

PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 has been prepared for submission to the Governor of Bihar under Article 151 of the Constitution of India.

The Report contains significant findings of audit of Receipts and Expenditure of major revenue earning departments under the Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2016-17 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2016-17 have also been included, wherever necessary.

Total financial implication of this Report is ₹ 1,835.31 crore which constitutes 7.02 *per cent* of tax and non-tax revenue of the State during the year 2016-17. The Government/departments have accepted audit observations involving ₹ 1,244.35 crore, out of which ₹ 13.78 crore was recovered.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

The Report contains the following significant findings:

General

1. The primary reason for drop (6.71 *per cent*) in tax revenues in 2016-17 over the previous year and significant drop in the share of tax revenues to total revenues was due to total prohibition of liquor in Bihar since April 2016 and significant decrease in receipts under stamps and registration fees following demonetisation on 8 November 2016.
2. Significant increase in receipts from land revenue compared to estimates was due to non-inclusion of receipts from alienation of Government land and establishment charges in the budget estimates for 2015-16 and 2016-17.
3. The Mines and Geology Department failed to achieve the budget estimates during 2013-14, 2015-16 and 2016-17 due to non-settlement of stone quarries and non-realisation of expected royalty from brick kilns and works divisions.
4. None of the Revenue earning departments maintained a database of outstanding arrears, leading to failure in monitoring revenue arrears. Consequently, arrears of ₹ 6,327.12 crore remained uncollected, of which ₹ 801.75 crore remained uncollected for more than five years.
5. Revenue earning departments failed to address audit observations included in 2,426 Inspection Reports (IRs) involving potential revenue of as much as ₹ 17,563.67 crore. Even the first replies, required to be received from the heads of offices within four weeks of receipt of the IRs, were not received for

1,173 IRs involving potential revenue of as much as ₹ 7,197.52 crore, issued from 2008-09 onwards.

6. Audit test-checked records of 299 units relating to commercial taxes, land revenue, taxes on vehicles, state excise, stamps and registration fees and mining receipts during local audit and observed underassessment/short levy/loss of revenue amounting to ₹ 4,550.08 crore in 3,960 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 1,320.17 crore involved in 557 cases and recovered ₹ 29.63 crore.
7. The Prohibition, Excise and Registration Department and Mines and Geology Department did not submit any Action Taken Notes (ATNs) on 19 recommendations, made by the Public Accounts Committee, relating to four Audit Reports of earlier years (2011-15).

Internal Audit

8. The Finance (Audit) Department audited 52 units of Revenue and Land Reforms Department, six units of Registration Department and one unit of Excise Department out of total 1,186 units of all major revenue earning departments during 2012-17. The Finance (Audit) Department did not conduct audit of any other major revenue earning departments *viz.*, Commercial Taxes Department, Transport Department and Mines and Geology Department due to acute shortage of manpower in different cadres ranging between 16.33 *per cent* and 100 *per cent* as on 31 March 2018.

Commercial Taxes Department

9. The Assessing Authorities failed to exercise prescribed checks as per the BVAT Act, 2005 and therefore could not detect suppression of turnover of ₹ 24.31 crore in case of 12 dealers and incorrect availing of Input Tax Credit (ITC) of ₹ 2.09 crore in case of 14 dealers leading to underassessment of tax worth ₹ 20.17 crore including leviable penalty and interest.
10. The Assessing Authorities did not cross-verify details of purchase/sale leading to non-detection of purchase tax liability of ₹ 70.82 crore payable by a dealer including additional tax of ₹ 49.32 crore and interest of ₹ 15.06 crore.
11. The Department failed to recover revenue worth ₹ 12.45 crore including interest due to application of incorrect rates by the assessee and non-detection of the same by the Assessing Authorities.
12. Assessing Authorities failed to detect irregular claim of deduction by assessees on transit sales resulting in short levy of tax of ₹ 42.75 crore.

Revenue and Land Reforms Department

13. Five District Land Acquisition Officers (DLAOs) adopted incorrect market value of land leading to short payment of compensation of ₹ 873.46 crore to landowners.
14. Additional compensation of ₹ 132.44 crore was not paid to landowners whose land was acquired under emergency provisions.

15. Three DLAOs failed to remit establishment charge of ₹ 208.92 crore into Government Account from 2007 to 2017.
16. Affected families/landowners were deprived of one-time resettlement allowance and compensation in lieu of jobs amounting to ₹ 97.97 crore.
17. Three Additional Collectors transferred 44 acres of government land without realising *Salami* (market value of land) and accumulated value of rent worth ₹ 11.28 crore.

Transport Department

18. In 22 District Transport Offices (DTOs), 862 motor vehicle owners did not pay one-time tax and penalty of ₹ 4.44 crore.
19. Absence of a mechanism for periodic review of *VAHAN* software database by 25 DTOs to detect tax defaulter vehicles resulted in non-realisation of motor vehicle taxes of ₹ 6.68 crore.

Audit of “Mining receipts: levy and collection of royalty, fee and rent” (Mines and Geology Department)

20. Significant vacancies in all cadres, specifically, vacancies of 76 *per cent* and 81.58 *per cent* in critical posts of Mining officers and Mining Inspectors adversely affected the core operations of the Department. Further, due to shortage of manpower the Department, has delegated brick kiln inspections to Circle Officers of Revenue and Land Reforms Department, resulting in decrease of revenue of ₹ 3.40 crore from brick kilns during 2016-17 in comparison to 2015-16.
21. District Mining Officers (DMOs), Nawada and Rohtas neither stopped the illegal mining of limestone, mica and silica nor levied penalty of ₹ 18.38 crore despite being aware of mining operations without approved mining plan, environmental clearance and renewal of lease.
22. Twenty four DMOs failed to ensure non-payment of the works contractors’ bills submitted without forms M and N (containing details of the dealers of the minerals and the particulars of the minerals) and consequently, failed to levy penalty of ₹ 67.39 crore on works contractors for procurement of minerals from unauthorised sources.
23. The Department amended the Bihar Minor Mineral Concession Rules, 1972 in 2014 to provide for direct deposit of money collected under Mines and Minerals Development, Restoration and Rehabilitation Fund (MMDRRF) to the Public Account instead of through the Consolidated Fund, violating Article 266 (1) of the Constitution. Further, the Department has not established the MMDRRF and the balance of ₹ 19.50 crore is retained in bank accounts.
24. Failure of two DMOs to operate sand *ghats*, led to loss of ₹ 49.09 crore in 2016.

