

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 Chhattisgarh 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 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 during 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 period subsequent to 2016-17 have also been included, wherever necessary.

The total financial implication of this Report is ₹ 292.26 crore, out of which ₹ 284.67 crore pertain to observations of underassessment, short/non levy, loss of revenue etc. which constitutes 1.16 *per cent* of tax and non-tax revenue of the State during the year 2016-17 and ₹ 7.59 crore pertains to observation of irregular and avoidable expenditure. The departments have accepted audit observations amounting to ₹ 48.75 crore, out of which ₹ 4.84 crore was recovered.

The departments did not furnish specific replies to audit observations involving ₹ 238.30 crore, which included audit observations on non-levy of land revenue on land covered under mining leases (₹ 177.60 crore) and non/short realisation of Infrastructure Development and Environment cess (₹ 42.30 crore) pertaining to Mineral Resources Department.

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:

1. Audit noticed that Budget estimates (BEs) approved by the Finance Department was much higher than what was proposed by Commercial Tax, Commercial Tax (Excise), Commercial Tax (Registration), Energy, Revenue and Disaster Management and Mineral Resources departments.

The rationale behind such increase could not be ascertained, as despite several formal requisitions at all levels including upto Principal Secretary, Finance, the Finance Department refused to allow Audit access to the records. Consequently, Audit could not exercise its mandate enshrined in Article 151 of the Constitution, Section 18(1)(b) of the CAG's DPC Act, 1971 and Regulation 181 of the Regulations on Audit and Accounts, 2007.

2. Commercial Tax (Excise), Transport, Revenue and Disaster Management (RDM) departments did not maintain database of outstanding arrears of revenue and therefore, could not provide various stages at which arrears were pending. Further the figure of arrears of revenue for the year 2016-17 provided by RDM Department was not

reliable as the opening balance of arrears of land revenue for the year 2016-17 did not match with the closing balance of arrears of 2015-16. The Mineral Resources Department considered only those cases as arrears where Revenue Recovery Certificates were issued and as such the Department had no data on actual arrears of revenue. Consequently, arrears of ₹ 2,698.93 crore remained uncollected as on 31 March 2017 in seven departments, of which ₹ 975.84 crore remained uncollected for more than five years.

3. Revenue earning departments failed to address audit observations included in Inspection Reports involving potential revenue of as much as ₹ 6,868.16 crore.
4. Over the past five years, revenue earning departments failed to produce files/records relating to 98 cases to Audit, raising red flags of presumptive collusion of departmental officers on corruption and fraud. Consequently, Audit is unable to vouchsafe the genuineness of these transactions.
5. Audit test checked records of 85 units pertaining to Commercial tax, State excise, Stamps and Registration fees, Land revenue, Taxes and duties on electricity, Mining receipts, Taxes on vehicles and Forestry and wild life during the year 2016-17. Besides, eight units of Mineral Resources Department were also audited between April 2017 and June 2017. Audit observed short levy or non-levy of taxes, duties and fees, loss of revenue, irregular/avoidable expenditure etc. aggregating to ₹ 2,913.82 crore in 38,881 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 178.95 crore in 13,669 cases as mentioned in the Inspection Reports and recovered ₹ 4.97 crore in 2,194 cases.

Non-compliance to Public Accounts Committee (PAC)'s directions on earlier Audit Reports

6. Though the Mineral Resources Department initiated action against the concerned officials responsible for inoperative mines in compliance to the PAC's recommendations and directions (93rd Report, 2011-12 on the Audit Report 2006-07), it did not evolve a mechanism to ensure that mines do not remain inoperative.
7. Commercial Tax Department failed to comply with PAC's directions (22nd Report, 2014-15 on the Audit Report 2007-08) to recover the amount immediately in case of non-levy of tax by accepting form 'F' of doubtful authenticity. Though the Department had complied with PAC's recommendation (81st Report, 2010-11 on the Audit Report 2002-03) by taking action against erring officials in case of incorrect determination of turnover, the Department failed to evolve a mechanism to avoid recurrence of similar irregularities.
8. In compliance to PAC's recommendations (46th Report, 2009-10; 56th Report, 2009-10 and 96th Report, 2011-12) to make recoveries of outstanding tax at the earliest and to take action against negligent officials, the Transport Department recovered tax and penalty amounting to ₹ 1.08 crore out of total ₹ 5.48 crore and initiated action

against officials as recommended in 46th and 56th Report of PAC. However, similar observations were noticed by Audit in 2016-17 which shows that the Department has not evolved any mechanism to prevent recurrence of similar irregularities.

9. Commercial Tax (Excise) Department failed to comply with the PAC's recommendation (8th Report, 2014-15 on the Audit Report 2007-08) to fix norm for yield of alcohol from grains.

Mining receipts

10. In Mineral Resources Department, cases of short levy of royalty on sale of middling and reject, short levy of Stamp duty and Registration fees, non/short realisation of dead rent, non-levy of land revenue on land covered under mining areas, short realisation of contribution to National Mineral Exploration Trust (NMET) and non/short realisation of Infrastructure Development and Environment cess led to short realisation of ₹ 256.34 crore.

Commercial Tax

11. In Commercial Tax Department, instances of inordinate delays in payment of refund involving liability to pay interest of ₹ 93.91 lakh, erroneous carry forward of input tax rebate of ₹ 4.19 crore, incorrect allowance of refund of ₹ 3.63 crore, short levy of tax of ₹ 4.64 crore due to misclassification of goods and non-levy of interest of ₹ 1.02 crore on delayed payment of tax were noticed.

Taxes on vehicles

12. Transport Department did not realise outstanding tax of ₹ 3.48 crore and penalty of ₹ 2.31 crore from 2,263 vehicle owners.

State Excise

13. The Commercial Tax (Excise) Department irregularly adjusted outstanding dues of the licensees of excise shops against Bank Guarantee of ₹ 3.04 crore and Security Deposit of ₹ 2.13 crore.

Forestry and Wild life

14. In Forest Department, instances of construction of six new Water Bound Macadam (WBM) road incurring an expenditure of ₹ 2.33 crore without taking clearance from Government of India (GoI), avoidable expenditure of ₹ 2.03 crore on unirrigated mixed plantation and purchase of stores items of ₹ 3.23 crore without floating open tender were noticed.