

CHAPTER-I: OVERVIEW

1.1 About this Report

This Report contains significant findings of audit of receipts of major revenue earning Departments of Government of Chhattisgarh. Audit has been conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The Report contains six compliance audit paragraphs and a Performance Audit of "Assessment, levy and collection of Stamp Duty and Registration Fees". The total tax effect of the audit findings that are featured in this Report is ₹ 88.57 crore. Compliance audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with applicable laws, rules, regulations, established codes *etc.*, and the general principles governing sound public financial management and the conduct of public officials. Performance Audit is an independent, objective and reliable examination of whether Government entities, institutions, operations, programmes, funds, activities (with their inputs, processes, outputs, outcomes and impacts) are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management of organisations and contribute to better governance.

The audit observations in this Report are based on the results of a test check of the records made available to audit by the concerned Government departments. There may be similar irregularities, errors/omissions in other units of these departments but not covered in the test audit. Departments may, therefore, examine all the units to ensure that the taxes are assessed, levied, collected and accounted for, as per the provisions of the related Acts and Rules.

This Chapter presents an overview of the revenue receipts of the Government of Chhattisgarh (GoCG) during the year 2018-19, analyses the trend of receipts over the five year period 2014-15 to 2018-19, and details the arrears of tax revenue pending collection as of 31 March 2019. Further, Audit approach to examination of revenue receipts of the State is outlined, and the response of the State Government to audit findings is also discussed.

1.2 Trend of revenue receipts

A summary of the revenue realised (tax and non-tax revenue, the State's share of net proceeds of divisible Union taxes and duties assigned to it, Grants-in-aid received from the Government of India (GoI) during the year 2018-19 and the corresponding figures for the preceding four years) of Government of Chhattisgarh is given in **Table 1.1**:

Table 1.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Revenue raised by the State Government					
	Tax revenues	15,707.26	17,074.86	18,945.21	19,894.68	21,427.26
	Percentage of growth compared to previous year	9.51	8.71	10.95	5.01	7.70
	Non-tax revenue	4,929.91	5,214.79	5,669.25	6,340.42	7,703.02
	Percentage of growth compared to previous year	-3.36	5.78	8.71	11.84	21.49
	Total	20,637.17	22,289.65	24,614.46	26,235.10	29,130.28
2.	Receipts from Government of India					
	Share of net proceeds of divisible Union taxes and duties	8,363.03	15,716.47	18,809.16	20,754.81	23,458.69
	Grants-in-aid ¹	8,987.81	8,061.59	10,261.63	12,657.17	12,505.96
	Total	17,350.84	23,778.06	29,070.79	33,411.98	35,964.65
3.	Total revenue receipts of the State Government (1 + 2)	37,988.01	46,067.71	53,685.25	59,647.08	65,094.93
4.	Percentage of 1 to 3	54	48	46	44	45

(Source: Finance Accounts of the Government of Chhattisgarh)

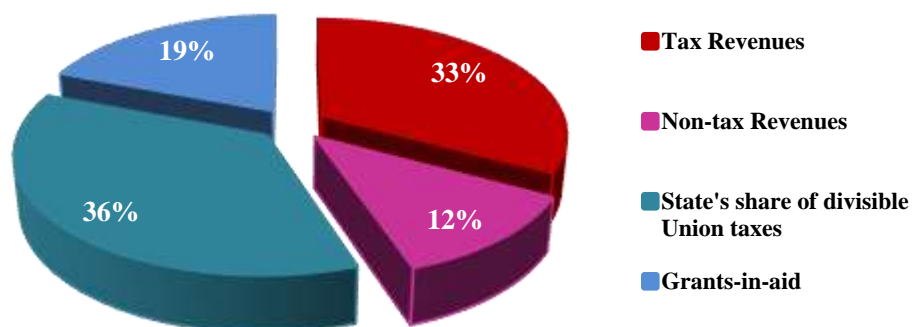
The State's performance in mobilisation of resources is assessed in terms of tax revenue and non-tax revenue excluding the State's share in Central taxes and Grants-in-aid, which are based on the recommendations of the Finance Commission.

As can be seen from the above table, both tax as well as non-tax revenue of the State has been increasing over the five-year period 2014-19. The non-tax revenue increased 21.49 *per cent* during 2018-19 *vis-à-vis* the previous year, primarily due to increase in revenue from Non-ferrous mining and metallurgical industries, Minor and Major irrigation, etc. However, the percentage of own resources raised by the State Government to the total revenue of the State has been decreasing over the four-year period 2014-15 to 2017-18 before improving marginally during 2018-19.

Pictorial representation of breakup of revenue receipts of the State is given in **Chart 1.1:**

¹ Centrally sponsored scheme, Finance Commission grants and other transfer/grants (also includes compensation on GST received from GoI) to States/Union Territories with Legislatures.

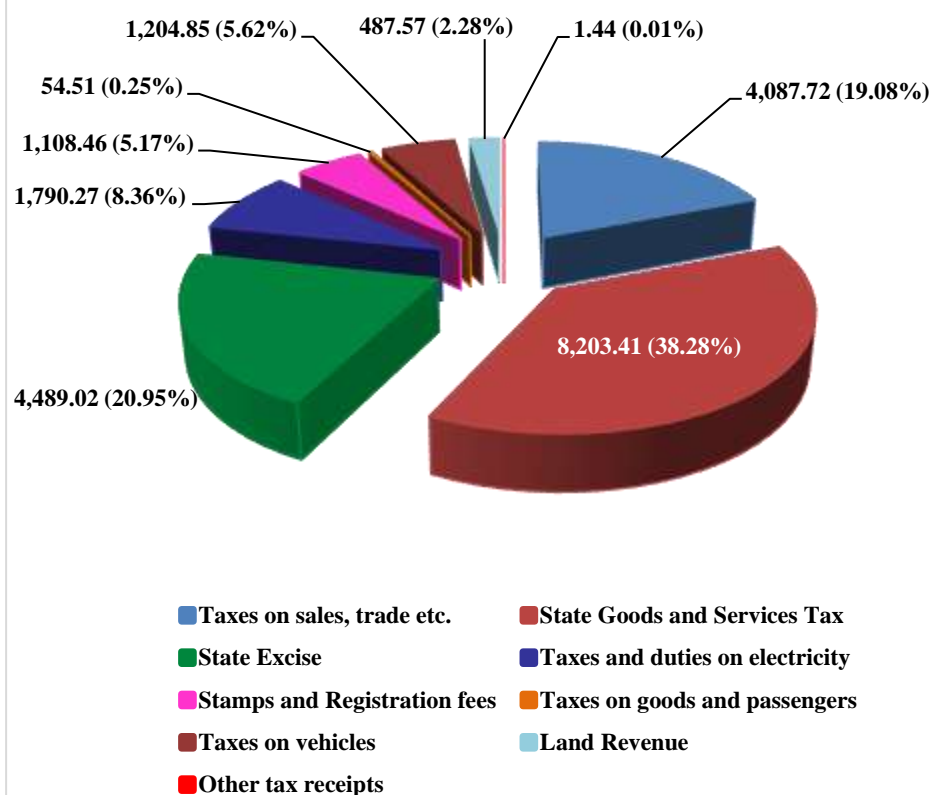
Chart 1.1: Breakup of revenue of the State



1.2.1 Tax Revenue

Pictorial representation of the breakup of tax revenues for the year 2018-19 is given in **Chart 1.2**:

Chart 1.2:
Breakup of tax revenue for 2018-19 (₹ in crore)



Budget Estimates (BE) and actual receipts of tax revenue during the period 2014-19 are given in **Table 1.2**:

Table 1.2: Details of tax revenues raised by the Government

(₹ in crore)

Head of Revenue		2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of variation over 2017-18
Taxes on Sales, trade etc.	BE	9,800.00	10,998.00	11,928.37	13,444.70	3,718.42	
	Actual	8,428.61	8,908.36	9,927.21	6,449.60	4,087.72	(-) 36.62
State Goods and Services Tax ²	BE	NA	NA	NA	3,212.82	5,006.65	
	Actual	NA	NA	NA	4,386.56	8,203.41 ³	(+) 87.01
State Excise	BE	3,150.00	3,528.00	3,870.00	3,168.50	4,355.00	
	Actual	2,892.45	3,338.40	3,443.51	4,054.01	4,489.03	(+) 10.73
Taxes and duties on electricity	BE	1,100.00	1,400.00	1,575.00	1,650.00	1,850.00	
	Actual	1,312.93	1,372.84	1,495.48	1,688.95	1,790.27	(+) 6.00
Stamps and Registration fees	BE	1,250.00	1,350.00	1,485.00	1,550.00	1,790.00	
	Actual	1,023.33	1,185.22	1,211.35	1,197.47	1,108.46	(-)7.43
Taxes on goods and passengers ⁴	BE	1,335.00	1,441.80	1,563.77	1,767.06	5.63	
	Actual	981.88	1,040.26	1,340.35	477.66	54.51	(-) 88.59
Taxes on vehicles	BE	800.00	864.00	954.11	1,200.00	1,500.00	
	Actual	703.48	829.22	985.27	1,180.01	1,204.85	(+) 2.10
Land revenue	BE	460.00	496.80	550.00	600.00	660.00	
	Actual	331.56	363.84	503.66	446.41	487.57	(+) 9.22
Other tax receipts ⁵	BE	31.26	7.25	37.85	40.38	0.00	
	Actual	33.02	36.72	38.38	14.01	1.44	(-) 89.72
Total	BE	17,926.26	20,085.85	21,964.10	26,633.46	18,885.70	
	Actual	15,707.26	17,074.86	18,945.21	19,894.68	21,427.26	(+) 7.70

(Source: Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh).

Receipts under Sales Tax have not matched the expectations projected by the State Government in its budget during 2014-18, but exceeded budgetary estimates during 2018-19. Receipts under SGST have also exceeded budgetary estimates during 2017-19 and constituted the single largest source of revenue for the State during 2018-19. State Excise revenue exceeded budgetary estimates during 2017-19 while Stamp and Registration Fees, and Land Revenue have not matched the expectations projected during 2014-19.

² Goods and Services Tax was implemented with effect from 1 July 2017. Central indirect taxes such as central excise duty, additional excise duty, excise duty levied under the Medicinal and Toiletries preparation Act, service tax, additional customs duty (CVD), special additional duty of customs (SAD), state indirect taxes such as value added tax, central sales tax, entry tax, entertainment tax and purchase tax have been subsumed in GST.

³ In addition to receipts of State GST of ₹ 8,203.41 crore, compensation on GST of ₹ 2,261.00 crore was also received from GoI during the period 2018-19.

⁴ Major portion (97 per cent) of Taxes on Goods and Passengers is from Entry Tax during the period 2018-19, which has since been abolished and subsumed in GST from 1 July 2017.

⁵ 'Others' include actual receipts during 2018-19 under the following Revenue Heads: Hotel receipts tax (₹ 1.00 crore); other taxes on income and expenditure (₹ 0.16 crore); and other taxes and duties on commodities and services (₹ 0.28 crore).

The concerned Departments reported the following reasons for variation between the budget estimates and the actual revenue receipts during 2018-19 as well as the decline in receipts in some cases, over that of the previous year.

Taxes on sales, trade etc.: Value Added Tax (VAT) was previously applicable on all goods but after implementation of GST with effect from 1 July 2017 on all goods except petrol, diesel, Aviation Turbine Fuel (ATF), natural gas and liquor, there was a decrease of 36.62 *per cent* in taxes on sales, trades etc.

State Goods and Services tax: The revenue receipts from GST in the financial year 2017-18 included receipts only during the period from 1 July 2017 to 31 March 2018. Since the GST receipts for the year 2018-19 were for the complete year, there was an increase of 87.01 *per cent* compared to the previous year as well as over the budget projections (63.85 *per cent*).

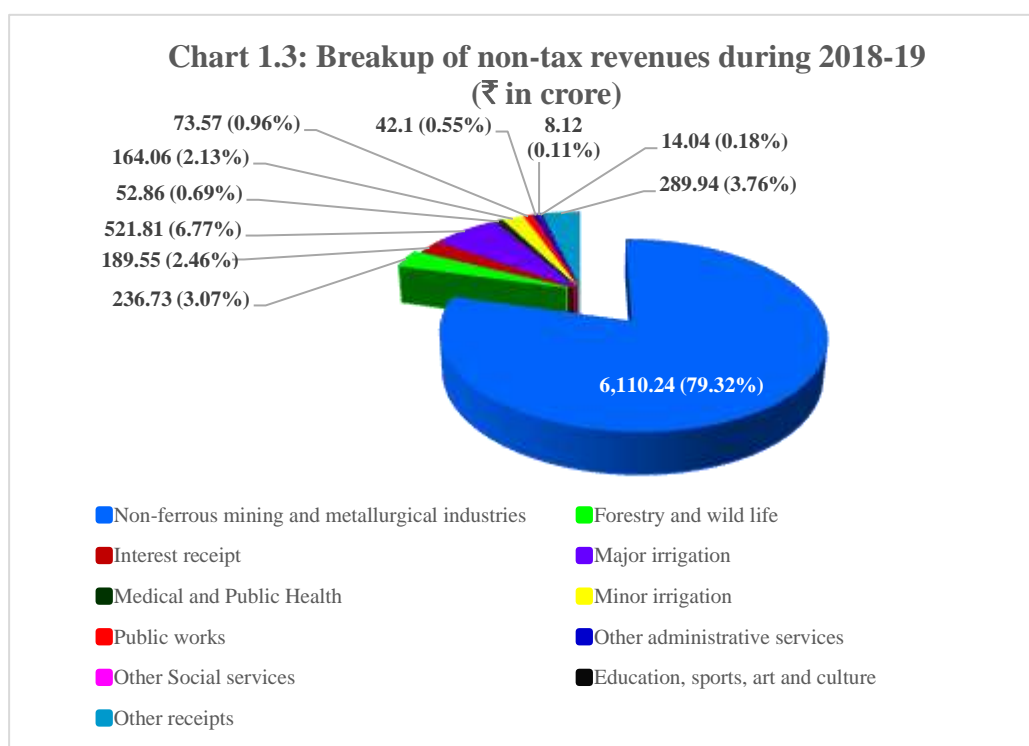
State Excise: The increase of 10.73 *per cent* was due to control over illegal sales of liquor, consequent upon formation of Chhattisgarh State Marketing Corporation Ltd. in 23 February 2017. Further, there was an increase in receipts of duty and countervailing duty owing to increase in consumption of country/foreign liquor in 2018-19 compared to the previous year.

Taxes on goods and passengers: The decrease (88.59 *per cent*) was due to subsuming of Entry Tax in GST with effect from 1 July 2017. There was an increase (868.21 *per cent*) over the BE due to recovery of arrears of revenue.

Stamps and Registration fees: The decrease of 38.07 *per cent* from BE was due to ban on registration of small plots and fewer number of deeds registered during the year.

1.2.2 Non-tax Revenue

The break-up of non-tax revenue for the year 2018-19 is shown in **Chart 1.3:**



The details of the non-tax revenue raised during the period 2014-19 are indicated in **Table 1.3**:

Table 1.3: Details of non-tax revenues raised by the Government

(₹ in crore)

Head of Revenue		2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of deviation in 2018-19 over 2017-18
Non-ferrous mining and metallurgical industries	BE	4,100.00	7,000.00	5,500.00	5,600.00	6,000.00	(+) 24.41
	Actual	3,572.68	3,709.52	4,141.47	4,911.44	6,110.24	
Forestry and wild life	BE	520.00	500.00	550.00	600.00	600.00	(-) 18.70
	Actual	348.72	409.75	405.15	291.17	236.73	
Interest receipt	BE	323.40	260.67	249.38	137.25	132.93	(+) 5.05
	Actual	171.89	108.23	157.24	180.44	189.55	
Major irrigation	BE	413.55	389.34	586.47	703.68	738.89	(+) 13.13
	Actual	410.95	502.17	437.35	461.23	521.81	
Minor irrigation	BE	561.50	277.47	288.34	288.34	302.76	(+) 34.77
	Actual	127.23	121.91	180.84	121.73	164.06	
Medical and Public Health	BE	14.80	16.22	15.93	29.33	45.99	(+) 0.57
	Actual	20.16	43.15	46.50	52.56	52.86	
Public works	BE	18.93	21.77	43.72	73.70	43.00	(+) 35.51
	Actual	39.21	42.73	41.12	54.29	73.57	
Other administrative services	BE	16.06	30.40	23.69	65.43	42.82	(+) 5.75
	Actual	36.45	65.52	36.66	39.81	42.10	
Other social services	BE	10.00	6.26	4.30	30.00	30.00	(-) 53.39
	Actual	41.74	29.15	28.71	17.42	8.12	
Education, sports, art and culture	BE	4.65	5.65	7.60	6.97	28.03	(-) 18.13
	Actual	30.78	13.07	27.04	17.15	14.04	
Other non-tax receipts	BE	201.73	155.21	150.71	169.50	205.58	(+) 50.09
	Actual	130.10	169.59	167.17	193.18	289.94 ⁶	
Total	BE	6,184.62	8,662.99	7,420.14	7,704.20	8,170.00	(+) 21.49
	Actual	4,929.91	5,214.79	5,669.25	6,340.42	7,703.02	

(Source: Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh)

⁶ Other non-tax receipts include actual receipts during 2018-19 under the following heads: Dividends and profits (₹ 1.49 crore); Public service commission (₹ 8.58 crore); Police (₹ 29.18 crore); Jails (₹ 5.78 crore); Stationery and printing (₹ 2.84 crore); Contributions and recoveries towards pension and other retirement benefits (₹ 23.23 crore); Miscellaneous general services (₹ 59.54 crore); Family welfare (₹ 0.07 crore); Water supply and sanitation (₹ 4.57 crore); Housing (₹ 4.34 crore); Urban development (₹ 30.31 crore); Information and publicity (₹ 0.33 crore); Labour and employment (₹ 26.75 crore); Social security and welfare (₹ 5.70 crore); Crop husbandry (₹ 25.82 crore); Animal husbandry (₹ 6.11 crore); Fisheries (₹ 5.44 crore); Food storage and warehousing (₹ 0.63 crore); Cooperation (₹ 7.94 crore); Other agricultural programmes (₹ 1.28 crore); Other rural development programmes (₹ 4.30 crore); Medium irrigation (₹ 11.30 crore); Village and small industries (₹ 5.62 crore); Industries (₹ 5.31 crore); Civil aviation (₹ 0.17 crore); Roads and bridges (₹ 2.10 crore) and Other general economic services (₹ 11.19 crore).

The concerned Departments reported the following reasons for variation between the budget estimates and the actual revenue receipts during 2018-19 as well as the decline in receipts in some cases, over that of the previous year.

Non-ferrous mining and metallurgical industries: The reasons for increase in receipts by 24.41 *per cent* compared to the previous year were increase in production of coal (13.60 *per cent*), iron ore (1.04 *per cent*), and limestone (18.89 *per cent*).

Forestry and Wildlife: The decrease in receipts by 18.70 *per cent* over the previous year was on account of non-sanctioning the working plans in 15 divisions in Dhamtari, Gariyaband, Raigarh, Dharmajaigarh, Mungeli, Koriya, Manendragarh, Jashpur, South Kondagaon, East Bhanupratappur, West Bhanupratappur, Narayanpur, Bastar, Dantewada and Sukma due to which, work was not executed in due couples. There was a decrease of 60.55 *per cent* in receipts under this Head over budgetary expectations also, due to the same reasons.

Minor irrigation: The increase of 34.77 *per cent* in receipts under this Head was on account of industries⁷ depositing their outstanding arrears. There was a decrease (45.81 *per cent*) over BE due to non-deposition of water tax by industrial institutions and non-receipt of water tax from the local bodies. Further, the farmers were also given exemption by Chhattisgarh Government from payment of tax.

Major irrigation: The increase of 13.13 *per cent* was due to payment of outstanding water tax by Korba and Raipur Nagar Nigam. The short realisation (29.38 *per cent*) *vis-à-vis* BE was due to granting of exemption by the State Government, and non-payment of arrears of water tax by Chhattisgarh State Power Generating Company Limited.

Education, sports, art and culture: During 2017-18 there was an increase in revenue due to auctioning of old vehicles; therefore the actual receipts of 2018-19 decreased (18.13 *per cent*) in comparison to the previous year.

Other non-tax receipts: The increase of 50.09 *per cent* was mainly due to increase in revenue under Police, Contributions & recoveries towards pension & other retirement benefits, Miscellaneous general services, Information & publicity, Crop husbandry, Cooperation and Medium irrigation Heads.

1.3 Authority for audit

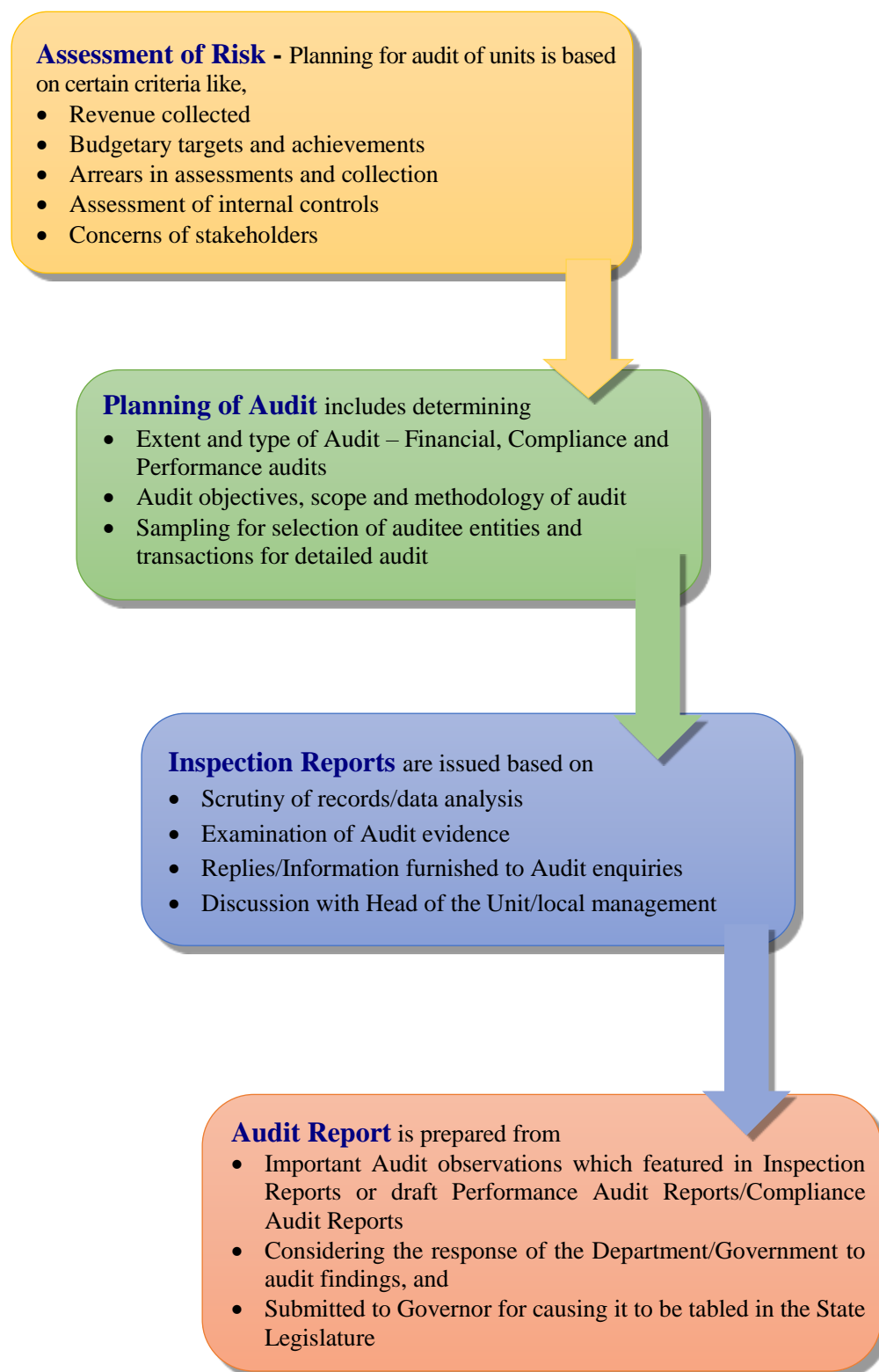
The Comptroller and Auditor General of India (CAG) derives his authority for audit from Articles 149 and 151 of the Constitution of India and CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG audits receipts of the Government under Section 16 of the DPC Act.

1.4 Planning and Conduct of audit

The following **flowchart** depicts the process of planning, conduct of audit and preparation of Audit Reports:

⁷ 27 industries had deposited arrears of ₹ 23.53 crore.

Figure-1.1: Planning, conduct of audit and preparation of Audit Reports



After completion of audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the Unit with a request to furnish replies within one month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in Government, are processed for inclusion in the Audit Reports. These

Audit Reports are submitted to the Governor of Chhattisgarh under Article 151 of the Constitution of India for causing them to be laid on the Table of State Legislature.

During the year 2018-19, audit of 45 units out of total 537 auditable units under eight Departments⁸ were planned and a total of 49 units were audited.

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 in respect of seven departments amounted to ₹ 8,349.95 crore, of which, ₹ 1,465.74 crore (17.55 per cent) was outstanding for more than five years as detailed in **Table 1.4:**

Table 1.4: Arrears of revenue outstanding as of 31 March 2019

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding	Amount outstanding for more than five years	Reply of Department with respect to status of outstanding cases
1.	Taxes and duties on electricity	5,182.74	94.11	Revenue Recovery Certificates (RRCs) issued (₹ 856.50 crore); pending in court (₹ 201.70 crore); other pending amount (₹ 4,124.54 crore).
2.	Taxes on sales, trade etc.	2,969.00	1,231.99	Stayed by Court (₹ 926.87 crore); sick industries (₹ 7.55 crore); written-off (₹ 2.20 crore); Pending in appeal and revision (₹ 330.76 crore); Closure of business by firms (₹ 869.42 crore); RRCs issued to other States (₹ 282.15 crore); Recovery under process (₹ 550.05 crore).
3.	Stamps and Registration fees	124.72	97.31	The Department stated (June 2020) that every month demand notices were issued to the defaulters and the cases have been sent to Tehsildar through Collector for recovery of outstanding dues. Further, the amount was pending as even after issue of demand notice the party did not attend and also due to stay by High Court/ Board of Revenue. The Department did not provide the stages at which arrears were pending after repeated requests.
4.	State Excise	52.50	27.84	RRCs issued (₹ 48.16 crore); pending in court (₹ 4.19 crore); others (₹ 0.15 crore).
5.	Forestry and Wild life	10.29	5.51	The Department did not provide the detailed status of arrears despite repeated requests.

⁸ Commercial Tax, State Excise, Land Revenue, Transport, Commercial Tax (Registration), Mineral Resources, Forest and Electricity (Energy).

6.	Taxes on vehicles	9.77	8.05	Stayed by court (₹ 0.84 crore). The department did not provide the detailed status of remaining amount of ₹ 8.93 crore.
7	Non-ferrous mining and metallurgical industries	0.93 ⁹	0.93	The Department stated (Dec 2019) that instructions have been issued to Mining Officers to recover the arrears through a special drive and the district authorities have been instructed to send proposals to write off arrears which are very old.
Total		8,349.95	1,465.74	

(Source: Information furnished by the departments concerned)

The Revenue and Disaster Management (RDM) Department could provide information relating to outstanding arrears of only nine out of the 27 districts in the State.

As on 31 March 2019, arrears of revenue in respect of seven major Departments was ₹ 8,349.95 crore, of which, ₹ 2,969.00 crore pertained to Commercial Tax-GST Department. Audit analysis of total arrears of revenue in Commercial Tax-GST Department, which constituted 36 *per cent* of total arrears, revealed the following:

Arrears of revenue of nine¹⁰ circles of Commercial Tax-GST Department were ₹ 1,268.03 crore (42.71 *per cent* of total arrears of Commercial Tax-GST Department). Files relating to top 10 defaulters of each circle of selected nine circles which constituted ₹ 703.21 crore (23.69 *per cent* of total arrears) of the Department were examined, and it was found that:

- In most of the cases, Revenue Recovery Certificates (RRC) have been issued, followed by attachments of their bank accounts, and immovable properties.
- Department is under regular correspondence with Income Tax Department, Municipal Corporation, Chhattisgarh Housing Board, Sub Registrar and Tehsildars to ascertain the details of the immovable properties of the defaulters.

1.6 Response of the Government/departments to Audit

1.6.1 Position of outstanding Inspection Reports

On completion of audit of Government departments and offices, Audit issues Inspection Reports (IRs) to the concerned Heads of Offices with copies endorsed to their superior officers to enable monitoring and initiation of corrective action. Serious financial irregularities are reported to the Heads of the Departments and the Government.

Analysis of IRs issued upto 31 March 2019 revealed that 10,614 paragraphs involving potential revenue of ₹ 9,891.26 crore relating to 2,623 IRs issued between 1994-95 and 2018-19 remained outstanding at the end of November

⁹ The department mis-stated arrears of ₹ 0.77 crore in 2017-18 due to omission of ₹ 0.18 crore, of which ₹ 0.02 crore was recovered in 2018-19

¹⁰ CTO, Circle 1 to 5 of Division I, Raipur and CTO, Circle 6 to 9 of Division II, Raipur

2020. Department-wise details of IRs and audit observations are mentioned in **Table 1.5:**

Table 1.5: Department-wise status of IRs

(₹ in crore)

Sl. No.	Name of Department	Nature of receipts	Type of IRs	No. of outstanding IRs	No. of outstanding audit observations	Money value involved
1.	Commercial Tax-GST	Taxes on sales, trade etc.	Rev.	504	3,312	641.26
			Exp.	51	85	5.95
2.	Excise Department	State excise	Rev.	149	365	2,112.23
		Entertainment tax	Rev.	96	152	4.18
		Excise and Entertainment Tax	Exp.	35	62	27.63
3.	Registration Department	Stamp duty and Registration fee	Rev.	228	571	102.49
			Exp.	7	19	3.81
4.	Revenue and Disaster Management	Land Revenue	Rev.	596	1,884	1,100.87
			Exp.	47	120	13.82
5.	Transport	Taxes on Vehicles	Rev.	184	1,391	240.50
			Exp.	51	109	0.21
6.	Mineral Resources	Non-ferrous mining and metallurgical industries	Rev.	173	660	1,417.30
			Exp.	41	73	363.54
7.	Forest	Forestry and Wildlife	Rev.	385	1,149	1,273.25
			Exp.	445	2,167	975.29
8.	Energy	Taxes and duties on Electricity	Rev.	20	88	2,347.99
			Exp.	6	18	8,031.59
9.	Other Tax departments	Other receipts	Rev.	288	1,042	651.19
			Exp.	1	10	0.13
			Rev.	2,623	10,614	9,891.26
			Exp.	684	2,663	9,421.97
Total:				3,307	13,277	19,313.23

Rev.- Revenue; Exp.-Expenditure

Out of 49 IRs issued during 2018-19, Audit did not receive even the first reply in respect of 28¹¹ IRs (57.14 per cent) from the Heads of Offices.

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to public exchequer.

¹¹ Commercial Tax-GST-09; Transport-01; Forest-10; Excise-06; Revenue and Disaster Management –01 and Mineral Resources-01.

Recommendation:

State Government should ensure prompt and appropriate response to audit observations, as well as take action against those failing to furnish replies to the IRs/paragraphs as per the prescribed time schedule.

1.6.2 Response of the Departments to Draft Audit Paragraphs

Factual Statements proposed to be developed in to draft audit paragraphs and draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General (PAG) to the Principal Secretaries/Secretaries of the Departments concerned, drawing their attention to audit findings and requesting them to send their response within six weeks.

Out of 51 Factual Statements (FSs) issued to the Departments, Audit did not receive (November 2020) reply to 26 FSs (51 per cent).

Six compliance audit paragraphs and a performance audit report on “Assessment, Levy and Collection of Stamp Duty and Registration Fees” included in this Report were sent to the Principal Secretaries/Secretaries of the respective Departments in 2019-20 and 2020-21 for comments/response. While the Department/Government replied to the performance audit paragraphs, response was not received in respect of four out of the six compliance audit paragraphs from the Government (November 2020). The replies of the Principal Secretaries/Secretaries of the Departments to the paragraphs wherever received, have been appropriately incorporated in this Report.

1.6.3 Departmental Audit Committee Meetings (ACMs)

The Government sets up Audit Committees to monitor and expedite the progress of settlement of the pending IRs and paragraphs.

The number of ACMs held during the year 2018-19 is detailed in **Table 1.6:**

Table 1.6: Details of ACM conducted

Department	No. of meetings organised and date of such meetings	No. of paragraphs discussed	No. of paragraphs settled	Percentage of paragraphs settled	Amount (₹ in lakh)
State Excise	1 (14/4/2018)	74	32	43.24	587.55
Registration	1 (10/5/2018)	307	141	45.93	399.34
Total		381	173	89.17	986.89

Efforts were made to conduct ACMs for settlement of outstanding paras and the matter was pursued with the Heads of the Departments. However, during 2018-19, ACMs of only two departments viz. State Excise and Registration Departments were conducted.

Recommendation:

State Government should direct all departments to settle pending audit observations through periodic ACMs and ensure that all relevant records are updated and presented to Audit for disposal of pending paragraphs.

1.6.4 Records not produced to Audit for scrutiny

The programme of local audit of tax revenue/non-tax revenue offices is drawn up sufficiently in advance and intimations are issued to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the period 2018-19, 28¹² assessment files, returns, refunds, documents, registers and other relevant records were not made available to Audit. This issue was highlighted in the Inspection Reports and intimated to the Secretaries of the concerned departments. The tax effect could not be computed in these cases. Non-furnishing of records to Audit raises red flags as Audit is unable to vouchsafe the genuineness of these transactions and the likelihood of fraud and misappropriation of public money cannot be ruled out.

Recommendation:

The Government should institute a suitable mechanism to ensure that departmental officers produce all the requisitioned records for Audit scrutiny and initiate disciplinary action against the officials who fail to comply in this regard.

1.6.5 Follow up on the Audit Reports-summarised position

According to the instructions issued by the Finance Department, all departments are required to furnish explanatory memoranda (Departmental Notes) to the Chhattisgarh *Vidhan Sabha* Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House. The Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Chhattisgarh for the years ended 31 March 2009 to 31 March 2018 containing 232 paragraphs including Performance Audits were placed before the State Legislative Assembly between March 2010 and March 2020.

The Public Accounts Committee (PAC) discussed 154 paragraphs out of 173 selected paragraphs pertaining to the Audit Reports for the years from 2002-03 to 2016-17 and gave its recommendations on 55 paragraphs of Audit Reports 2002-03 to 2011-12 and 2013-14. However, Action Taken Notes (ATNs) have not been received as of November 2020 in respect of 22¹³ recommendations made by the PAC between 2010-11 and 2019-20.

1.7 Results of audit

During the year 2018-19, test check of records of 49 units pertaining to Commercial tax-GST, State excise, Stamps and Registration fees, Taxes and duties on electricity, Mining receipts, Taxes on vehicles and Forestry and wildlife revealed several cases of short levy or non-levy of taxes, duties and fees, loss of revenue, irregular/avoidable expenditure etc. aggregating ₹ 265.02 crore in 6,603 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 6.67 crore in 1,795 cases.

Further, a Performance Audit on “Assessment, levy and collection of Stamp Duty and Registration Fees” conducted during 2019-20 revealed short/non-levy

¹² Commercial Tax-GST- 17 cases and Forest-11 cases

¹³ Commercial Tax-GST-07; Excise -02; Forest-02; Mining-01; Transport-05; Electricity (Energy)-02; Interest Receipt-01 and Water Resources-02.

of Stamp Duty and Registration Fees amounting to ₹ 72.39 crore. The Department accepted the under assessment amounting to ₹ 63.87 crore.

Significant results of audit that feature in this Report are summarised below:

1.7.1 Commercial Tax

The AAs applied incorrect rate of VAT in nine cases resulting in short levy of tax of ₹ 1.54 crore. Besides, penalty of ₹ 3.08 crore was also leviable.

(Paragraph 2.4)

The AAs allowed incorrect allowance of exemption/concessional rate of tax against interstate sales, stock transfer, transit and export sales which resulted in non/short levy of tax of ₹ 1.53 crore.

(Paragraph 2.5)

1.7.2 Taxes on vehicles

Five Regional Transport Officers (RTOs)/ District Transport Officers (DTOs) failed to ensure timely payment of Motor Vehicle Tax by vehicle owners, resulting in non-recovery of tax of ₹ 1.26 crore and penalty of ₹ 1.26 crore from 471 vehicle owners.

(Paragraph 3.3)

1.7.3 Electricity Duty

Failure on the part of CEI to levy interest on delayed payment of electricity duty resulted in non-realisation of interest of ₹ 1.24 crore.

(Paragraph 4.3)

1.7.4 Forestry and Wild Life

There was an avoidable expenditure of ₹ 1.30 crore on Assisted Natural Regeneration works under Green India Mission due to non-compliance with Departmental instructions by two Divisional Forest Officers.

(Paragraph 5.3)

Three Divisional Forest Officers carried out Rehabilitation of Degraded Forest (RDF) without plantation work in 1,418.557 hectare blank area of Plantation Working Circle in violation of the provisions of Working Plan Code, resulting in irregular expenditure of ₹ two crore.

(Paragraph 5.4)

1.7.5 Stamp Duty and Registration Fees

Performance Audit of “**Assessment, levy and collection of Stamp Duty and Registration Fees**” revealed following shortcomings:

Department did not make persuasive attempts to realise the Stamp Duty on sale and purchase of securities through Stock/Commodity Exchanges, resulting in non-realisation of Stamp Duty of ₹ 63.71 crore .

(Paragraph 6.5.4.4)

There was a short levy of Stamp Duty and Registration Fees of ₹ 8.52 crore due to misclassification of instruments, non-adherence to provisions of market value guidelines, and overlooking of the facts in the documents.

(Paragraph 6.5.4.9)

The Department has not issued 'Go live' certificate to the Service Provider (SP). Further, the Service Level Agreement (SLA) for ensuring achievement of the minimum service level standards as mentioned in the RFP has not also been executed.

(Paragraph 6.5.4.14 (a), (b) & (c))

No Security Audit of the system was conducted after the expiry of validity of the first security audit in 2017. Further, no provision for Biometric based authentication and verification of the parties/witnesses was provided in the System as per provision of RFP.

(Paragraph 6.5.4.15 (a) & (b))

User Acceptance Testing (UAT) of the system was conducted unilaterally by the SP without the involvement of the Department. Effective involvement in the UAT would likely have addressed the deficiencies in mapping of business logic.

(Paragraph 6.5.4.16)

A Single input form for capturing essential data of the deeds was not sufficient. Further, there was no provision for capturing the 'date of execution' in the application. As such, the Registering Authority had to manually check the deeds for ensuring the true market value of the properties and the presentation of the deeds within the stipulated period from the date of execution of the deeds.

(Paragraph 6.5.4.17)

1.8 Acknowledgement

The Office of the Principal Accountant General (Audit), Chhattisgarh acknowledges the co-operation and assistance rendered by the officials of various State Government Departments (Commercial Tax-GST, Transport, Energy and Forest) especially, Commercial Tax (Registration) Department, during the course of conduct of performance audit.