

OVERVIEW

I. General

This Report contains 29 paragraphs besides one Performance Audit on “Land Revenue Receipts in West Bengal” and two detailed compliance audits. The topics of the detailed compliance audits are “Outsourcing in Transport Department” and “Assessment and Collection of Electricity Duty”. Overall, these findings relate to under-assessment/ non-realisation/ loss of revenue etc., of ₹ 594 crore.

- **Trend of revenue receipts**

Total receipts of the Government for the year 2016-17 increased to ₹ 1,17,832.45 crore from ₹ 1,09,732.21 crore in the previous year. Forty one *per cent* of the total revenue collected in 2016-17 was raised by the Government through tax revenue (₹ 45,466.46 crore) and non-tax revenue (₹ 2,949.86 crore). The balance 59 *per cent* was received from the Government of India as State’s share of net proceeds of divisible Union taxes (₹ 44,625.16 crore) and Grants-in-aid (₹ 24,790.97 crore).

(Paragraph 1.1.1)

- **Pendency of inspection reports**

As on 30 June 2017, 945 inspection reports issued up to December 2016 containing 5,239 audit observations involving ₹ 3,092.90 crore were outstanding for want of response or final action by the concerned departments.

(Paragraph 1.6.1)

- **Response of the Departments to the draft audit paragraphs**

Twenty-nine Draft Paragraphs (DPs) besides one Performance Audit (PA) and two detailed compliance audits were sent to the Principal Secretaries/ Secretaries of the respective Departments between March and September 2017. Replies are awaited for 26 DPs, as such, those have been included in this Report without their response. However, responses of the heads of the audited units, wherever available, have been taken into account.

(Paragraph 1.6.3)

- **Follow up actions of Audit Reports**

Audit Reports were not being laid before the Legislature in a timely manner as Audit Reports pertaining to the years 2011-12 and 2012-13 were laid together in July 2014. Similarly, Audit Reports of 2013-14 and 2014-15 were laid together in July 2016. The pattern indicates that in violation of the Constitutional and Legislative provisions, the State Government had made the laying of Audit Report, a biennial exercise.

The action taken explanatory notes on 14 sub-paragraphs/paragraphs in respect of Audit Reports for years 2010-2011 to 2014-2015 were received with an average

delay of 16 months. Action taken explanatory notes in respect of the remaining paragraphs from five departments¹ have not been received so far (February 2018).

(Paragraph 1.6.4)

- **Position of local audit conducted during the year**

Test check of records of (i) Sales Tax/Value Added Tax, (ii) Land Revenue, (iii) Motor Vehicles Tax, (iv) State Excise, (v) Stamp Duty and Registration Fees, (vi) Profession Tax, (vii) Electricity Duty, (viii) Amusement/Entertainment Tax and (ix) other tax and non-tax receipts were conducted during the year 2016-17. This indicated under-assessment/ short levy/ loss of revenue amounting to ₹ 1,117.79 crore in 1,770 audit observations. During the course of the year, departments accepted 966 audit observations involving ₹ 352.04 crore. The departments recovered ₹ 16.98 crore at the instance of audit.

(Paragraph 1.10.1)

- **Arrears of revenue**

The arrears of revenue as on 31 March 2017 in respect of taxes administered by Directorate of Agricultural Income Tax, State Excise and taxes and duties on Electricity amounted to ₹ 182.23 crore. Out of these arrears, ₹ 123.33 crore was outstanding for more than five years.

Other principal revenue generating Departments/Directorates, viz., (i) Directorate of Commercial Taxes, (ii) Directorate of Registration and Stamp Revenue, (iii) Land and Land Reforms Department and (iv) Transport Department did not furnish the figures of arrears of revenue (February 2018).

(Paragraph 1.2)

II. Performance Audit on “Land Revenue Receipts in West Bengal”

A Performance Audit on “Land Revenue Receipts in West Bengal” involving money value of ₹ 127.33 crore was conducted during the period from January 2017 to July 2017. It covered the period from 2011-12 to 2015-16. “e-Bhuchitra” an internet-based web-application was introduced in December 2014. The irregularities pointed out include the following:

- The department failed to realise the transfer value of the Government land amounting to ₹ 31.33 crore due to non-completion of the process of settlement/ transfer. This was due to absence of time limit for transfer of land.

(Paragraph 3.4.8.2)

- The department failed to realise land rent, cess, surcharge and lease rent amounting to ₹ 42.71 crore due to non-initiation of certificate proceedings.

(Paragraph 3.4.8.3)

¹ Departments of Finance; Commerce and Industries; Transport; Home and Land & Land Reforms.

- e-Bhuchitra is an internet based application introduced in December 2014 to manage day to day activities of Land and Land Reforms (L&LR) Department at block level in real time. e-Bhuchitra was integrated with another software called e-Nathikaran, used by Stamps and Registration Department. The L&LR Department did not provide access to the dump data entered in the “e-Bhuchitra” software. As such, Audit could not comment on the efficacy of the IT system in accurate maintenance and updation of land records in the State. Audit endeavoured to assess the deficiencies through the limited access provided at the Block Land and Land Revenue (BL&LR) offices. Some shortcomings in this application are mentioned below:

- The Department failed to estimate the land revenue in the absence of data² relating to tenants and rent due in e-Bhuchitra.

(Paragraph 3.4.9.1)

- The Department failed to realise the arrears of land revenue in the absence of required data³ in the application.

(Paragraph 3.4.9.2)

- Quantum of Government land was not monitored properly as old pattas were not recorded in e-Bhuchitra.

(Paragraph 3.4.9.5)

- Revenue of ₹ 73.90 crore was not realised due to failure to settle⁴ the land with unauthorised occupants.

(Paragraph 3.4.10.2)

- Lease rent of ₹ 1.07 crore was not realised due to inaction of the Department to renew expired leases.

(Paragraph 3.4.10.5)

- Commercial rent of ₹ 1.14 crore for commercial use of land was not realised from different development authorities.

(Paragraph 3.4.10.8)

- Defective integration of e-Nathikaran and e-Bhuchitra resulted in non-achievement of citizen centric works like hassle free mutation of properties.

(Paragraph 3.4.10.10)

- The Department failed to detect unauthorised occupation of Government land of 26.96 acres by a private company.

(Paragraph 3.4.10.14)

² Earlier it was maintained in Register-I which was a Revenue/Rent Roll that contained the names of the tenants, their status, land revenue including rent, surcharge/cess payable by them and the area included in the Records of Right.

³ Earlier, Tenants' Ledger also known as Register-II, was maintained that consisted of tenant-wise information of demand, collection and arrears of land revenue.

⁴ To give government land on lease or transfer by collecting appropriate charges.

Hence, this Performance Audit has pointed out the system deficiencies in IT application “e-Bhuchitra”. Non-compliance of the existing rules/ regulations have also been noticed, which resulted in loss/non-collection of revenue.

III. Detailed compliance audit on “Outsourcing in Transport Department”

A detailed compliance audit on “Outsourcing in Transport Department” involving money value of ₹ 2.19 crore was conducted between February 2017 and July 2017. It covered the outsourcing activities with regard to fixation of High Security Registration Plate (HSRP), issue of smart Driver’s Licence and issue of Pollution under Control certificate by private vendors for the period from April 2011 to March 2016. The irregularities pointed out include the following:

- West Bengal Transport Infrastructure Development Corporation Limited (WBTIDC) was authorised to implement the HSRP scheme in the State. Royalty of ₹ 3.81 crore collected from vendors was retained by WBTIDC. This was due to absence of provision for sharing revenue with the State exchequer.

(Paragraph 4.4.3.10)

- West Bengal Financial Rules provided for following open tenders for placing orders for procurement. Vendors for issuing Driving Licences and Registration Certificates in the form of Smart Cards were selected without tendering.

(Paragraph 4.4.4.1)

- Emission tests of vehicles were carried out by Centres whose authorisation had lapsed.

(Paragraph 4.4.5.1)

- Due to absence of relevant provisions, Government was deprived of any share of fee, collected from issue of Pollution Under Control Certificate.

(Paragraph 4.4.5.4)

IV. Detailed compliance audit on “Assessment and Collection of Electricity Duty”

A detailed compliance audit on “Assessment and Collection of Electricity Duty” involving money value of ₹ 42.26 crore was conducted during the period between January 2017 and June 2017. It covered assessment periods from 2011-12 to 2015-16. Irregularities pointed out include the following:

- Audit identified 2,435 potential assesseees through cross verification of registration data with West Bengal Pollution Control Board. In the absence of any provision for such cross verification, the department could not identify and bring such cases into tax net.

(Paragraph 7.3.3.1)

- Absence of provision to levy interest on delayed/unpaid electricity duty in respect of non-licensees (who generate electricity for own consumption) led to non-levy of interest of ₹ 82.48 lakh.

(Paragraph 7.3.3.2)

- Electricity duty of ₹ 46.93 crore in respect of two licensees could not be realised as assessments became barred by limitation of time.

(Paragraph 7.3.4.2)

- Interest of ₹ 38.67 crore was not levied on electricity duty of ₹ 66.32 crore collected but not deposited by two licensees for a duration of 42 to 69 months.

(Paragraph 7.3.4.5)

- Interest of ₹ 1.54 crore was not levied on unauthorised retention of electricity duty of ₹ 17.08 crore for period ranging from one to 16 months.

(Paragraph 7.3.4.6)

V. Compliance Audit

Compliance audit observations included in this Report highlight deficiencies with respect to compliance with the provisions of Acts and Rules framed thereunder.

Value Added Tax

- Irregular remission of tax of ₹ 4.74 crore was allowed in three cases on account of inadmissible claims.

(Paragraph 2.4)

- In six cases, Assessing Authorities (AAs) short-determined turnover of sales (TOS) by ₹ 5.73 crore. This resulted in short levy of tax of ₹ 53.13 lakh.

(Paragraph 2.5)

- In 43 cases, AAs allowed Input Tax Credit (ITC) of ₹ 9.11 crore instead of ₹ 5.31 crore, though the dealers were not eligible for such benefit. This resulted in irregular allowance of ITC of ₹ 3.80 crore.

(Paragraph 2.6)

- In 29 cases, AAs short-determined the Contractual Transfer Price (CTP) by ₹ 130.06 crore. This resulted in short levy of tax of ₹ 9.94 crore.

(Paragraph 2.7)

- In three cases, AAs allowed ineligible deduction of ₹ 98.43 crore from the CTP. This resulted in short determination of taxable CTP, with consequent short levy of tax of ₹ 11.59 crore.

(Paragraph 2.8)

Motor Vehicles Tax

In addition to the audit of physical records, data analysis was conducted through Computer Assisted Auditing Techniques (CAATs) and the following was observed:

- Tax, additional tax, penalty and special fee of ₹ 272.41 crore were not realised from owners of 1,05,483 vehicles.

(Paragraphs 4.5)

- Registering Authorities (RAs) did not realise permit fee of ₹ 20.15 crore from owners of 23,747 transport vehicles plying with expired permits.

(Paragraphs 4.6)

- RAs realised fee for conducting test of fitness at normal rates instead of 150 *per cent* of the fee for delayed production of vehicles for testing. This resulted in short realisation of fitness fee of ₹ 1.69 crore in case of 91,079 vehicles.

(Paragraph 4.9)

- Mapping of the amendment in the West Bengal Additional Tax & One-time Tax on Motor Vehicles Act, 1989 in the VAHAN software was not done correctly. It resulted in short levy of life-time and one-time tax of ₹ 72.49 lakh in case of 410 vehicles.

(Paragraph 4.11)

- RAs realised tax of ₹ 10.19 lakh instead of ₹ 63.48 lakh from the owners of 549 contract carriage vehicles. This was due to incorrect/improper mapping in VAHAN software. This resulted in short realisation of tax of ₹ 53.29 lakh.

(Paragraph 4.12)

Stamp Duty and Registration Fees

- In registration of nine deeds, stamp duty and registration fees was realised short by ₹ 25.02 crore due to misclassification of instruments.

(Paragraph 5.4)

- In registration of 50 lease deeds involving market value of ₹ 333.58 crore, five RAs levied stamp duty and registration fees of ₹ 0.46 crore only instead of ₹ 23.33 crore. This was due to incorrect determination of lease period resulting in short levy of stamp duty of ₹ 22.87 crore

(Paragraph 5.5)

- In registration of three deeds containing several distinct matters, stamp duty and registration fees of ₹ 1.61 crore was not levied.

(Paragraph 5.6)

- Stamp duty and registration fees of ₹ 21.15 lakh in case of registration of 28 flats was realised short, due to incorrect determination of market value of roof rights.

(Paragraph 5.9)

Mines and Minerals

- For brick earth extracted without licence, State Government fixed the rate at ₹ ₹0 per 100 cubic feet (cft). This was not recovered/short recovered in 843 cases on extraction of 18.42 crore cft. It resulted in non-realisation of revenue of ₹ 9.89 crore.

(Paragraph 6.4)

- There was shortfall in extraction of 81.84 lakh cft of sand in 52 cases and 5.26 lakh cft of stone in seven cases. Penalty to the extent of ₹ 1.74 crore was not realised.

(Paragraph 6.5)

Profession Tax

- Profession Tax Officer failed to detect non-deduction of profession tax of ₹ 52.44 lakh by an employer from the salaries of the employees.

(Paragraph 7.4)