit had not been discussed by PAC.
2015-16	Collection of Revenue from outsourced Activities in Motor Vehicle Tax.	4	Reply had not been received. The Performance Audit had not been discussed by PAC.

4.1.9 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 the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* 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, factors of the tax administration, audit coverage and its impact during past five years, etc.

During the year 2016-17, there were 32 auditable units, of which 21 units were planned for audit and 19 units were actually audited.

Besides the compliance audit mentioned above, Performance Audits of “Systems and Procedures in force in the Taxes and Excise Organisation regarding Excise Duty” and “Border Area Development Programme (BADP)” were taken up during 2017-18 for inclusion in Revenue Sector of the Report of CAG for the year 2016-17.

4.1.10 Results of audit

Position of local audit conducted during the year

Test-check of the records of 19 units of Sales Tax/VAT, State Excise, Registration, Motor Vehicles and other departmental offices conducted during the year 2016-17 showed under assessment/short levy/loss of revenue/non-realisation of outstanding revenue aggregating to ₹ 8.19 crore in 70 cases. Of these, the departments recovered ₹ 0.35 crore involving four cases. During the year 2016-17, the departments concerned accepted underassessment and other deficiencies of ₹ 4.25 crore involved in four cases which were pointed out in audit.

4.1.11 Coverage of this report

This chapter contains two Performance Audit Reports on “Systems and Procedures in force in the Taxes and Excise Organisation regarding Excise Duty”, “Border Area Development Programme (BADP)” and three Compliance Audit Paragraphs having a financial effect of ₹ 31.87 crore.

Finance Department

4.2 Systems and procedures in force in the Taxes and Excise Organisation regarding Excise Duty

Government of Tripura collected ₹ 674.90 crore of excise revenue during the period 2012-17. The Performance Audit on “Systems and procedures in force in the Taxes and Excise Organisation regarding Excise Duty” covering the period 2012-17 was undertaken to assess the functioning of the Organisation with respect to grant of licenses and permits, levy and collection of excise revenue and adequacy and effectiveness of internal control mechanism.

Highlights

There was no prescribed standard norms for production of IMFL resulting in loss of revenue of about ₹ 1.39 crore.

{Paragraph 4.2.9.1(i)}

Fresh permits were issued by adjusting the import permit fee of lapsed permits which was irregular and resulted in loss of ₹ 1.33 crore.

{Paragraph 4.2.9.2(ii)}

Undue financial benefit of ₹ 0.75 crore was extended to four bonded warehouses as residual import fee payable on revision of rates was not realised.

{Paragraph 4.2.9.2(iii)}

There was no mechanism to ensure realisation of residual excise duty after revision of rates, which resulted in loss to Government of ₹ 1.43 crore.

{Paragraph 4.2.9.3(i)}

There was no provision for imposition of interest and penalty on delayed payment of excise dues which led to undue delay in payment by the licencees.

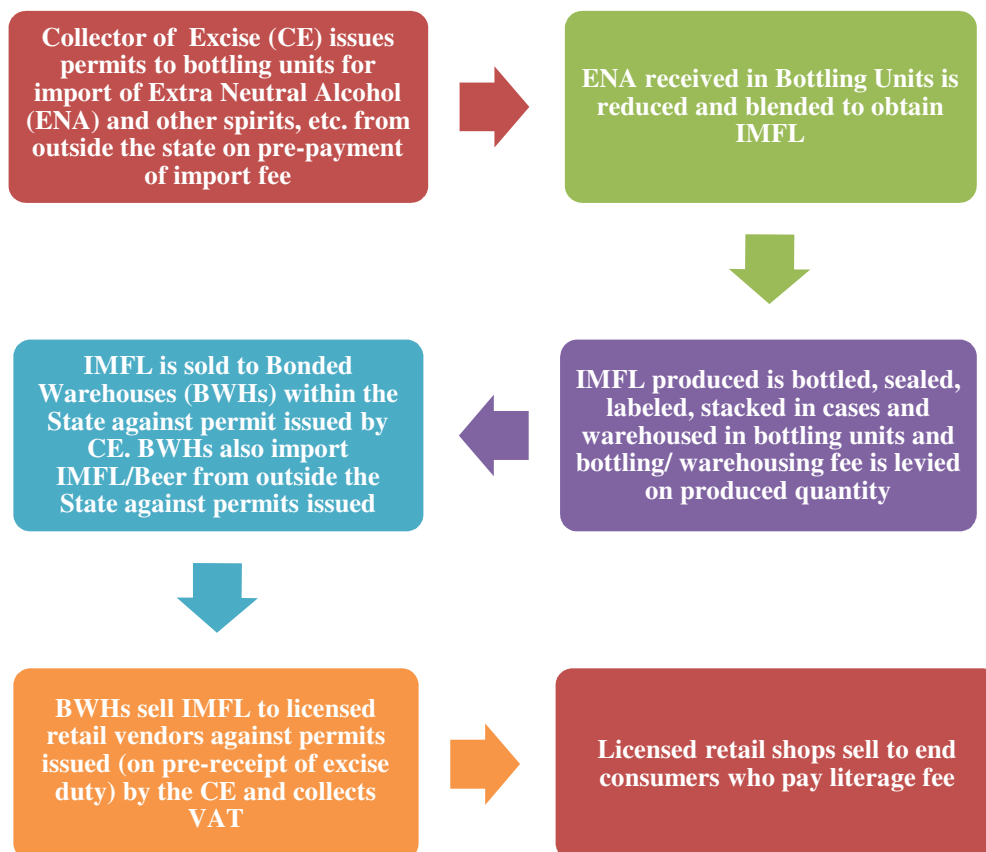
(Paragraph 4.2.10.1)

4.2.1 Introduction

Taxes and Excise Organisation, functioning under the Finance Department, Government of Tripura, plays an important role in mobilisation of tax revenue. Excise Duty is levied on all alcoholic liquors meant for human consumption by the State Government under a constitutional provision (Entry 51 of the State List contained in the Seventh Schedule to the Constitution of India). The functioning of the State Excise Organisation is governed by the provisions of the Tripura Excise Act, 1987 and the Tripura Excise Rules, 1990, as amended from time to time, and various administrative orders. Import, bottling, distribution and sale of liquor in the State are controlled through licensed bottling units, bonded warehouses and the retail

shops. Excise revenue is generated through imposition of duties and fees on import, bottling, storage and sale of liquor.

The procedure involved in production, distribution and sale of India Made Foreign Liquor (IMFL) in the State is indicated in the work flow chart below:



4.2.2 Organisational set up

The Commissioner of Taxes and Excise is the head of the organisation in the State. The Commissioner is assisted by the Deputy Excise Commissioner and two Assistant Excise Commissioners at the State headquarters. The State is divided into eight excise districts, which are also the revenue districts of the State, for administration of levy and collection of excise duties. In the districts, the District Magistrate & Collector functions as the Collector of Excise (CE) who is entrusted with the responsibility of supervision and control over the working of the distilleries, bonded warehouses and the retail shops in the district. The CE is assisted by a Superintendent of Excise along with Excise Inspectors and other supporting staff.

4.2.3 Scope of Audit

The Performance Audit (PA) was conducted during April to June 2017 through test check of records pertaining to the period from 2012-13 to 2016-17. The Office of the Commissioner of Excise, Agartala and five out of eight District Collectors of Excise (CEs) were selected for audit. The district units were selected considering the revenue

generated during the period covered in audit and other relevant risk factors based on past audit experience. The audit team examined records in the Office of the Commissioner of Excise, Tripura and five¹¹ excise districts of the State covered in this PA. All the two Bottling Plants, four IMFL and the lone Country liquor Bonded Warehouse in the State were also selected for audit.

4.2.4 Audit objectives

The Performance Audit was conducted to ascertain whether:

- a. the systems and procedures in place were effective and adequate for the purpose of grant of licences and permits for import, manufacture, distribution and sale of liquor;
- b. the systems and the procedures for regulating levy and collection of various duties, fees and fines under the Act and Rules were sufficient and were complied with by the Department; and
- c. the internal control mechanism was adequate and effective for ensuring compliance with the extant rules and regulations and prevented leakage of revenue.

4.2.5 Audit criteria

The criteria used for the Performance Audit are as follows:

- a. Statutory requirements under the provisions of the Tripura Excise Act, 1987, Tripura Excise Rules, 1990, the Tripura Excise (Amendment) Rules 1991, the Tripura Excise (Registration of Brand names, Labels, Capsules) Rules 1996 and the Tripura Excise (Import of IMFL and Beer) Rules 1996;
- b. Policies, procedures and systems laid down by the Government/Department and best practices followed in other States;
- c. Executive orders, memorandum and notifications issued by Government/Department from time to time; and,
- d. General Financial Rules, 2005.

¹¹ Districts, Units and Distilleries/Bonded Warehouses covered in PA are:

Districts covered	Units covered in PA	Distilleries/ Bonded Warehouses covered in PA
West Tripura	i) Office of the Commissioner of Excise ii) Collectorate of Excise, West Tripura	a) Gemini Distilleries Pvt. Ltd. b) New Rajdhani Bonded Warehouse c) Tripura Bonded Warehouse d) Tripura Small Scale Industries Country Liquor Bonded Warehouse
Dhalai	Collectorate of Excise, Dhalai	-
Gomati	Collectorate of Excise, Gomati	a) Udaipur Bonded Warehouse
North Tripura	Collectorate of Excise, North Tripura	-
Unakoti	Collectorate of Excise, Unakoti	a) Unakoti Bottling and Beverages Pvt. Ltd. b) Unakoti Bonded Warehouse

4.2.6 Audit Methodology

An Entry Conference was held on 8 April 2017 with the Commissioner of Excise, Government of Tripura, wherein the audit objectives, scope and criteria were discussed. Audit conclusions were drawn after scrutiny of records, analysis of the available data and responses to questionnaires and audit memos. The draft report was issued to the Department on 16 August 2017 and reply was received on 6 November 2017. Audit findings were discussed with the Principal Secretary, Finance Department in an Exit Conference held on 9 November 2017. Views of the Organisation/ Department have been suitably incorporated in this PA, wherever applicable.

4.2.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the State Excise Organisation in providing necessary information and records as and when required by audit.

4.2.8 Financial Analysis

4.2.8.1 Trend of collection of excise duties

The trend of collection of excise duties during the period from 2012-13 to 2016-17 is given in **Table 4.2.1**:

Table 4.2.1: Trend of collection of excise duties

(₹ in crore)

Year	Budget Estimates	Actual collection	Variation increase (+)/ decrease(-)	Percentage variation
2012-13	100.00	114.00	(+)14.00	(+)14
2013-14	128.70	115.18	(-)13.52	(-)11
2014-15	179.46	138.96	(-)40.50	(-)23
2015-16	180.00	143.57	(-)36.43	(-)20
2016-17	165.00	163.19	(-)1.81	(-)1

Source: Budget at a Glance and Finance Accounts for 2012-13 to 2016-17.

It could be seen from **Table 4.2.1** that actual collection increased consistently from 2012-13 to 2016-17. However, it lagged behind the budget estimates in four out of five years of the audit period. Moreover, the variation between budget estimates and actual collection showed an erratic trend, ranging from (+) 14 to (-) 23 *per cent*.

4.2.8.2 Cost of collection

A comparison between revenue realised and cost of collection is shown in **Table 4.2.2**:

Table 4.2.2: Revenue realised and cost of collection*(₹ in crore)*

Year	Revenue collected	Cost of collection	Percentage of cost of collection	All India average of cost of collection
2012-13	114.00	1.35	1.18	2.96
2013-14	115.18	1.66	1.44	1.81
2014-15	138.96	1.91	1.37	2.09
2015-16	143.57	2.60	1.81	3.21
2016-17	163.19	7.37	4.52	NA

Source: Finance Accounts.

It could be seen from **Table 4.2.2** that the percentage of expenditure on cost of collection during the first four years (2012-16) had registered, by and large, a uniform trend. However, in 2016-17, the expenditure on collection of revenue was 4.52 *per cent* in contrast with the preceding year's expenditure of 1.81 *per cent*, an increase of 183.46 *per cent* in cost of collection within one year. The Organisation replied (November 2017) that the sudden increase in cost of collection were due to recruitment of new staff as well as revision of grade pay.

4.2.9 Audit findings

In Tripura, bottling units, bonded warehouses and retail shops produce and distribute IMFL/Beer within the State. Besides, there is one Country Liquor Warehouse for supply of country liquor to the consumers through the retailers located across the State. Audit findings are categorised accordingly.

4.2.9.1 Bottling units

As no distillery had been set up in Tripura, there was no production of Extra Neutral Alcohol (ENA)¹² and other malt spirits in the State. To meet the demand for ENA and other malt spirits required for production of IMFL/Beer, the licenced bottling units import ENA and other spirits from outside the State against import permits issued by the CEs.

Deficiencies in the working of bottling units were noticed in audit. They are discussed in the ensuing paragraphs:

4.2.9.1 (i) Production of IMFL from ENA

In the Bottling Units, ENA of various strengths (minimum 68 degree over proof) is reduced to 75 degree proof and blended with colour and flavour to derive IMFL for human consumption. As per standard norms followed by Assam and Meghalaya, 4¹³ Bulk Litre (BL) of ENA is required to produce one case¹⁴ of 750 ml/375 ml IMFL bottles and 3.86 BL of ENA is required to produce one case of 180 ml IMFL bottles.

¹² ENA is a highly distilled alcohol without any impurities. ENA is considered as the best quality alcohol to be used in production of various alcoholic beverages. At 20⁰ Celsius, the strength of ENA is minimum 96 *per cent* v/v, which is equal to 68⁰ over proof.

¹³ Requirement of ENA to produce 1 case of 750/ 375 ml bottles: (9 BL × 0.75)/ 1.68 = 4.01 BL ENA

¹⁴ One case contains 12 bottles of 750 ml or 24 bottles of 375 ml or 48 bottles of 180 ml. Each case of IMFL consisting 750/375 ml bottles contains 9 BL or 6.75 LPL and one case of 180 ml IMFL bottles contain 8.64 BL or 6.48 LPL; thus, average content per case is calculated as 8.8 BL or 6.615 LPL.

Thus, on an average, 3.93 BL of ENA would be required for producing one case of 750 ml/ 375 ml/ 180 ml IMFL bottles. The Excise organisation collects Excise duty in London Proof Litre (LPL) which is 0.75 of one BL.

The Tripura Excise Act, 1987 and Tripura Excise Rules, 1990, however, do not provide any standard norm for production of IMFL from ENA. The organisation had also not prepared any technical manual/norms for production of IMFL. Hence, the excise duty payable on the total quantity of IMFL produced from the imported ENA is open to manipulation and there is risk of evasion of tax by way of claims of less production of IMFL.

Test check of records of the selected bottling units revealed that production trend in Unakoti Bottling and Beverages Ltd., Kumarghat were on the lines of standard norm discussed above. However, in the other bottling unit, Gemini Distilleries Pvt. Ltd., Bodhjunnagar, Agartala, 31.36 lakh BL of ENA was utilised to produce 7,91,062 cases of IMFL during the last five years. As per the standard norm, a minimum of 7,97,956 cases¹⁵ of IMFL should have been produced. Thus, there was a shortfall in production of 6,894 cases of IMFL. Considering that only the ENA was used in the production of IMFL without involving malt spirits, loss in revenue due to short production amounted to ₹ 1.39 crore (excise duty: ₹ 1.03 crore¹⁶ and VAT: ₹ 0.36 crore¹⁷ calculated at prevailing rate). The loss would be even more if malt spirit utilisation is taken into account.

The Organisation stated (November 2017) that there was no standard norm provided in The Tripura Excise Act, 1987 and Tripura Excise Rules, 1990 for production of IMFL from ENA. The organisation also stated that consumption of ENA for production of IMFL may vary according to the size of the bottles and content of case. Thus, using average parameter to calculate outcome of ENA uses would not be practicable.

The reply of the Organisation is not tenable as all over India, size of the bottle is the same, i.e., 750 ml, 375 ml and 180 ml and also all over India, the content of the concentrate is the same. The Organisation may fix specific norms for production of every size i.e. 750/375 ml and 180 ml bottles or follow the norms adopted in the neighbouring States.

4.2.9.1 (ii) Production loss

In one¹⁸ out of the two bottling units covered in audit, loss in production was 69,037.10 BL blend spirits representing 7,845 cases¹⁹ of IMFL during 2012-17, which involved excise duty of ₹ 1.17 crore and VAT of ₹ 0.41 crore at prevailing rates. There was no provision for allowing such losses during production under the relevant Act and Rules or any specific order of the Organisation. The Organisation did not

¹⁵ $31,35,965.336 / 3.93 = 7,97,956$ cases

¹⁶ $6,894 \text{ cases} \times 6.615 \text{ LPL} = 45,604 \text{ LPL} \times ₹ 225/\text{LPL} = ₹ 1,02,60,900$

¹⁷ 35 per cent of ₹ 1,02,60,900 = ₹ 35,91,315.

¹⁸ Gemini Distilleries Private Limited, Bodhjangnagar, Agartala

¹⁹ One case of IMFL contains an average 8.8 BL of Blend Spirit.

take note of the benefit of unauthorised production loss availed by the unit to prevent any concealed production. While one bottling unit continued to avail unauthorised production loss in each batch of production, the other unit (Unakoti Bottling and Beverages, Kumarghat) had not claimed any such production loss, although both the units followed the same production procedure.

The Organisation stated (November 2017) that Rule 87 of the Tripura Excise Rules, 1990 provides for wastage allowance of 1.5 *per cent* for stock and additional wastage of 2 *per cent* on the proof quantity of spirit removed for bottling in a Bonded Warehouse.

Rule 87(1) and (2) provide for wastage allowance during periodical stock taking and annual calculation of duty on such wastage respectively, but it is silent on allowing wastage allowance on production in a distillery, which is the point of the audit observation.

4.2.9.2 Bonded Warehouse

4.2.9.2 (i) Security Deposit

As per condition of licence (clause 12) and Rule 70 read with Rule 53 of the Tripura Excise Rules, 1990, before actual operation of a BWH, the licensee was required to (i) furnish security deposit of ₹ 50,000 either in cash or in Government Promissory Notes and (ii) execute a hypothecation bond in the prescribed form pledging the warehouse with stock of liquor, etc. for due discharge of all payments of Government revenue which may become due. Clause 16 further provides that breach of any conditions of the licence would entail forfeiture of the security deposit.

Audit scrutiny revealed that in the case of one BWH²⁰, the existing security deposit of ₹ 50,000 was not realised at all. The same licensee had continuously been operating the BWH for more than 18 years (₹ 50,000 fixed in November, 1999) without security deposit. Further, hypothecation deed which was required to be executed on stock to Government in this case as per clause 12 of the licence, was also not done.

The Organisation stated (November 2017) that steps had been taken to realise the security deposit from the BWH as per Rule.

4.2.9.2 (ii) Issue of fresh permit against lapsed permit

As per Tripura Excise Rules, 1990, import of IMFL/Beer into the State should be supported by an import permit issued by the CE on pre-payment of import permit fee by the BWHs at rates notified by the Government from time to time. The import permits so granted would remain valid for such period as may be specified in the permit (normally three months from date of issue). Moreover, as per Memorandum dated 22 April 1997, Bonded Warehouses executing bond under Rule 6 of Tripura Excise (Import of IMFL and Beer) Rules 1996 may be given a time of 75 days after expiry of the date of import permit to produce Non-Execution Certificate (NEC). In

²⁰ Udaipur Bonded Warehouse.

case of failure to produce NEC, no permit shall be issued to the defaulting Bonded Warehouse till they deposit the Excise duty payable on such permit or submit NEC.

It was revealed that BWHs²¹ could not utilise 197 import permits²² within the validity period during 2012-17. They also did not seek re-validation before the lapse of the unexecuted import permits. On submission of NEC by the BWHs after expiry of the validity period, the Organisation issued fresh import permits by simply adjusting the pre-paid import permit fees of the lapsed permits. The excise revenue involved in this practice of issuing fresh import permit on 197 expired import permits was ₹ 1.33 crore as detailed in **Table 4.2.3**. This was irregular as the Tripura Excise Act & Rules do not provide for adjustment of fees for fresh import permits against fees already paid for import permits which were not utilised.

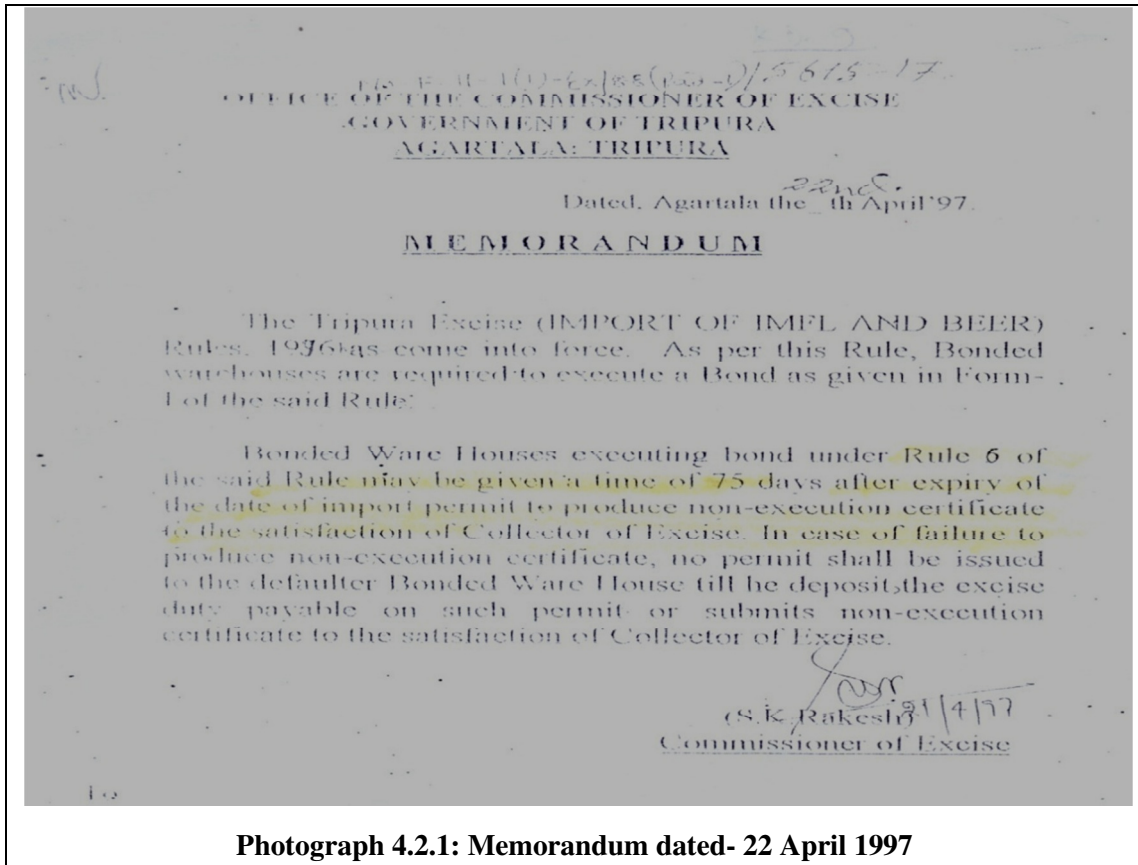
Table 4.2.3: Statement showing issue of fresh import permit against lapsed import permit for import of IMFL/Beer to four Bonded Warehouses

Sl. No.	Name of Bonded Warehouse	Collector of Excise	No. of import permits	Quantity (in BL)	Amount (₹ in lakh)
1	M/s Kumarghat Bonded Warehouse, Kumarghat	Collector of Excise, Unakoti District	83	6,75,582.0	62.80
2	M/s New Rajdhani Bonded Warehouse, Math Chowmuhani, Agartala	Collector of Excise, West Tripura District	46	3,96,345.0	30.68
3	M/s Tripura Bonded Warehouse, Motor Stand Road, Agartala	Collector of Excise, West Tripura District	58	4,30,650.6	31.94
4	M/s Udaipur Bonded Warehouse, Udaipur	Collector of Excise, Gomati District	10	87,090.0	7.41
Total			197	15,89,667.6	132.83

The Organisation stated (November 2017) that adjustment was done in accordance with the spirit of the Memorandum No. F.II-1(1)-Ex/88(Pad-1)/5615-17 dated 22 April 1997 issued by the Commissioner of Taxes, Government of Tripura and prescribed import format as shown in **Photograph 4.2.1** below.

²¹ Kumarghat Bonded Warehouse at Kumarghat, New Rajdhani Bonded warehouse and Tripura Bonded Warehouse at Agartala and Udaipur Bonded Warehouse at Udaipur.

²² Obtained for import of IMFL from outside the State on pre-payment of prescribed import fee



Photograph 4.2.1: Memorandum dated- 22 April 1997

The Memorandum however, addresses the issue of production of NEC or deposit of excise duty in case of any default in import, and not on adjustment of import fee, which is point of the audit observation.

Verification of NEC

The issue of NECs for non-execution of import permit of IMFL were done by the Excise Inspector of the exporting distilleries. The organisation had not put in place any mechanism for cross verification of genuineness of the NECs with the issuing authorities. In this context, the best practices prevailing in other neighbouring States where the countersignature of the Superintendent of Excise of the consignor districts was required in the NECs should be referred and adopted by the organisation.

The Organisation stated (November 2017) that cross verification of NEC would be initiated with local distilleries, while it may not be possible in case of distilleries outside the State.

The Organisation may initiate a system of regular cross verification of NEC with local as well as outside distilleries.

4.2.9.2 (iii) Enhanced import fee

BWHs import liquor (IMFL & Beer) under authority of a licence issued by the Collector of Excise for supply to retail licence vendors within the State. The import permit is issued to BWHs on pre-receipt of import fee (against import from outside the State only) at rates fixed by Government from time to time. The import fee so paid is recouped by the BWHs from retail vendors on sale.

The rate of import fee on IMFL and Beer was revised by the Government with effect from 21st December 2016 (IMFL: ₹ 20 from existing ₹ 15 per BL; Beer: ₹ 10 from existing ₹ 6 per BL). Scrutiny of the records of four²³ BWHs revealed that a stock of IMFL (10,00,611.3 BL) and Beer (6,34,812 BL) from imports outside the State, were available with the BWHs for sale on or after 21st December 2016 i.e. the day on which revised rate was effective. This stock of liquor was imported against import permit issued prior to revision of rates at pre revised rate (IMFL: ₹ 15/BL and Beer: ₹ 6/BL) as detailed in **Table 4.2.4**.

Table 4.2.4: Statement showing total available stock of liquor in four Bonded Warehouses as on 21.12.2016

Name of the Bonded Warehouse	Quantity in stock		Difference of pre-revised and revised rates of import fee	Import fee involved (₹ in lakh)
	IMFL (in BL)	Beer (in BL)		
Kumarghat BWH	3,53,680.45	3,02,213.30	IMFL at the rate of ₹ 5 per BL and Beer at the rate of ₹ 4 per BL	29.77
Udaipur BWH	4,09,280.90	2,15,782.35		29.10
Tripura BWH	1,07,185.59	28,037.20		6.48
Rajdhani BWH	1,30,464.36	88,779.10		10.07
Total	10,00,611.30	6,34,811.95		75.42

Further scrutiny revealed that with the revision of rates, the BWHs sold the old stock liquor to retail vendors at the revised rates from 21st December 2016. Thus, the BWHs had realised an extra import fee of ₹ 75.42 lakh at the revised rates on the old stock which was payable to the Government. The BWHs had neither credited the same to Government account nor did the Organisation recover the extra revenue due to Government. On this being pointed out (August 2014 - January 2015) in audit earlier, the Organisation realised (August 2014 – July 2015) extra import fee (₹ 19.60 lakh) at revised rate on stock of liquor on account of enhancement of import fee from 7th November 2013.

While accepting audit observation, the Organisation stated (November 2017) that steps had been taken to realise enhanced import fee.

4.2.9.3 Retail liquor shops

4.2.9.3 (i) Enhanced excise duty

Rule 175 read with Rule 188 of Tripura Excise Rules, 1990 provides that regular and accurate daily accounts shall be maintained by all persons holding licenses for the manufacture or vend of any intoxicant, that shall be produced as and when called for and also report to the Collector of Excise on arrival and receipt of all liquor consignment immediately stating the description and quantity of such liquor.

Licensed retail vendors lift liquor from BWHs against lifting permits issued by the district excise authorities against pre-receipt of excise duty payable on the quantity

²³ Tripura BWH and Rajdhani BWH under West Tripura District, Kumarghat BWH under Unakoti District and Udaipur BWH under Gomati District.

permitted. The rate of excise duty on liquor was revised for IMFL from ₹ 200 per LPL to ₹ 225 per LPL and Beer from ₹ 30 per BL to ₹ 40 per BL with effect from 21th December 2016.

Scrutiny revealed that as on 20 December 2016, 54 licenced IMFL retail shops in the five districts covered under this PA had a total stock of 4,55,336.827 LPL of IMFL and 2,89,367.950 BL of Beer. Therefore, the extra amount of excise duty of ₹ 1.43 crore²⁴ on the old stock at the revised rate from 21 December 2016 had become payable to the Government. The Organisation could not ensure realisation of residual excise duty after revision of rates due to failure in enforcement of adequate and regular check of daily accounts maintained by the retailers as envisaged in Tripura Excise Rules, 1990. This resulted in loss to Government of ₹ 1.43 crore.

4.2.10 Other points of interest

4.2.10.1 Provision of the Act and Rules

Test check of the records for the period 2012-17 relating to payment of various excise duties by the licencees revealed that there was inordinate delay in payment of Government dues. There was no provision for levy of interest or penalty from the defaulting licencees in the Tripura Excise Act, 1987 and the Tripura Excise Rules, 1990.

The Motor Vehicles Act and Tripura Value Added Tax Act provide provisions for imposing interest or penalty on any defaulter. In case of Sales Tax in particular, Section 25(1) of the Tripura Value Added Tax Act, 2004 provide for imposition of interest at the rate of one and half *per cent* per month from the date the tax payable had become due to the date of its payment.

Test check of 851 out of 3,816 cases (22.30 *per cent*) of payment of Government revenue during 2012-13 to 2016-17 revealed that the delay in payment of excise dues to Government by the licencees ranged from 1 to 12 months as detailed in **Table 4.2.5** below.

Table 4.2.5: Period of delay in payment of excise dues

Delay	1 month	2 months	3 months	4 months	5 months	6 months	7 months	8 months	12 months
Number of cases	363	220	138	71	32	22	2	2	1

Had there been provision in the Excise Act and Rules for interest or penalty for default in payment in line with the Sales Tax Act, the interest accrued in these 851 cases would have been around ₹ 37.37 lakh.

Thus, absence of interest or penalty provision for default in payment of Government revenue in the Excise Act and Rules unlike in the Motor Vehicle Act and Sales Tax

²⁴ (IMFL: 4,55,336.827 LPL X ₹ 25 per LPL= ₹ 1,13,83,421) + (Beer: 2,89,364.950 BL X ₹ 10 = ₹ 28,93,650) i.e. ₹ 1,42,77,070.

Act not only resulted in failure to serve as deterrent for late payment of Government revenue but also caused loss to Government.

The organisation stated (November 2017) that they would examine the issue and decision would be taken.

4.2.10.2 Co-ordination with other Organisations

In respect of sale of goods on which excise duties were applicable under the Tripura Excise Act as well as VAT under Tripura VAT Act, a close coordination between the Commercial Tax Organisation and Excise Organisation was essential to ensure proper control and monitoring on the transactions on which tax was applicable to prevent leakage of revenue.

Scrutiny of the working of the two organisations with regard to the complimentary roles both the organisations could play in ensuring the shared task of augmenting the revenue of the State Government revealed that more needs to be done to prevent leakages of revenue due to Government as discussed below:

- a. Taxation Organisation makes assessments of dealers to determine the annual turnover for calculation of VAT by cross verification of import/sale records of IMFL, Beer, etc. This information can be shared between the two organisations so that it could serve as a source of crucial data for the Excise Organisation to cross check the correctness of excise duties paid by the licencees.
- b. All registered dealers (turnover exceeding ₹ 40 lakh²⁵) are required to submit audited accounts annually to the Taxation Organisation to enable the assessing officers to cross verify the figures shown in the returns with those shown in the audited accounts certified by a Chartered Accountant. However, no such system existed in the Excise Organisation. A system of obtaining audited accounts along with annual return would have helped the Excise Organisation to detect variation in stock position of the licenced dealers.

The organisation stated (November 2017) that decision would be intimated after careful examination.

4.2.11 Conclusion

The performance audit revealed a number of systemic as well as procedural deficiencies in the organisation. Audit noticed non-adherence to standard norms of production by bottling units. The excise organisation issued fresh permits against the adjustment of import permit fee of lapsed permits. Audit also noticed absence of system of regular cross verification of NECs with the exporting States. There was no provision of interest or penalty for default in payment of Government dues. Enhanced import fee from Bonded Warehouses and Excise duty from retailers were not realised after revision of rates. Thus, the systems and procedures for regulating levy and collection were insufficient and ineffective.

²⁵ Under Section 53 of the Tripura Value Added Tax Act, 2004.

There was no provision of interest or penalty for default in payment of Government revenue in the Excise Act and Rules unlike in the Motor Vehicle Act and Sales Tax Act. This not only resulted in failure to serve as deterrent for late payment of Government revenue but also caused loss to Government.

4.2.12 Recommendations

Government may consider implementing the following:

- a. A technical manual prescribing standard norms of production of IMFL from ENA may be prescribed to prevent evasion of Government revenue and to ensure quality of IMFL;
- b. Issue of fresh permits against adjustment of import fee of lapsed permits may be reviewed. A mechanism for cross verification of NECs with the issuing authorities may be put in place;
- c. Provision for imposition of interest/penalty on delayed payment of excise dues may be incorporated suitably.

Revenue Department

4.3 Border Area Development Programme

The Border Area Development Programme (BADP) has been implemented in Tripura since 1993-94. Government of Tripura spent ₹ 245.95 crore for implementation of 2007 works under various sectors in the state during 2012-17. The performance audit of BADP for 2012-17 was undertaken to assess whether the BADP was implemented in the State economically, efficiently and effectively.

Highlights

Baseline surveys were not conducted in the border villages and 83 per cent of the villages did not prepare village wise plans during 2012-17.

(Paragraph 4.3.7.1)

Government of India (GoI) short released ₹ 10.38 crore during 2014-15 and 2016-17 as the State Government failed to submit Utilisation Certificates.

(Paragraph 4.3.7.2)

There was suspected misappropriation of ₹ 0.38 crore, doubtful execution of work valued ₹ 0.12 crore and wasteful expenditure of ₹ 0.64 crore on eight works.

{Paragraphs 4.3.7.3 (i), 4.3.7.3 (ii) and 4.3.7.3 (iii)}

Improper planning and failure to conduct baseline surveys resulted in idle expenditure of ₹ 2.30 crore on execution of 19 projects and unfruitful expenditure of ₹ 18.18 lakh on two work.

{Paragraph 4.3.7.3 (v)}

Seven works valued at ₹ 0.98 crore for the benefit of individuals and 43 non permissible works amounting to ₹ 2.02 crore were executed.

{Paragraphs 4.3.7.3 (vi) and 4.3.7.3 (vii)}

Four works had been suspended after incurring expenditure of ₹ 1.29 crore due to shortage of fund and 39 works valued at ₹ 0.87 crore had not been started till April-June 2017 due to non finalisation of site, delay in sanction of estimates, shortage of funds, etc.

{Paragraph 4.3.7.3 (viii)}

4.3.1 Introduction

The Department of Border Management, Ministry of Home Affairs, Government of India (GoI), has been implementing the Border Area Development Programme (BADP), a Centrally Sponsored Scheme through the State Governments as part of a comprehensive approach to Border Management. BADP was started during the Seventh Five Year Plan (FYP) (1985-90) with the objective of balanced development of sensitive border areas in the Western Region through adequate provision of infrastructure facilities and promotion of a sense of security amongst the local population. The programme was revamped during the Eighth FYP (1992-97) and extended to States having an international border with Bangladesh. During the Ninth

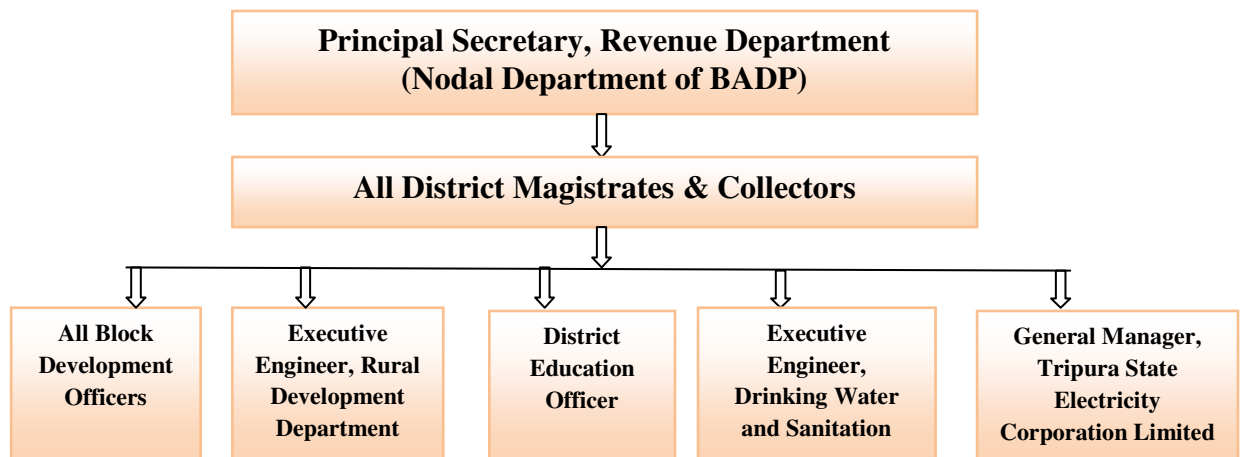
FYP (1997-2002), the programme was further extended to States located at the border of Myanmar, China, Bhutan and Nepal. Since 2008, BADP covers all the seventeen states in the country which share an international land border with the neighboring countries.

The programme aims to meet the special development needs of the people living in remote and inaccessible areas situated near the international border. It also aims to saturate the border areas with the required essential infrastructure through convergence of Central/State/Local schemes and participatory approach. Therefore, BADP is a major intervention strategy of the Central Government to bring about comprehensive development of border areas by supplementing the State Plan Funds to bridge the gaps in socio-economic infrastructure on one hand and by improving the security environment in border areas on the other.

The BADP has been in operation in Tripura, in the border blocks along the Indo-Bangladesh international border (856 Km) since 1993-94. Guidelines of the BADP were revised in February 2009, February 2014, June 2015 and January 2017.

4.3.2 Organisational Structure

The organisational set up for implementation of BADP is given in the organogram below:



4.3.3 Scope of Audit

Performance Audit (PA) on implementation of BADP in Tripura during the period from 2012-13 to 2016-17 was conducted during April 2017 to June 2017. Audit methodology involved test check of records of the BADP Cell of the Revenue

Department and three districts²⁶ out of eight districts in the State selected using Simple Random Sampling Without Replacement (SRSWOR) method. Nine out of fourteen Rural Development (RD) Blocks in the selected districts, all four RD Divisions, all two District Education Offices and three other units²⁷ under the three selected districts were covered in this PA. In addition, on the basis of media reports (newspaper clippings), three RD Blocks²⁸ (one each under West Tripura, Dhalai and North Tripura District) were covered.

Apart from scrutiny of records, physical inspection of projects along with departmental representatives was also conducted. Photographic evidence were taken where ever necessary, to substantiate audit findings. Beneficiary survey on capacity building and skill development was also conducted.

Details of selection of border blocks and execution of works are shown in **Table 4.3.1.**

Table 4.3.1: Details of selection of border blocks and works
(in number)

District		Border blocks			Works taken up during 2012-17			No of works physically verified
Total in the State	Selected	Total in the State	Total in the three selected districts	Total blocks selected for PA	Total in the State	No of works in three selected districts and in two additional selected blocks	No of works executed by 12 selected blocks	
08	03	31	14	12*	2007	967	759	419**

Note: * Out of 14 blocks in three selected districts nine blocks were selected and in addition on the basis of media reports (newspaper clippings) three blocks (one each under West Tripura, Dhalai and North Tripura District) were selected.

** In addition physical verification of 419 works out of 759 works executed in the selected blocks were also conducted.

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District covered in PA	Blocks covered in PA	Other Implementing Agencies covered in PA
West Tripura	Dukli	1. Executive Engineer, Agartala Rural Development Division 2. Executive Engineer, Agriculture Department 3. District Education Officer, West Tripura District
	Hezamara	
	Mohanpur	
	Bamutia	
South Tripura	Hrishyamukh	1. Executive Engineer, Santir Bazar Rural Development Division 2. Executive Engineer, Satchand Rural Development Division
	Rajnagar	
	Satchand	
Unakoti	Gournagar	1. Executive Engineer, Kumarghat Rural Development Division 2. District Education Officer, Unakoti District 3. District Rural Development Agency, Unakoti District 4. Deputy Director of Horticulture, Kumarghat
	Chandipur	
	Kumarghat	

²⁷ Executive Engineer, Agriculture Department, West Tripura; District Rural Development Agency, Unakoti District and Deputy Director of Horticulture, Kumarghat, Unakoti District

²⁸ Mohanpur RD Block, West Tripura District; Dumburnagar RD Block, Dhalai District and Kadamtala RD Block, North Tripura District.

4.3.4 Audit Objectives

The PA was taken up to assess whether:

- a. the planning process for the implementation of the scheme was adequate, effective and according to the BADP Guidelines;
- b. the programme was implemented with due regard to economy, efficiency and effectiveness;
- c. implementation of the scheme was properly monitored; and,
- d. the objectives of the programme have been achieved.

4.3.5 Audit Criteria

The following sources of audit criteria were adopted for the PA;

- a. Revised guidelines for BADP issued by the GoI during 2009, 2014 2015 and 2017;
- b. Orders/guidelines/circulars issued by Ministry of Home Affairs, Department of Border Management and the State Government from time to time;
- c. Block, District and State level Annual Plans and schemes approved by the State Level Screening Committee (SLSC);
- d. Minutes of the SLSC's meeting;
- e. Physical and Financial Progress Reports;
- f. General Financial Rules; and,
- g. Prescribed monitoring mechanism.

4.3.6 Audit Methodology

The PA commenced with an Entry Conference (12 May 2017) with the Principal Secretary, Revenue Department, wherein the audit objectives, audit criteria and methodology were discussed. The draft Report was issued to the State Government in July 2017. The audit findings, conclusion and recommendations were discussed with the Principal Secretary in an Exit Conference held on 16 November 2017. Views of the Department during Exit Conference have been duly incorporated against the relevant paragraphs in this PA, where appropriate.

4.3.7 Audit Findings

4.3.7.1 Planning

Para 3.1 of the BADP Guidelines (Feb 2009 and February 2014) and Para 4.1 of the BADP Guidelines (June 2015) stipulates that BADP funds should ordinarily be used for meeting the critical gaps and the immediate needs of the border population. Planning and implementation of BADP should be on participatory and decentralised basis through the Panchayati Raj Institutions/Autonomous Councils/Other Local Bodies/Councils. Para 3.3 of the BADP Guidelines (Feb 2009 and February 2014) and

Para 4.3 of the BADP Guidelines (June 2015) further stipulates that a baseline survey is to be carried out in border villages in order to assess the gaps in basic physical and social infrastructure. Annual Action Plans (AAPs) for each village are to be prepared on the basis of the baseline survey. The AAP should indicate the projects/funding through State Plan Schemes/Centrally Sponsored Schemes (CSS)/Flagship Schemes of Government of India and the BADP. The AAPs are required to ensure the convergence of various Central/State schemes with the BADP.

Further, Para 3.2 of BADP Guidelines (June 2015) stipulates that District Administration should find out the resources and do the spatial mapping of the border block(s) covered under the BADP by taking into account the following and prepare block-wise plan accordingly.

- a. The BADP funds should be utilised for undertaking developmental scheme in villages close to the 'Zero' line on the border on first priority.
- b. Border Guarding Forces (BGFs) should draw a list of strategic prioritised villages in their respective areas and forward the same to the district authorities, State Government and Ministry of Home Affairs. The strategic border villages, as drawn by BGFs and endorsed by MHA, would be saturated first with respect to developmental activities such as road connectivity, electricity, drinking water supply, sanitation, health, agriculture & allied sectors, etc.

After saturating the strategically prioritised villages, other villages would be taken up for development.

Scrutiny of records revealed the following:

- A. In 10 of the 12 Blocks²⁹ covered in audit, village wise plans were not prepared.
- B. In the three districts³⁰ covered under this PA, baseline surveys were not conducted in the border villages during 2012-17. Thus, Annual Action Plans (AAPs) were prepared upto 2016-17 without conducting any base line survey which was required to be the basis for the bottom-up approach of BADP. The basis on which the AAPs were prepared without the baseline surveys, as required by the Guidelines, were not found on record.
- C. Para 2.2 of BADP Guidelines (2009 and 2014) requires covering all the villages located within 0-10 km of the international border first. The next set of villages in the 0-20 km range are to be taken up only after saturation of 0-10 km villages.

²⁹

District	Blocks covered in Audit	Blocks which did not prepare village wise plans
West Tripura	Dukli, Bamutia, Mohanpur, Hezamara	Mohanpur, Hezamara
South Tripura	Satchand, Rajnagar, Hrishyamukh,	Satchand, Rajnagar, Hrishyamukh
Unakoti	Gournagar, Kumarghat, Chandipur	Gournagar, Kumarghat, Chandipur
Dhalai	Dumburnagar	Dumburnagar
North Tripura	Kadamtala	Kadamtala
Total	12	10

³⁰ West Tripura District, South Tripura District and Unakoti District

However, projects³¹ were taken up randomly in villages located within 0-20 km, in each AAP from 2012-13 to 2016-17, without saturating the villages located within 0-10 km range first. Moreover, in South Tripura District, 19 works³² of construction involving expenditure of ₹ 4.67 crore were taken up in 10 villages, which were more than 20 km from the international border. Thus, due process was not followed in the prioritisation process.

D. During 2012-17, District Magistrate and Collectors (DM & Collectors) of three districts covered under this PA sanctioned and placed ₹ 4.86 crore with 10 Implementing Agencies (IAs) for execution of 39 works in five sectors³³.

Scrutiny of records in respect of the 39 works revealed that:

- i. ₹ 2.50 crore placed (January 2015 to August 2016) with the IAs for execution of 18 works could not be started due to site disputes although cement and Mild Steel rod worth ₹ 0.87 crore were booked in advance with Rural Development Store Division.
- ii. In respect of four works, ₹ 0.91 crore was placed (August 2016) without sanction of estimates.
- iii. In respect of four works, ₹ 0.19 crore was placed (November 2014) without feasibility study.
- iv. ₹ 1.26 crore was placed (March 2016 to January 2017) with the IAs for execution of 13 works but reason for not starting the works (April 2017) was not found on record.

Details are given in **Appendix – 4.3.1**.

State Government stated (November 2017) that necessary instructions had been issued to all implementing agencies to henceforth conduct baseline surveys prior to identification of projects and finalisation of the Annual Action Plan. It was also stated that necessary instructions had been issued to the implementing agencies to ensure that no projects were undertaken on disputed land.

³¹ Heritage Park near Gournagar Circuit House, boundary wall, additional class room, open community hall, brick soling of road, overhead tank, gallery, school building, old age home.

³² Additional classroom, gallery, school building, hostel building, vocational training centre, development of auto parking and bus station etc.

³³

Sector	No of works	Amount sanctioned (₹ in crore)
Education	8	1.00
Health	3	0.61
Agriculture	3	0.38
Social	6	1.25
Infrastructure	19	1.63

4.3.7.2 Financial Management

4.3.7.2 (i) Allocation of funds, budget and expenditure

Para 9.2 of the BADP Guidelines 2015 stipulates that funds should be released to states in two instalments. The first instalment of 90 per cent of the allocation of the State is to be released only after receipt of Utilisation Certificate (UC) for the amount released in the previous years except the preceding year. If there is any shortfall in furnishing the UCs for the amount released during the previous years, except the preceding year, the same should be deducted at the time of release of the first instalment. The second instalment of the remaining 10 per cent of the allocation of the State is to be released after furnishing of UCs of at least 50 per cent of the amount released during the preceding year and furnishing of physical and financial progress reports.

The position of allocation and release of Central Assistance, submission of UCs by the State Government to the GoI during 2012-17 is shown in **Table 4.3.2**.

Table 4.3.2: Details of allocation and release of funds by GoI and expenditure
(₹ in crore)

Year	Allocation made by the GoI	Funds released by the GoI	Expenditure	Funds short released by GoI	Details of UCs submitted to GoI		
					Amount	Month of submission	Pending UCs
2012-13	48.25	48.25	48.25	0.00	48.25	April 15	-
2013-14	48.25	48.25	48.25	0.00	48.25	November 15	-
2014-15	48.25	37.98	37.98	10.27	37.88	January 17	0.10
2015-16	50.57	50.57	50.57	0.00	26.00	January 17	24.57
2016-17	71.00	70.89	60.90	0.11	-	-	60.90
Total	266.32	255.94	245.95	10.38	160.38		85.57

Source: Departmental records.

It was noticed that upto September 2014, State Government could not furnish UCs of ₹ 31.93 crore³⁴ against funds released (₹ 48.25 crore) during the year 2012-13. As a result, during 2014-15, GoI released only ₹ 37.98 crore in September 2014 against allocation of ₹ 48.25 crore thereby resulting in short release of ₹ 10.27 crore. GoI also short released ₹ 0.11 crore in 2016-17 as some projects included in the AAP for 2016-17 were not found to be permissible by the GoI as per the BADP Guidelines.

State Government stated (November 2017) that UCs could not be submitted in time as the works undertaken were in progress and could not be completed in the approved time frame due to local constraints.

4.3.7.2 (ii) Diversion of funds

Para 5.1³⁵ of the BADP Guidelines (June 2015) stipulates that funds for capacity building programmes should be utilised for training of youth for self-employment and skill up-gradation of artisans and weavers.

³⁴ UCs for ₹ 31.93 crore pertaining to 2012-13 were furnished in 2014-15 and 2015-16.

³⁵ Sl. No.4 (ix) of Annexure-I

During scrutiny of records, the following were observed:

- a. In South Tripura District, Rajnagar Rural Development Block procured 20 desktop computers and one printer valued at ₹ 8.30 lakh for capacity building and skill development under BADP. However, 10 desktop computers and one printer valued at ₹ 4.23 lakh had been diverted for office use.

State Government stated (November 2017) that desktop computers and printers were used temporarily in the office for urgent nature of works which were since being used for skill up gradation and capacity building as envisaged. However, no supporting documents/records were submitted. As a result, utilisation of the desktops for training of youth for self employment could not be vouched by audit.

- b. In convergence with BADP, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and Panchayat Development Fund (PDF), DM & Collector, Unakoti District sanctioned ₹ 61.80 lakh for “Construction of Children Park” under Gournagar RD Block.

However, during scrutiny of records, it was noticed that Executive Engineer, RD Kumarghat Division constructed one Squash (indoor game) building and one gymnasium at the District Magistrate’s Staff Quarter Complex instead of the purpose for which fund was sanctioned. The work was completed in April 2015 at an expenditure of ₹ 33.82 lakh. Gymnasium equipment was procured for ₹ 27.98 lakh in December 2013.

Hence, funds of ₹ 61.80 lakh was diverted in violation of the scheme guidelines.

State Government stated (November 2017) that the case of diversion of funds for construction of Children park at Unakoti District was being looked into and necessary action would be taken.

4.3.7.3 Programme Implementation

The main objective of the BADP (Para 1 of BADP Guidelines) is to meet the special developmental needs of the people living in remote and inaccessible areas situated near the international border. Para 3.1 of the BADP Guidelines (February 2014) further stipulates that BADP funds shall ordinarily be used for meeting the critical gaps and the immediate needs of the border population.

Revenue Department, Government of Tripura allocated ₹ 245.95 crore during 2012-17 for implementation of 2007 works³⁶ throughout the State. Scrutiny of records revealed the following:

- 1,347 works were shown as completed.
- 354 works pertaining to 2015-16 and 2016-17 had not commenced.
- 306 works were shown as incomplete (as of March 2017) after showing physical progress ranging from 12.50 per cent to 99.93 per cent and incurring expenditure of ₹ 28.54 crore.

The Department stated (October 2017) that the reasons for non-commencement of 354 works and 306 incomplete works were due to non-availability of site, non-availability of material, shortage of funds, non-preparation of estimate, change of Implementing Officers, etc.

During 2012-17, in the selected 12 blocks 759 works were executed of which 419 (55 per cent) works were physically verified. Audit observations which arose during scrutiny of records and physical verification of works executed in the 12 blocks are summarised in **Table 4.3.3**.

Table 4.3.3: Summary of audit observation noticed in 12 test checked blocks
(₹ in crore)

SI No	Audit observation	No of works involved	Objected amount	Para reference
01	Suspected misappropriation	18	0.38	4.3.7.3 (i)
02	Doubtful execution of works	01	0.12	4.3.7.3 (ii)
03	Wasteful expenditure	08	0.64	4.3.7.3 (iii) A,B,C
04	Idle expenditure	19	2.30	4.3.7.3 (iv)
05	Unfruitful expenditure	01	0.18	4.3.7.3 (v)
06	Works executed for the benefit of individuals	07	0.98	4.3.7.3 (vi)
07	Non permissible works	43	2.02	4.3.7.3 (vii)
08	Blockade of funds and delay in completion of works	43	2.16	4.3.7.3 (viii)
Total		140	8.78	

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(in number)

Sector	Total works
Education	471
Health	116
Agriculture	81
Infrastructure	514
Social	210
Security	154
Capacity building	153
Sports	57
Swach Bharat Abhiyan	28
Specific area scheme	50
Schemes suggested by BGF	125
Miscellaneous	48
Total	2,007

4.3.7.3 (i) Suspected misappropriation

During 2012-17, Block Development Officer (BDO), Dumburnagar Rural Development (RD) Block took up 28 works valued at ₹ 1.46 crore under BADP of which 17 works (including two-part works) were shown as completed.

Test check of records revealed that:

- (A) Block Development Officer (BDO), Dumburnagar RD Block lodged (April 2017) an FIR against the Implementing Officer (IO) for misappropriation of ₹ 30.76 lakh³⁷ and absenting from office from May 2016. Out of ₹ 30.76 lakh, IO was paid ₹ 20.05 lakh as advance for payment against petty material and labour wages in respect of execution of eight projects under BADP. Details are in **Appendix-4.3.2**. Present status of the case was not on record.
- (B) Out of remaining works stated to be completed, a sample of 16 works valued at ₹ 0.68 crore was physically verified by audit with departmental officials in June 2017. Physical verification revealed that seven works were not executed and one work was left incomplete and abandoned although an advance of ₹ 18.11 lakh had already been paid to two IOs³⁸ for payment of wages and petty material. Details are in **Appendix- 4.3.3**. However, cement and MS rod issued to the IOs could not be checked as the indent, gate pass and other records were not produced to audit despite repeated persuasion. Further, IOs did not submit any adjustment of ₹ 18.11 lakh paid to them for payment of wages and petty material. The Block Development Officer, Dumburnagar RD Block also did not furnish any Utilisation Certificate to the DM & Collector, Unakoti District.

Hence, advance of ₹ 18.11 lakh paid to the IOs for execution of eight works was suspected to be misappropriated by the two IOs.

State Government stated (November 2017) that FIR had been lodged and disciplinary action had been initiated for the suspected misappropriation.

4.3.7.3 (ii) Doubtful execution of works

Administrative Approval and Expenditure Sanction had been accorded (November 2014) by the DM & Collector, Unakoti District for implementation of BADP scheme “Construction of ring well/deep tube well with motor pump (stand by pump) including laying of pipe water storage tanks and iron removal filtration plant at Border Out Post (BOP), Khasiabasti”. ₹ 12.00 lakh was placed with the Block Development Officer (BDO), Chandipur Rural Development (RD) Block for implementation of the project. The work was awarded (April 2015) in favour of a Technical Assistant³⁹ as Implementing Officer (IO) allowing 25 days time to complete the work.

³⁷ BADP: ₹ 20.05 lakh; Indian House Hold Latrine (IHHL): ₹ 8.53 lakh; Anganwadi Centre (AWC): ₹ 2.18 lakh

³⁸ Sri Dilip Kumar Deb Barma, Technical Assistant and Sri Rati Ranjan Deb Barma, Work Assistant

³⁹ Er. Dipankar Debnath, Technical Assistant



Photograph 4.3.1: Construction of ring well/deep tube well with motor pump (stand by pump) including laying of pipe water storage tanks and iron removal filtration plant at Border Out Post (BOP), Khasiabasti.

Scrutiny of records revealed that BDO, Chandipur RD Block booked (March 2015) cement and MS rod for ₹ 3.46 lakh. The BDO advanced (March 2015) ₹ 3.91 lakh to the IO for payment of labour wages and procurement of petty material. The BDO had also paid ₹ 1.48 lakh (March 2015) to an agency⁴⁰ for supply of bricks which was shown to have been received from the supplier at work site. Cement and MS rod was also shown to have been received from the Block store. BDO, Chandipur RD Block submitted (August 2015) Utilisation Certificate (UC) to the DM & Collector, Unakoti District and in turn DM & Collector submitted UC to the State Government in March 2016.

However, during physical verification (May 2017), ring well/deep tube well with motor pump (stand by pump) including laying of pipe water storage tanks and iron removal filtration plant was not found at the work site. Only two holes covered with grass (highlighted in the photograph) were found. Moreover, no material (bricks, cement, MS rod) were found in the work site.

Thus, execution of the work did not take place although the UC was submitted by the BDO, Chandipur RD Block and in turn submitted by the DM & Collector, Unakoti District. Hence ₹ 12.00 lakh should be recovered from the officers concerned who submitted false certificate.

While accepting the audit observation, State Government stated (November 2017) that implementing agencies had been cautioned for submission of UCs without complete and full execution of works. It was also assured that instances of such doubtful execution of work shall not be repeated and necessary action would be initiated against the IO of Chandipur RD Block.

⁴⁰ M/s Sagar Engineering Co-operative Society Limited, Durgapur, Kailashahar

4.3.7.3 (iii) Wasteful expenditure

A. Wasteful expenditure of ₹ 29.90 lakh on construction of overhead tanks, market stalls and toilet blocks

During test check of records in two implementing agencies⁴¹, it was noticed that six works, as detailed below, were taken up during 2012-15 at an estimated cost of ₹ 30.28 lakh. However, the works were left incomplete and abandoned after incurring an expenditure of ₹ 29.90 lakh, which are discussed below:

- a. The work “Construction of two overhead tanks in Anandanagar under Dukli RD Block” was shown as commenced on 24 April 2012 and completed on 30 March 2013 at a total expenditure of ₹ 5.23 lakh. However, handing over report was not found on record. During physical verification (February 2017), both the overhead tanks were found incomplete and lying abandoned. No pipe line was found to be connected with the tanks. Reason for the overhead tanks remaining incomplete were neither found on record nor stated to audit.
- b. Block Development Officer, Hezamara RD Block took up four works⁴² during October 2012 to November 2014 at an estimated cost of ₹ 21.44 lakh of which:
 - Total expenditure was shown as ₹ 21.17 lakh.
 - Two market sheds at Hezamara Bazar were shown as completed.
 - Market Stall at Ramshankar Bazar (five units) and toilet and bathroom with Ordinary Hand Pump (OHP) at Daigyabari BOP were suspended due to termination of the Implementing Officer.

Date of commencement, completion and suspension of works were not found on record. During physical verification (March 2017), all the four works were found incomplete and lying abandoned.

- c. The work “Dining Hall at Abhoynagar HS School under Abhoynagar GP” under Hrishyamukh RD Block was taken up in March 2014. The work was shown as completed (April 2016) at an expenditure of ₹ 3.50 lakh. But the dining hall was not handed over to the user Department. Head Master of Abhoynagar Higher Secondary School stated that due to poor construction of the dining hall they did not take over the hall. During physical verification (March 2017), the dining hall was found abandoned.

Status of some of the works is shown in the following **Photographs**.

⁴¹ BDO, Dukli RD Block and BDO, Hezamara RD Block

⁴² Two market sheds at Hezamara bazaar; one market stall (five units) at Ramshankar bazar; toilet and bathroom with OHP at Daigyabari BOP under Hezamara RD Block



Photographs 4.3.2 & 4.3.3: Two overhead tanks constructed in Anandanagar under Dukli RD Block



Photograph 4.3.4: Construction of toilet (three unit), bathroom (one unit) with Ordinary Hand Pump (OHP) at Daigyabari



Photograph 4.3.5: Temporary open market shed at Hezamara for vegetable vendors



Photograph 4.3.6: Dining hall at Abhoynagar Higher Secondary School under Hrishyamukh RD Block

In view of the above, the expenditure of ₹ 29.90 lakh incurred on construction of the works was wasteful.

Further, the projects were not put into operation although UCs were submitted by the three BDOs. Hence, ₹ 29.90 lakh should be recovered from the officers concerned responsible for misutilisation of funds and submission of false certificate.

State Government stated (November 2017) that the works were in progress at the time of audit and had been subsequently completed and were in use.

The reply was not acceptable as all the aforesaid works were found abandoned during physical verification alongwith departmental representatives. Further, completion certificates along with photographs, handing over reports and beneficiary lists were not submitted for verification as evidences that the assets had been subsequently completed and put to use.

B. Wasteful expenditure of ₹ 29.00 lakh on green top finish of Ram Krishna Mahavidyalaya playground and landscape/beautification work of Heritage Park in Unakoti District

Rule 149 to 152 of the General Financial Rules (GFR), 2005 stipulates that the Departments shall procure goods by following the standard method of obtaining bids through tender.

Administrative Approval and Expenditure Sanction for implementation of BADP scheme “Heritage park near Gournagar circuit house” was accorded (October 2013) by the DM & Collector, Unakoti District and ₹ 40.00 lakh placed (March 2014) with the Deputy Director of Horticulture (DDH), Kumarghat for execution of the project. DM & Collector, Unakoti District subsequently directed (31 March 2014) DDH, Kumarghat to execute the works of grass plantation (1,28,000 cubic ft.) for green top finish of Ram Krishna Mahavidyalaya playground and landscape/ beautification work of heritage park instead of earlier sanctioned work.

During scrutiny of records it was noticed that DDH, Kumarghat neither prepared any project report nor had any master plan for landscape/ beautification work of heritage park and Ram Krishna Mahavidyalaya playground. Assessment of feasibility in the highly elevated uneven land of the proposed landscape/beautification work of heritage park was not analysed before taking up the project. Further, in violation of Rules 149 to 152 of GFR 2005, without inviting any tenders, DDH, Kumarghat awarded (March 2014) the work to a West Bengal based agency⁴³ on the basis of the proposal submitted (26 March 2014) by the agency at an estimated cost of ₹ 40.00 lakh.

It was also noticed that only after two months of the commencement of the work (May 2014) about 80 *per cent* of the carpet grass sheets laid in the Ram Krishna Mahavidyalaya playground had completely become damaged. The damage was due to improper grading of the field which caused water logging, unwanted weeds, improper packing of carpet grass at the time of transportation and not using skilled workers. Further, it was noted by the DM & Collector that excavation of earth might cause soil erosion, damage scenic beauty of the circuit house and collapse of civil amenities into the ground. The work was stopped in June 2014 and the heritage park was left abandoned. The agency was paid ₹ 29.00 lakh⁴⁴.

Hence, execution of works without feasibility study and non-observance of procedure laid down in GFRs regarding inviting of tenders led to allotment of the work to an agency that could not even properly lay carpet grass on the field which resulted in wasteful expenditure of ₹ 29.00 lakh.

⁴³ M/s Square Meter, West Bengal

⁴⁴ ₹ 21.00 lakh paid (30 April 2014) for planting of grasses for green top finishing of Ram Krishna Mahavidyalaya ground and ₹ 8.00 lakh paid (21 May 2014) for the project of landscaping of heritage park behind circuit house

C. Wasteful expenditure of ₹ 5.12 lakh on construction of two additional class rooms at Jumercheg J. B. School at Irani Gram Panchayat under Gournagar RD Block.

District Magistrate & Collector, Unakoti District sanctioned (June 2012) ₹ 5.16 lakh for construction of two additional class rooms at Jumercheg Junior Basic (JB) School at Irani Gram Panchayat (GP) under Gournagar Rural Development (RD) Block.

The work commenced on 15 January 2013 and was shown as completed on 20 February 2014 at a cost of ₹ 5.12 lakh.

However, physical verification (May 2017) revealed that the work was left abandoned after completion of brick works only.

It was further noticed in audit that BDO, Gournagar had submitted (November 2013) UC⁴⁵ to the DM & Collector, Unakoti District who in turn had submitted (April 2014) the UC⁴⁶ to the State Government.

Showing the work as completed amounted to fraud and misappropriation of amount of ₹ 5.12 lakh and the intended benefits had not been extended to the targeted beneficiaries.

DM & Collector, Unakoti District stated (August 2017) that the IO had been transferred from Gournagar.

The reply was not tenable as appropriate action had not been taken. FIR should be lodged at the earliest and ₹ 5.12 lakh should be recovered from the officers responsible for misutilisation of funds and submission of false certificate.



4.3.7.3 (iv) Idle Expenditure

Scrutiny of records in the three districts covered in this PA and physical verification (February-June 2017) by audit revealed the following:

- a. During 2012-17, 34 markets having 259 stalls were constructed.
 - 21 markets (166 stalls) were allotted and one market (five stalls) was left abandoned.
 - 12 markets having 88 stalls constructed at a cost of ₹ 1.40 crore were not

⁴⁵ BDO, Gournagar RD block had submitted (November 2013) UC to the DM & Collector, Unakoti District for ₹ 59.13 lakh received in 2012-13 for execution of BADP works which included the stated work.

⁴⁶ DM & Collector, Unakoti District had submitted (April 2013) UC to the Revenue Department for ₹ 1.48 crore received in 2012-13 for execution of BADP works which included the stated work.

allotted to the beneficiaries till date of audit (June 2017). In case of four markets⁴⁷, reasons for non-allotment of the market stalls to the beneficiaries were attributed to failure to prepare lease or agreement of rent by the GPs/Village Committees. In other cases, reason for non-allotment was not found on record.

- b. One Mini Deep Tube Well (MDTW) near the paddy land of Jaya Dasgupta at Charipara GP under Dukli RD Block; one MDTW in the Latiapura BOP at Latiapura GP, one MDTW in the Magruli BOP at Magruli GP and one overhead tank along with pipe line at Golakpur GP under Gournagar RD Block were constructed (July 2013 to September 2015) at a cost of ₹ 18.06 lakh for agricultural and drinking water purpose.

During physical verification (February-May 2017) it was noticed as follows:

- MDTW at Charipara GP was completed with pipe lines, pump house and two hydrants but power connection was not given to the MDTW.
- In the Latiapura BOP at Latiapura GP and in the Magruli BOP at Magruli GP under Gournagar RD Block, boring of MDTW were completed but extension of pipe line, installation of panel board and power connection was not found.
- Overhead tank at Golakpur was also not functioning due to non-availability of power connection.

It was further noticed in audit that in the estimate prepared for sinking of MDTW for irrigation purpose at Charipara GP, the estimate was technically sanctioned (December 2014) without any provision for power connection to the MDTW. In other three cases reason for not providing power connection was neither found on record nor stated to audit.

Thus, three MDTWs and one overhead tank were lying idle for 18 to 26 months due to failure to provide power connection and had resulted in idle expenditure of ₹ 18.06 lakh.

- c. At Rupaichari under Rupaichari RD Block of South Tripura District, an old age home was constructed in June 2016 at a cost of ₹ 29.87 lakh which could not be made functional till April 2017 as there was no power connection, furniture and utensils in the building.
- d. Based on the Administrative Approval & Expenditure Sanction accorded (June 2012) by the DM & Collector, Unakoti District, the Executive Engineer (EE), Rural Development (RD) Kumarghat Division had constructed a Palliative Care Home for terminally ill cancer patients at Rajiv Gandhi Memorial (RGM) Hospital, Kailashahar in November 2015 at a cost of ₹ 23.38 lakh and approached (June 2017) the Chief Medical Officer (CMO), Unakoti District,

⁴⁷ Markets adjacent to Radhanagar HS School under South Radhanagar GP, South Radhanagar Bazar under Dakshin Radhanagar GP, Rangamura Old Market under Rangamura GP and Bairabnagar Para under North Srirampur GP.

Kailashahar for taking over the building. But, the CMO did not take over the building from the EE, RD Kumarghat Division (April 2018).

The CMO, Unakoti District informed (May 2018) that the palliative care centre had been constructed within the premises of old District Hospital (i.e. RGM hospital, Kailashahar) and subsequently, the District Hospital was permanently shifted from its original location at Kailashahar to Bhagabannagar, six kilometre away from Kailashahar. The CMO further added that the palliative care centre should be situated within the District Hospital complex so that service of specialists could be utilised.

Audit noted that Government had decided (October 2006) to construct new District Hospital at Bhagabannagar and entered into an agreement with M/s Hindustan Steel Construction Limited (HSCL) in December 2007 for construction of the building. The building was inaugurated in September 2012.

Thus, at the time (June 2012) when Administrative Approval & Expenditure sanction was accorded for construction of the Palliative Care Home at RGM Hospital, Kailashahar, it was already well known that the hospital would be shifting from Kailashahar to its new location at Bhagabannagar (since the new facility was inaugurated just four months down the line in September 2012). Failure to take cognizance of this fact resulted in the Palliative Care Home being constructed at Kailashahar instead of at Bhagabannagar. This led to the facility not being taken over by the CMO as it was six kilometres away from the new location of the hospital thereby rendering the expenditure of ₹ 23.38 lakh incurred on the Palliative Care Home idle.

- e. One Primary Maktab⁴⁸ near the house of Kamal Khan at Kalerkandi and one community hall at Sonarpur under Gournagar RD Block were constructed at a cost of ₹ 18.72 lakh in September 2014 and November 2014 respectively. During physical verification (May 2017) by audit, it was seen that both the primary maktab and community hall had been left abandoned. Reason for abandoning was neither found on record nor stated to audit.

As brought out in the above instances, improper planning and failure to conduct baseline surveys had resulted in random identification and execution of 19 projects (**Appendix-4.3.4**) without the active involvement of stakeholders. The intended purposes for which the buildings were constructed was not achieved and the whole expenditure of ₹ 2.30 crore had become unfruitful.

State Government stated (November 2017) that Revenue Department shall be issuing instructions in this regard for strict compliance by the implementing agencies.

⁴⁸ Maktab is an Arabic word meaning elementary schools

4.3.7.3 (v) Unfruitful expenditure on installation of Iron Removal Plant at BOP Halambari and Nishan Chandra (NC) Para under Chandipur RD Block

DM & Collector, Unakoti District sanctioned (November 2014) and placed ₹ 14.20 lakh with the Block Development Officer, Chandipur RD Block for implementation of the scheme “Providing and installation of iron removal filtration plant including installation of motor and pumps at BOP Halambari and NC Para”. Both the works were awarded (NC Para -January 2015 and Halambari-March 2015) in favour of a Technical Assistant⁴⁹ as Implementing Officer (IO) at an estimated cost of ₹ 17.51 lakh⁵⁰. IO was to complete both the works within 25 days from the date of issue of work orders.

Scrutiny of records revealed that in March 2015, Chandipur RD Block procured cement and Mild Steel rod from Rural Development Store Division for ₹ 7.04 lakh, procured bricks for ₹ 2.18 lakh from an agency⁵¹ and paid ₹ 8.96 lakh to the IO for payment of labour wages & procurement of petty material. The IO had shown receipt of bricks from the supplier at work site and cement & MS rod from the Block store. BDO, Chandipur RD Block submitted (August 2015) Utilisation Certificate (UC) to the DM & Collector, Unakoti District, who in turn submitted the UC for ₹ 14.20 lakh to the State Government in March 2016.

However, during physical verification (May 2017) by audit, it was seen that only the ring well and intermediate tank had been completed. There was no Iron Removal Plant, motor pump and extension of pipe line. The work had been abandoned. Status of the works is shown in the **Photographs 4.3.8, 4.3.9 and 4.3.10:**



Photographs 4.3.8 & 4.3.9: Ring well and intermediate tank at Halambari

Photograph 4.3.10: Ring well and intermediate tank at N C Para

The UC was furnished for the entire work when in fact the work was executed only partially. The remaining work was not executed and payment made seems to have been misappropriated. Submission of UC by the BDO, Chandipur RD Block should be treated as a fraudulent act and money should be recovered from BDO, Chandipur RD Block.

⁴⁹ Er. Dipankar Debnath, Technical Assistant

⁵⁰ N C para-₹ 8.38 lakh and Halambari-₹ 9.13 lakh

⁵¹ M/s Sagar Engineering Co-operative Society Limited, Durgapur, Kailasahar

State Government stated (November 2017) that instructions shall be issued by the Revenue Department to all District Collectors to ensure that completed works were promptly handed over to the user agencies. Regarding the improper execution of works under Chandipur RD Block and possible misappropriation, an enquiry report shall be obtained from the DM & Collector and on the basis of the report, action shall be taken against the defaulting IOs. The Department may file an FIR at the earliest.

4.3.7.3 (vi) Works executed for the benefit of Individuals

Annexure II of BADP Guidelines (Feb 2014) stipulates that creation of tangible assets should be given priority under the BADP, with the condition that any scheme for individual benefit is not permissible.

A. Scrutiny of records of South Tripura and Unakoti District (April-June 2017) revealed that six works, sanctioned during 2012-16 for ₹ 85.48 lakh were irregularly executed for the benefit of specific individuals in violation of BADP Guidelines, as detailed in **Table 4.3.4**.

Table 4.3.4: Works executed for the benefit of individuals

(₹ in lakh)

District	Name of work	Year of approval	Estimated Cost	Expenditure incurred till date of audit	Remarks
Unakoti	Community hall near the house of Shova Singh at BC Nagar GP under Gour Nagar Block	October 2013	2.75	2.75	Joint physical verification (20 May 2017) revealed that the work was executed in the premises of the house of Sri Shova Singh at BC Nagar GP
	School building at Sishu Bikash Tirtha at Dalugaon at B C Nagar GP under Gour Nagar Block	August 2013	15.00	14.80	Both the works were executed in the premises of private schools for its individual benefit.
	School building for English Medium Primary school namely New Line Academy at Milong ADC village under Chandipur Block	November 2015	14.50	14.00	
	Community latrine with water storage tank and sanitation at West Kanchanbari GP under Kumarghat RD Block	October 2016	6.16	2.78	Joint physical verification (30 May 2017) revealed that the work was constructed in the premises of the house of Sri Krishna Kishore Sharma at West Kanchanbari GP
	Community Hall at Nidevi under Kumarghat R D Block	January 2016	17.07	14.06	Joint physical verification (25 May 2017) revealed that the work was constructed in the residence of Sri Laru Kumar Sharma.

District	Name of work	Year of approval	Estimated Cost	Expenditure incurred till date of audit	Remarks
South Tripura	English medium nursery school at Nalua under Hrishymukh Block	June 2012	30.00	29.31	The project was handed over to a private organisation for its individual benefit.
Total			85.48	77.70	

Hence, expenditure incurred should be recovered from the beneficiaries and action should be taken against responsible officials.

- B. Further, construction of one vocational training centre at Uttar Manu Bankul under Rupaichari RD Block in South Tripura District was sanctioned in March 2015. The work was completed by the Executive Engineer, RD Satchand Division in January 2016 at an expenditure of ₹ 20.42 lakh. However, physical verification (26 April 2017) by audit revealed that the building was being utilised by a non-government organisation⁵² (a religious body) for religious purposes only.

State Government stated (November 2017) that an enquiry report shall be obtained from the DM & Collectors and action shall be taken against the IOs accordingly.

4.3.7.3 (vii) Non permissible Works

SI No. 4 (v) under Annexure-II of BADP Guidelines prohibits undertaking works like construction of building for offices and residence for officials (except for officials engaged in education and health sectors). Guidelines revised in February 2014 and June 2015 specified that construction of barracks, machan, watch tower and other infrastructure inside the Border Out Posts (BOP) were not permissible under BADP.

It was however, observed in audit that 43 non-permissible works were executed from BADP funds in the three districts covered in this PA at a cost of ₹ 2.02 crore as summarised in **Table 4.3.5**.

Table 4.3.5: Non-permissible works

(₹ in lakh)

SI No	Nature of work	No of work	Expenditure incurred
01	Fishery Assistant office, Panchayat office, ADC Village office	04	29.46
02	Barrack cum open shed, In charge room, cook house, rain water shelter, etc, at BOP	10	48.69
03	Boundary wall, barbed wire fencing and brick soling at BOP	07	28.79
04	Toilet block at BOP	08	19.94
05	Drinking water at BOP	14	74.74
Total		43	201.62

Details are shown in **Appendix-4.3.5**.

State Government accepted (November 2017) the audit observation.

⁵² Ramkrishna Seva Samity, Manu Bankul

4.3.7.3 (viii) Blockage of Funds and delay in completion of works

Rule 129 of the General Financial Rules, 2005, stipulates that no work shall be commenced or liability incurred in connection with it until:

- a. sanction to incur expenditure has been obtained from the competent authority;
- b. a properly detailed design has been sanctioned;
- c. funds to cover the charge during the year have been provided by competent authority; and,
- d. a work order is issued.

Para 4.2 of BADP guideline (Feb 2014) also stipulates that the process of completion of formalities, if any, such as forest, environment and other local clearances, availability of land, etc. should be planned in advance, while recommending various projects under the BADP.

DM & Collectors of the three districts covered under this PA sanctioned (September 2013 - November 2014) ₹ 1.30 crore against the estimated cost of ₹ 2.81 crore for construction of two community halls, one auditorium and one school building. Test check of records revealed that all four works were suspended after incurring expenditure of ₹ 1.29 crore due to shortage of funds. Details are shown in **Appendix- 4.3.6.**

Further, as discussed in **Para 4.3.7.1** under Planning Section, in the three districts covered in this PA, 39 works had not started till date of audit (April-June 2017), with delays ranging from 13 to 29 months although an expenditure of ₹ 0.87 crore was incurred for booking of cement and MS rod.

Thus, in contravention of the aforesaid rules, works were commenced without obtaining sanction to incur expenditure, without receipt of funds to cover the charge during the year from the competent authorities and without ensuring availability of land. This led to blockage of fund amounting to ₹ 2.16 crore.

Further, as per terms and conditions laid down in the work orders, Implementing Officers were allowed 15 days to 180 days to complete the works in the three districts covered in this PA. However, test check of records revealed that in South Tripura and Unakoti District, 51 works were executed during 2012-17 by the Implementing agencies without obtaining sanction to incur expenditure or receiving funds to cover the charge during the year from the competent authority and also without ensuring availability of land, etc. This led to delay in completion of works for periods from four months to 52 months.

State Government stated (November 2017) that suitable action shall be taken so that such incidents do not recur.

4.3.7.3 (ix) Quality of assets created under BADP

According to instructions issued by the Rural Development Department (May 2006), Implementing Officers (IOs) are required to maintain Measurement Books (MB),

material at site account, material consumption statement and Muster Rolls (MRs). IOs are also required to submit completion report and three stage photographs of the works. Further, according to Para 9.2 of the BADP Guidelines (February 2009), Para 9.3 of the BADP Guidelines (February 2014) and Para 10.5 of the BADP Guidelines (June 2015), a display board may be kept at project sites indicating that the work is being done/ had been completed under the BADP of Government of India.

In the 12 sampled blocks covered in this PA, out of 759 works taken up during April 2012 to January 2017, 383 works were completed. Out of this, details of execution of works in case of 304 works (79 per cent) were not recorded in the MBs. Only receipt of material was recorded in the MBs without mentioning details (i.e, stack measurement in respect of bricks, etc). IOs also did not maintain material at site account and material consumption statement. Further, in none of the cases were three stage photographs made available to audit. Moreover, during physical verification of 419 works, sign boards were not found placed in 310 works (74 per cent).

As a result, quality of infrastructure created remained unverified with reference to technical estimates and designs as the measurement of the executed works were not recorded in the MBs.

State Government assured (November 2017) verification of the entire infrastructure created with reference to the technical estimates and designs. It further assured recording of execution of works in MBs.

4.3.7.3 (x) Management of Assets

Para 4.2 of BADP Guidelines (Feb 2014) provides that State Government can utilise funds up to 15 per cent of the allocation made to the State for maintenance of assets created three years earlier under BADP.

During scrutiny of records, it was seen that three districts covered in this PA were allocated ₹ 107.31 crore under BADP during 2012-17. Out of the allocated funds, 15 per cent funds amounting to ₹ 16.10 crore could have been utilised for maintenance of assets in the districts.

However, the districts could not spend any amount on maintenance during 2012-17 on the assets created under BADP since 1993-94 although during physical verification, instances of dilapidated condition of assets were noticed. For instance, status of community hall constructed at Chowkidar para in Sarma ADC village under Dumburnagar RD block is shown in **Photograph 4.3.11**:



Photograph 4.3.11: Dilapidated condition of the community hall with broken doors, windows and ceiling

State Government assured (November 2017) due compliance.

4.3.8 Monitoring

Para 9 of BADP Guidelines (Feb 2014) provides that the State Government should develop an institutional mechanism for inspection of the BADP works in each border block by assigning a block wise high ranking Nodal Officer, who would make regular visits to the blocks and submit quarterly reports indicating the number of inspections conducted and highlighting the important achievements/lacunae which in turn would be submitted to GoI.

A system of Third Party Inspection (TPI) for independent feedback on the quality of work was also to be established. The guidelines further provided that the State Government would also develop an inventory of assets created under BADP. District Level Committee should take responsibility of monitoring of implementation of works under BADP as well as quality of works and submit a report on quarterly basis to State Government for onward transmission to Ministry of Home Affairs alongwith the photos of the works/ schemes.

Scrutiny of the records revealed that:

- a. The nodal officers for inspection of works in the border blocks were not appointed and the quarterly reports highlighting the important achievements/lacunae were not sent to GoI during 2012-17.
- b. In the three districts covered in this PA, District Level Committees did not monitor implementation of works under BADP as well as quality of works. Reports on quarterly basis were not submitted to State Government for onward transmission to Ministry of Home Affairs along with the photos of the works/schemes.

- c. West Tripura did not assign any organisation for TPI of works executed under BADP during 2012-17, while in Unakoti District and South Tripura District, TPI was carried out upto 2013-14.
- d. Inventory of assets created under BADP in border areas was not maintained in any of the three districts covered in this PA. Further, out of 16 test checked Implementing Agencies (IAs), nine IAs⁵³ did not maintain any asset register.

State Government stated (November 2017) that Block wise Nodal Officers for overseeing and monitoring of the BADP works had been appointed under West Tripura District. In other districts, necessary instructions would be issued for appointing Block wise Nodal Officer.

4.3.9 Conclusion

A participatory approach to planning, as was envisaged by the Scheme, was not followed. Baseline surveys were not conducted with the result that Annual Action Plans were prepared without the necessary inputs from the ground level in a systematic manner. Further, villages were selected arbitrarily without observing the Scheme Guideline that all the villages located within 0-10 km of the international border should be covered first. Thus, gaps in basic physical and social infrastructure in remote and inaccessible areas situated near the international border were not identified as was envisaged.

Consequently, the process of planning and implementation of the Scheme was characterised by random selection of projects and piece meal efforts to bridge the gaps. For instance, in violation of BADP Guidelines, no provision was made in the AAPs for convergence of schemes. Further, implementing agencies could not start 39 works in three selected districts till date of audit (April-June 2017) due to shortage of funds, non-finalisation of sites and delays in sanction of estimates. There was short release of ₹ 10.27 crore in 2014-15 by the GoI due to non-submission of UCs in the previous years. Therefore, the planning process was neither adequate nor was it carried out as per the Guidelines, with the result that effectiveness of the Scheme had been compromised.

Institutional system for monitoring was weak. System of inspection of the BADP works in each border block by assigning a block-wise high ranking Nodal Officer was not set up. Third party inspection for feedback on the quality of work was not done in West Tripura during 2012-17 and in Unakoti District and South Tripura District during 2014-17. Further, quality of 79 *per cent* of the works remained unverified with reference to technical estimates and designs. Measurement was not recorded in the MBs. Consequently, there were cases of suspected misappropriation and doubtful execution. Besides, assets were not maintained despite provision in the guidelines for

⁵³ BDO, Dukli RD Block; BDO, Hezamara RD Block; Kumarghat RD Block; Dumburnagar RD Block; Executive Engineer, RD Agartala Division; Executive Engineer, RD Satchand Division; Executive Engineer, RD Santirbazar Division and Executive Engineer, RD Kumarghat Division

availing 15 *per cent* of the allocation for maintenance of assets even though many assets were in dilapidated condition.

There were shortcomings in execution of projects. There was diversion of ₹ 3.00 crore towards 43 ineligible works/schemes and seven works were executed for the benefit of specific individuals. Further, 19 works of construction of markets, sinking of Mini Deep Tube Wells (MDTWs), overhead tank, old age home, community halls, primary maktab and home for palliative care for terminally ill cancer patient constructed during 2012-17 at a cost of ₹ 2.30 crore had not been handed over to the user departments. Therefore, inadequate and improper planning, lack of systematic implementation and weak monitoring mechanisms had resulted in inefficient and ineffective implementation of the Scheme and failure to meet the objectives of the Scheme.

4.3.10 Recommendations

- a. State Government should carry out base-line surveys to assess the critical gaps in basic economic and social infrastructure. Local PRIs should be involved for identification of works;
- b. State Government should make necessary arrangements for effective monitoring of the works. Nodal person should be appointed and DMs should ensure that regular reports are received from nodal persons;
- c. Assets should be maintained by availing up to 15 *per cent* of the allocation, as specified in the guidelines. Asset registers should be maintained.

FINANCE DEPARTMENT

4.4 Loss of revenue

Failure to raise demand by the Assessing Authority for tax payable by the dealer under TVAT Act, 2004 resulted in loss of revenue for ₹ 14.15 lakh.

Section 8 of the Central Sales Tax (CST) Act, 1956 provides that every registered dealer in the course of inter-State trade or commerce, shall be liable to pay tax under this Act, which shall be 2 *per cent* of turnover or at the rate applicable on the sale or purchase of such goods inside the appropriate State under the sales tax law of that State, whichever is lower. Further, the tax payable by any dealer on his turnover, in so far as the turnover or any part thereof relates to the sale of goods in the course of inter-State trade or commerce, shall be at the rate applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of the State.

Further, Section 10(d) of CST Act, 1956 provides that, if a person after purchasing any goods for any of the purposes in clause (b) or (c) or (d) of sub-section (3) of Section 8 fails, without reasonable excuse, to make use of the goods for any purpose shall be punishable with simple imprisonment which may extend to six months, or with fine or with both.

Section 10A of CST Act, 1956 provides that any person purchasing goods is found guilty of an offence under clause (d) of the Section, the authority who granted to him or, as the case may be, is competent to grant to him a certificate of registration under this Act may, after giving him a reasonable opportunity of being heard, by order in writing, impose upon him by way of penalty a sum not exceeding one-and-a-half times the tax which would have been levied.

Test check (October 2016) of records of the Superintendent of Taxes, Charge-V, Agartala, revealed that a dealer⁵⁴ procured 13.5 *per cent* taxable goods⁵⁵ from outside Tripura by using Form 'C' (14 Nos.) during 2012-13. Thus, the dealer would have used the benefit of concessional rate of CST on purchase of those taxable goods for resale purpose only. But he utilised those goods for some other purpose⁵⁶, *i.e.* other than those specified in the registration certificate and in this way he misused the Form 'C' intentionally.

The Assessing Authority (AA), while assessing the case (October 2015) for the year 2012-13, computed tax of ₹ 14.15 lakh (at the rate of 13.50 *per cent* on invoice value of taxable goods of ₹ 1.05 crore) and penalty of ₹ 1.41 lakh (at the rate of 10 *per cent* of the tax payable). However, the AA issued (15 December 2015) demand notice to the dealer for realisation of only the penalty, which remained unrealised till date of audit (November 2016).

⁵⁴ M/s Rupasi Cinema, Agartala, registered under CST Act, 1956 as well as TVAT Act, 2004 (both issued on 17 January 2008)

⁵⁵ Imported Chair, C. Accessories, Glass fittings, Tiles, Construction materials, Rolling shutter, Carpet, PVC profile, S.S. Pipe, Stabilizer, Electrical goods, Sound Transmitter, etc.

⁵⁶ Own construction purpose

Thus, the AA imposed only the penalty under Section 10A of the CST Act, 1956 without raising demand for the tax payable by the dealer under TVAT Act, 2004, which resulted in loss of revenue of ₹ 14.15 lakh.

The Commissioner of Taxes stated (September 2017) that the dealer did not sell any goods imported by him under the strength of Form 'C' but he had used the said imported goods to build his multiplex building. Hence, except for imposition of penalty under the provision of clause (d) of Section 10 of the CST Act, 1956 there is no provision under the TVAT Act, 2004 available to collect tax from the instant dealer. The reply was not acceptable since the dealer had evaded the liability to pay tax and therefore, as per provision contained in Section 75A⁵⁷ of the TVAT Act, 2004, the dealer should pay the tax as well as penalty. Further, Section 8 of CST Act, 1956 provides that goods can be imported under Form 'C' at lower rates of tax only for re-sale or manufacture or processing for sale by a dealer which in the instant case has not been done by the dealer and therefore, the dealer was liable to pay tax on the goods which has not been levied by the Assessing Authority.

The matter was reported to the Government (June 2017); reply was awaited (February 2018).

4.5 Short realisation of revenue

The Assessing Authority failed to adhere to the order of the Revisional Authority while passing re-assessment order of a dealer, which resulted in short realisation of revenue of ₹ 21.32 lakh.

Section 25(1)(C) of the TVAT Act, 2004 provides that if a dealer required to file return, fails to furnish return, such dealer shall be liable to pay interest in respect of the tax payable by him at the rate of one and half *per cent* per month from the date the tax payable had become due to the date of its payment.

Further, Section 25(3) read with Section 75A of the TVAT Act, 2004 provides that if a registered dealer, without sufficient cause, fails to pay the amount of tax due and interest along with return or revised return, the Commissioner may after giving the dealer reasonable opportunity of being heard, direct him to pay in addition to the tax and interest payable by him a penalty not exceeding one and half times of the tax due but which shall not be less than 10 *per cent* of that amount.

⁵⁷ Section 75A of TVAT Act, 2004: Notwithstanding anything contained elsewhere in the Act, if the Commissioner, in course of any proceeding under this Act is satisfied that any dealer has evaded in any way the liability to pay tax, he may direct that such dealer shall pay by way of penalty in addition to the tax payable by him, a sum not exceeding one & half time of that amount but which shall not be less than ten *per cent* of that amount

Test check (January 2017) of records of the Superintendent of Taxes, Charge-VII, Agartala revealed that a dealer⁵⁸, who is an importer of stone chips⁵⁹ from Bangladesh for sale in Tripura, was assessed (30 August 2012) by the Assessing Authority (AA) for the years 2009-10, 2010-11 and 2011-12. Demand was raised for ₹ 43.95 lakh⁶⁰ including penalty (at the rate of 150 *per cent*) and interest (at the rate of 1.5 *per cent*). The dealer being aggrieved by the demand of the AA, presented petition to the Revisional Authority⁶¹ (RA) claiming that the AA had illegally determined the turnover on *ex-parte* basis and imposed penalty to the highest extent violating the principles of natural justice.

The RA passed an order (11 January 2016) stating that (i) the petitioner (dealer) imported stone chips from Bangladesh without obtaining any statutory permit. Therefore, all of his imports were liable to be treated as unauthorised and undeclared; (ii) the petitioner had not submitted yearly statement showing the details of closing stock at the end of the year; (iii) imposition of penalty at the rate of 150 *per cent* as imposed by the AA was justified; and (iv) as the assessment order was passed on *ex-parte* basis, a fresh assessment be made and completed by 29th February 2016.

Scrutiny of re-assessment order (29th February 2016) revealed that the AA had not adhered to the order passed by the RA and imposed penalty at the rate of 10 *per cent* only instead of 150 *per cent*. Besides, interest at the rate of 1.5 *per cent* per month on the balance tax was also not levied as provided under Section 25(1) of TVAT Act, 2004. This resulted in short levy of penalty of ₹ 18.09 lakh and interest of ₹ 3.23 lakh as shown in **Appendix – 4.5.1**.

Thus, failure by the Assessing Authority to adhere to the order of the Revisional Authority while passing re-assessment order of the dealer resulted in short realisation of revenue of ₹ 21.32 lakh.

The Commissioner of Taxes and Excise stated (September 2017) that the matter was taken up for review. Further development in this regard was awaited.

The matter was reported to the Government (June 2017); reply had not been received (February 2018).

⁵⁸ M/s Abhijit Das, Agartala, registered under the TVAT Act, 2004 and CST Act, 1956 with effect from 14 October 2009

⁵⁹ Taxable at the rate of 12.5 *per cent* upto 3rd May 2011 and at the rate of 13.5 *per cent* thereafter

⁶⁰ ₹ 16,66,940 (2009-10), ₹ 14,24,890 (2010-11) and ₹ 13,02,996 (2011-12)

⁶¹ The Commissioner of Taxes, Tripura

4.6 Short levy of tax

Concealment of turnover by the dealers resulted in short levy of tax of ₹ 49.33 lakh, non-levy of interest of ₹ 17.65 lakh and penalty of ₹ 0.68 lakh.

Section 31 of Tripura Value Added Tax (TVAT) Act, 2004 and Rules framed thereunder provide that where the Commissioner is not satisfied with the correctness of any return filed under Section 24 or the 'bona fides' of any claim of exemption, deduction, concession, input tax credit or genuineness of any declaration, or evidence furnished by a registered dealer in support thereof, the Commissioner may serve on such dealer a notice to produce the books of account and all evidence on which the dealer relies in support of his returns including tax invoice. The Commissioner, after giving reasonable opportunity of being heard, shall assess to the best of his judgment the amount of tax due from such dealer.

Section 25 (1) (C) of the TVAT Act, 2004 also provided that if a dealer required to file return, fails to furnish return, such dealer shall also be liable to pay interest in respect of the tax payable by him according to the return at the rate of one and half *per cent* per month from the date the tax payable had become due to the date of its payment.

Further, Section 25 (3) and 75 (A) of the TVAT Act, 2004 provided that if a registered dealer, without sufficient cause, fails to pay the amount of tax due and interest along with return or revised return, the Commissioner may after giving the dealer reasonable opportunity of being heard, direct him to pay in addition to the tax and interest payable by him a penalty not exceeding one and half times of the tax due but which shall not be less than 10 *per cent* of that amount.

Test check (between January 2015 and November 2016) of records of four Superintendents of Taxes⁶² revealed that in six assessment cases pertaining to five dealers for the period from 2010-11 to 2014-15 finalised during the financial years 2015-16 and 2016-17, there was concealment of turnover by the dealers which escaped the notice of the Assessing Authorities. This resulted in short levy of tax of ₹ 49.33 lakh (VAT) (**Appendix-4.6.1**), leviable interest of ₹ 17.65 lakh (**Appendix-4.6.2**) and penalty of ₹ 0.68 lakh (**Appendix-4.6.1**).

The Commissioner of Taxes and Excise stated (September 2017) that in case of four dealers⁶³ the matter was taken up for review and in case of one dealer⁶⁴, ₹ 0.81 lakh had been recovered.

The matter was reported to the Government (June 2017); further information on recoveries was awaited (February 2018).

⁶² (1) Superintendent of Taxes, Charge-III, Agartala, (2) Superintendent of Taxes, Charge-V, Agartala, (3) Superintendent of Taxes, Charge-VII, Agartala, (4) Superintendent of Taxes, Bishalgarh.

⁶³ M/s Raj Mahal, M/s Eastern Commerce, M/s B. Choudhury & Co. and M/s Bharat Petroleum Corporation Limited

⁶⁴ M/s Abul Hashem