

CHAPTER – 1

GENERAL

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1.1 Introduction

This Chapter presents the overview of the trend of receipts raised by the Government of Madhya Pradesh, arrears of revenue, pendency of refund cases and response of the Government/Departments towards audit.

1.2 Trend of Revenue Receipts

1.2.1 The tax and non-tax revenue raised by the Government of Madhya Pradesh, the State's share of net proceeds of divisible Union Taxes and Duties assigned to the State and Grants-in-aid received from the Government of India (GoI) for the period 2013-18 are shown in **Table 1.1** below:

Table 1.1
Trend of Revenue Receipts

(₹ in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	2	3	4	5	6	7
1.	Revenues raised by the State Government					
	• Tax revenue	33,552.16	36,567.31	40,213.66	44,193.65	44,810.86
	Percentage of growth to previous year	9.71	8.99	9.97	9.90	1.40
	• Non-Tax revenue	7,704.99	10,375.23	8,568.79	9,086.51	9,061.19
	Percentage of growth to previous year	10.07	34.66	(-) 17.41	6.04	(-) 0.28
	Total (A)	41,257.15	46,942.54	48,782.45	53,280.16	53,872.05
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union Taxes and Duties	22,715.27	24,106.80	38,397.84	46,064.10	50,853.07 ¹
	• Grants-in-aid	11,776.82	17,591.44	18,330.31	23,962.53	30,150.29
	Total (B)	34,492.09	41,698.24	56,728.15	70,026.63	81,003.36
3.	Total revenue receipts of the State Government (A+B=C)	75,749.24	88,640.78	1,05,510.60	1,23,306.79	1,34,875.41
4.	Percentage of A to C	54	53	46	43	40

(Source: Finance Accounts of the Government of Madhya Pradesh)

The increase (₹ 11,568.62 crore; 9.38 per cent) in revenue receipts during 2017-18 as compared to 2016-17 was mainly due to increase in Grants-in-aid assigned to the State by GoI (25.82 per cent), share of net proceeds of

¹ For details, please see Statement No.14-“Detailed accounts of revenue and capital receipts by Minor Heads” in the Finance Accounts of the Government of Madhya Pradesh for the year 2017-18. Figures under the head “Share of net proceeds assigned to States” under Major Heads “0005-Central Goods and Services Tax” (₹ 716.48 crore), “0008-Integrated Goods and Services Tax” (₹ 5,132.48 crore), “0020-Corporation Tax” (₹ 15,568.92 crore), “0021-Taxes on Income other than Corporation Tax” (₹ 13,146.86 crore), “0032-Taxes on wealth” (₹ (-) 0.47 crore), “0037-Customs” (₹ 5,130.90 crore), “0038-Union Excise duties” (₹ 5,363.30 crore) and “0044-Service Tax” (₹ 5,794.60 crore), booked in the Finance Accounts under A-Tax Revenue have been excluded from the revenue raised by the State and included in the State's share of divisible Union Taxes in this statement.

divisible Union Taxes and Duties (10.39 per cent), more collection of taxes on State Excise (9.46 per cent), Stamp Duty and Registration Fees (21.99 per cent) and Taxes on Vehicles (19.55 per cent). It was partly counterbalanced by less receipt under Taxes on Goods and Passengers (69.53 per cent), Education, Sports, Art and Culture (28.20 per cent), Power (45.47 per cent), Major and Medium Irrigation (28.73 per cent), other administrative services (31.57 per cent) and Medical and Public Health (22.78 per cent).

1.2.2 Details of the Tax Revenue raised during the period 2013-14 to 2017-18 are given in Table 1.2 below:

Table 1.2
Details of Tax Revenue

(₹ in crore)

Sl. No.	Head of Revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+)/ decrease (-) in actual of 2017-18 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2017-18	Actual of 2016-17
1.	Taxes on sales, trade, etc.	<u>16,500.00</u> 16,649.85	<u>19,500.00</u> 18,135.96	<u>21,300.00</u> 19,806.15	<u>22,000.00</u> 22,561.12	<u>15,187.00²</u> 14,984.04	-	-
2.	State Goods and Services Tax ³	NA	NA	NA	NA	<u>9,820.00</u> 8,696.12	-	-
3.	State Excise	<u>5,750.00</u> 5,907.39	<u>6,730.00</u> 6,695.54	<u>7,800.00</u> 7,922.84	<u>9,000.00</u> 7,532.59	<u>8,600.00</u> 8,245.01	(-) 4.13	(+) 9.46
4.	Stamp Duty and Registration Fees	<u>4,000.00</u> 3,400.00	<u>4,000.00</u> 3,892.77	<u>4,700.00</u> 3,867.69	<u>4,500.00</u> 3,925.43	<u>4,300.00</u> 4,788.51	(+) 11.36	(+) 21.99
5.	Taxes on Goods and Passengers	<u>2,640.00</u> 2,578.74	<u>2,900.00</u> 2,686.39	<u>3,200.00</u> 3,084.76	<u>4,200.00</u> 3,805.04	<u>1,100.00⁴</u> 1,159.30	(+) 5.39	(-) 69.53
6.	Taxes and duties on Electricity	<u>1,600.00</u> 1,972.20	<u>2,050.00</u> 2,010.20	<u>2,200.00</u> 2,257.83	<u>2,500.00</u> 2,620.53	<u>3,000.00</u> 2,590.29	(-) 13.66	(-) 1.15
7.	Taxes on Vehicles	<u>1,650.00</u> 1,598.93	<u>2,000.00</u> 1,823.84	<u>2,300.00</u> 1,933.57	<u>2,500.00</u> 2,251.51	<u>2,550.00</u> 2,691.62	(+) 5.55	(+) 19.55
8.	Land Revenue	<u>572.00</u> 366.23	<u>700.10</u> 243.10	<u>500.00</u> 276.86	<u>500.00</u> 406.65	<u>700.00</u> 490.99	(-) 29.86	(+) 20.74
9.	Others	<u>670.00</u> 1,078.82	<u>1,109.50</u> 1,079.51	<u>1,447.68</u> 1,063.96	<u>1,300.00</u> 1,090.78	<u>1,225.21</u> 1,164.98 ⁵	(-) 4.92	(+) 6.80
Total		<u>33,382.00</u> 33,552.16	<u>38,989.60</u> 36,567.31	<u>43,447.68</u> 40,213.66	<u>46,500.00</u> 44,193.65	<u>46,482.21</u> 44,810.86	(-) 3.60	(+) 1.40

(Source: Finance Accounts and Budget Estimates of Government of Madhya Pradesh)

² Revised budget estimate due to implementation of GST.

³ The figures in the BE and actual column in the Head "State Goods and Services Tax" for the year 2013-14 to 2016-17 shown as Not Applicable (NA) because the Goods and Services Tax (GST) was implemented from 01 July 2017. Pre GST period is from 01 April 2017 to 30 June 2017 and post GST period is from 01 July 2017 to 31 March 2018. 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 (ACD), Special Additional Duty of Customs (SAD); State Indirect Taxes such as Value Added Tax, Central Sales Tax, Entry Tax, Entertainment Tax, Purchase Tax have been subsumed in GST.

⁴ Revised budget estimate due to implementation of GST.

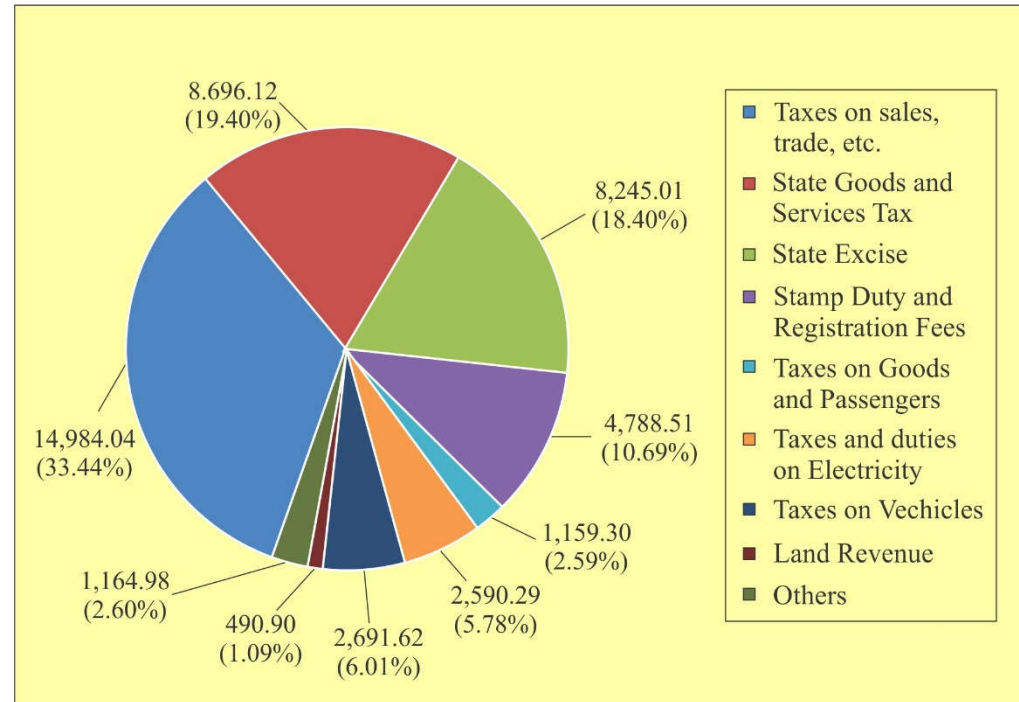
⁵ 'Others' includes actual receipts during 2017-18 under the following Revenue Heads: Hotel receipts (₹ 0.63 crore), Taxes on income and expenditure (₹ 342.23 crore), Taxes on immovable property (₹ 643.72 crore) and other taxes and duties on commodities and services (₹ 178.40 crore).

The growth in own tax revenue was only 1.40 *per cent* during 2017-18 over the previous year due to implementation of Goods and Services Tax from 01 July 2017. GoI has also provided compensation for loss on account of rolling out of GST amounting to ₹ 2,511 crore as Grants-in-aid. If the compensation received from GoI is included in own tax, the growth would be 7.08 *per cent*.

Breakup of tax revenue is given in **Chart 1.1** below:

Chart 1.1
Tax Revenue during 2017-18

(₹ in crore)



It can be seen from Table 1.2 that there was a variation between (-) 29.86 and (+) 11.36 *per cent* between the budget estimates and the actuals during 2017-18. Further, there was a variation of (-) 69.53 *per cent* to (+) 21.99 *per cent* between actuals of 2016-17 and 2017-18 under various heads of revenue.

The following reasons for the variations were reported by the Departments concerned:

Stamp Duty and Registration Fees: The increase (21.99 *per cent*) over actual of 2016-17 was mainly due to increase in Court Fees realised in Stamp Duty under “Stamps-Judicial” and 1,33,663 number of more instruments (20.87 *per cent*) registered over the previous year.

Taxes on Goods and Passengers: The decrease (69.53 *per cent*) over actual of 2016-17 was mainly due to decrease in receipts from toll on roads and subsuming of Entry Tax into GST.

Taxes on Vehicles: The increase (19.55 *per cent*) in revenue during 2017-18 over actual of 2016-17 was attributed by the Department to the special drive for achieving the revenue targets, continuous monitoring and better guidance

by senior officials. Audit observed that the tax rates were also upwardly revised on 10 January 2017;

Land Revenue: The increase (20.74 per cent) in revenue during 2017-18 over actual of 2016-17 was mainly due to increase in revenue receipts from ex-jamidari estate, sale of govt. estate, sale proceeds of waste lands and redemption of land tax in 2017-18. The reason for decrease (29.86 per cent) in revenue receipts over budget estimate of 2017-18 was assigned by the Department to the high budget estimate.

1.2.3 Details of the non-Tax revenue raised during the period 2013-18 are indicated in **Table 1.3** below:

Table 1.3
Details of non-Tax Revenue

(₹ in crore)

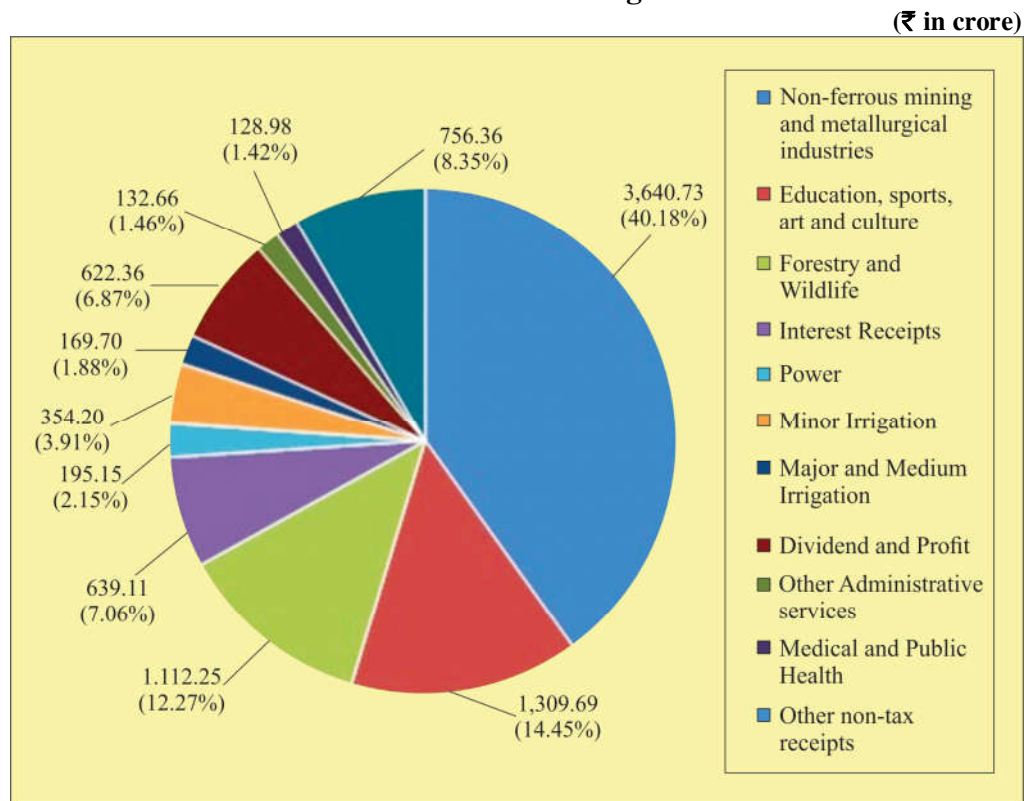
Sl. No.	Head of revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+)/ decrease (-) in actual of 2017-18 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2017-18	Actual of 2016-17
1.	Non-ferrous mining and metallurgical industries	<u>2,220.00</u> 2,306.17	<u>2,500.00</u> 2,813.66	<u>3,200.00</u> 3,059.64	<u>3,450.00</u> 3,168.28	<u>3,700.00</u> 3,640.73	(-) 1.60	(+) 14.91
2.	Education, sports, art and culture	<u>2,469.61</u> 2,008.49	<u>157.73</u> 3,276.10	<u>3,192.18</u> 1,292.41	<u>4,143.72</u> 1,824.03	<u>3,310.20</u> 1,306.69	(-) 60.43	(-) 28.20
3.	Forestry and Wildlife	<u>1,100.00</u> 1,036.80	<u>1,250.23</u> 968.77	<u>1,250.31</u> 1,001.71	<u>1,250.00</u> 917.98	<u>1,332.00</u> 1,112.25	(-) 16.50	(+) 21.16
4.	Interest receipts	<u>204.15</u> 317.85	<u>1,133.60</u> 1,260.65	<u>383.37</u> 429.47	<u>273.16</u> 581.67	<u>530.00</u> 639.11	(+) 20.59	(+) 9.88
5.	Power	<u>524.85</u> 378.66	<u>584.12</u> 381.23	<u>662.14</u> 190.09	<u>374.49</u> 357.87	<u>408.05</u> 195.15	(-) 52.17	(-) 45.47
6.	Minor Irrigation	<u>233.53</u> 219.37	<u>281.54</u> 299.77	<u>314.25</u> 326.74	<u>379.94</u> 336.24	<u>400.44</u> 354.20	(-) 11.55	(+) 5.34
7.	Major and Medium Irrigation	<u>116.86</u> 138.48	<u>120.09</u> 137.55	<u>186.08</u> 156.16	<u>120.56</u> 238.12	<u>201.57</u> 169.70	(-) 15.81	(-) 28.73
8.	Dividend and Profit	<u>41.28</u> 378.72	<u>42.26</u> 80.35	<u>32.57</u> 129.64	<u>108.83</u> 231.50	<u>288.17</u> 622.36	(+) 115.97	(+) 168.84
9.	Other Administrative services	<u>184.40</u> 380.22	<u>165.50</u> 140.21	<u>182.14</u> 147.01	<u>240.59</u> 193.87	<u>265.55</u> 132.66	(-) 50.04	(-) 31.57
10.	Medical and Public Health	<u>46.65</u> 57.76	<u>56.25</u> 120.16	<u>101.56</u> 121.04	<u>130.82</u> 167.04	<u>222.18</u> 128.98	(-) 41.95	(-) 22.78
11.	Other non-tax receipts	<u>441.67</u> 482.47	<u>467.57</u> 896.78	<u>619.38</u> 1,714.88	<u>1,008.36</u> 1,069.91	<u>1,021.57</u> 756.36 ⁶	(-) 25.96	(-) 29.30
	Total	<u>7,583.00</u> 7,704.99	<u>6,758.89</u> 10,375.23	<u>10,213.98</u> 8,568.79	<u>11,480.47</u> 9,086.51	<u>11,679.73</u> 9,061.19	(-) 22.42	(-) 0.28

(Source: Finance Accounts and Budget Estimates of Government of Madhya Pradesh)

⁶ 'Other non-tax receipts' includes actual receipts (₹ in crore) during 2017-18 under the following heads: Public Service Commission (14.45), Police (124.33), Jail (3.86), Public Works (124.94), Stationery and Printing (13.65), Contributions and recoveries towards Pension and other Retirement Benefits (47.93), Family Welfare (0.19), Water Supply and Sanitation (17.25), Housing (26.11), Urban Development (18.41), Information and Publicity (0.23), Labour and Employment (26.63), Social Security and Welfare (24.14), Other social services (56.78), Crop Husbandry (48.88), Animal Husbandry (4.89), Dairy development (0.05), Fisheries (9.49), Food Storage and Warehousing (0.12), Other agriculture program (2.08), Other rural development program (11.13), Petroleum (0.01), New and Renewable Energy (7.16), Village and Small Industries (15.08), Industries (4.22), Other industries (0.05), Roads and Bridges (2.76), Tourism (53.56), Other General Economic Services (31.14), Cooperation (12.73) and Miscellaneous General Services (54.11).

Breakup of non-Tax Revenue is given in **Chart 1.2:**

Chart 1.2
Non-Tax Revenue during 2017-18



It can be seen from the Table 1.3 that there was a variation between (-) 60.43 and (+) 115.97 *per cent* between the budget estimates and the actuals during 2017-18. Further, there was a variation of (-) 45.47 *per cent* to (+) 168.84 *per cent* between actuals of 2016-17 and 2017-18 under various heads of revenue.

Further, Audit noted continuous wide variations between budget estimates prepared by the Finance Department and actual revenue (refer to **Tables 1.2** and **1.3**). As per Madhya Pradesh Financial Code, Volume-I, the Finance Department is required to prepare the budget estimates on the basis of details obtained from the Administrative Departments, which are responsible for the correctness of the material.

The Finance Department intimated (January 2019) that for the preparation of budget, all the Departments were instructed to enter the data within certain specific period in the Integrated Financial Management Information System (IFMIS)⁷ and Mudra software. Subsequently, budget estimates were finalised after having discussion with Heads of Departments and submitted to State Legislative Assembly after approval of Cabinet.

The Finance Department also intimated to audit that the budget estimates were increased to realise the potential of the Administrative Departments to earn more revenue. However, the Finance Department did not produce minutes of

⁷ IFMIS is a software which enables the GoMP in seamless exchange of information across various Departments and agencies and creates strong policy - plan-budget linkages.

such discussions and budget files to audit despite their request (January 2019). In the absence of records being produced, audit could not satisfy itself that such consultation had actually taken place and that the Finance Department had framed the budget estimates following due process.

1.3 Analysis of Arrears of Revenue

The arrears of revenue as on 31 March 2018 in respect of some principal heads of revenue amounted to ₹ 6,057.26 crore, out of which ₹ 2,553.81 crore was outstanding for more than five years, as detailed in **Table 1.4** below:

Table 1.4
Arrears of Revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2017	Total amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Replies of Department
1.	Taxes on sales, trade etc.	4,650.58	5,219.48	2,199.76	Revenue Recovery Certificates (RRCs) were issued for ₹ 281.87 crore, ₹ 2,006.68 crore was pending in various courts, ₹ 183.76 crore was pending with appellate authorities, ₹ 306.71 crore involved in Board for Industrial and Financial Reconstruction (BIFR), ₹ 878.97 crore in closed firms, ₹ 600.34 crore in attachment of immovable properties, ₹ 22.91 crore in attachment in movable properties, ₹ 14.38 crore pending for write off, ₹ 0.13 crore in installments and remaining ₹ 923.73 crore was normal recovery.
2.	State Excise	182.19	220.72	73.21	RRCs were issued for ₹ 149.13 crore, ₹ 23.09 crore was pending in courts and action for writing off an irrecoverable amount of ₹ 48.50 crore was being taken.
3.	Stamp Duty and Registration Fees	243.34	343.61	141.96	Database of arrears had not been maintained at the Department level.
4.	Non-ferrous mining and metallurgical industries	24.52	48.38	This data is not maintained by the Department	RRCs were issued for the whole amount.

5.	Taxes and Duties on Electricity	209.55	225.07	138.88	RRCs were issued for ₹ 26.83 crore. Recovery of ₹ 119.90 crore was pending in courts, ₹ 64.08 crore was under consideration for remission of interest on belated payments of electricity duty/cess, ₹ 3.67 crore was pending against sick textiles mills and ₹ 10.59 crore was pending at other stages.
Total		5,310.18	6,057.26	2,553.81	

Audit examined (December 2018 and January 2019) the files and records of five Departments⁸ to ascertain the reasons for pendency in collection of arrears and test-checked 8,097 cases involving recovery of ₹ 306.04 crore. The RRCs were issued in all the cases, recovery was pending due to pendency in court are appellate authorities, non-initiation of action to recover the amount by selling movable/immovable properties of the defaulters, non-traceability of the individual defaulters, non-writing off of arrears which were not recoverable, etc.

It was further observed that there was no mechanism to monitor the progress of collection of arrears or to assess reasons for accumulation of arrears. The Departments do not have a data base of outstanding arrears at Apex level. Figures of outstanding arrears are compiled each year, at the instance of Audit, from the data furnished by field units.

Recommendation:

The Departments should expedite creation of their own databases of outstanding arrears, introduce a mechanism for monitoring the progress of collection of arrears and fix yearly targets for recovery of arrears of revenue for each Assessing Authority. A similar recommendation was made in the Audit Report 2016-17 yet the Department has not taken any action in this regard.

1.4 Pendency of refund cases

Details of refund cases pending at the close of the year 2017-18, as reported by the Departments, are given in **Table 1.5** below:

⁸ **State Excise Department** (DEOs Guna, Raisen and AEC Hoshangabad), **Mineral Resources Department** (DMOs Anuppur, Bhopal, Dhar, Hoshangabad, Raisen, Satna, Sehore and Shajapur), **Registration and Stamps Department** (DRs Raisen, Rewa and Sehore), **Commercial Tax Department** (Circle - 1 to 6 of Bhopal, CTOs Betul, Bhopal II and Mandideep), and **Energy Department** (EEs (E and S) Bhopal, Hoshangabad, Sehore and AE (E and S) Harda and SE (E and S) Indore).

Table 1.5
Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	Taxes on sales, trade, etc.		Stamp Duty and Registration Fees		State Excise		Taxes and Duties on Electricity	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year (A)	1,166	169.01	1,884	3.92	4	0.08	174	7.36
2.	Claims received during the year (B)	5,310	715.03	6,155	17.65	377	109.76	0	0
3.	Refunds made during the year (C)	5,438	738.46	6,012	15.50	350	108.35	21 ⁹	5.94
4.	Balance outstanding at the end of year (A+B-C=D)	1,038	145.58	2,027	5.91	31	1.49	153	1.42
5.	Percentage of refund [C to (A+B)]	-	83.53	-	71.86	-	98.64	-	-

Audit examined records of Commercial Tax Department (CTD), Energy Department and Registration and Stamps Department in this regard and the findings are as under:

- The Commercial Tax Department revised (December 2018) the figure of pending refund cases as on April 2017 from ₹ 254.93 crore (1,187 cases) to ₹ 169.01 crore (1,166 cases). The reasons for revision were attributed to clerical error in adoption of figures in crore instead of lakh by some Divisional Offices. It shows inadequate consolidation/maintenance of database of pending refund cases.
- Audit scrutinised (December 2018) and found that refund of ₹ 1.42 crore (153 cases) in respect of taxes and duties on electricity pertaining to the years 1989-90 to 2017-18 was pending in the Office of the Chief Engineer (Electrical Safety) and Chief Electrical Inspector, Bhopal, Circle and Division Indore and Circle Ujjain. The Energy Department intimated (November 2018) that instructions had been issued (May 2018) to officials concerned for disposal of the pending cases within one month. Subsequently, Department intimated (July 2019) that all the 153 cases outstanding for refund were now no longer valid due to expiry of three year period as per provisions of Limitation Act. The Department has accordingly closed the cases. Further, Energy Department revised (January 2019) the figure of pending refund cases and their amount as on

⁹ Department intimated (January 2019) that 21 refund case amounting to ₹ 5.94 crore pertaining to year 2005 to 2015 were filed due to expiry of three year period as per provision of Limitation Act.

31 March 2017 from ₹ 7.40 crore (175 cases) to 7.36 crore (174 cases) which indicates the deficiencies in maintenance of records of pendency of refund cases.

- Audit scrutinised (December 2018) refund cases of ₹ 19.42 lakh pertaining to the years 2013-14 to 2017-18 in respect of Registration and Stamps Department in DRs Bhopal and Hoshangabad, and found that refund could not be made due to absence of applicants and non-receipt of bank account numbers.

Recommendation:

The Departments should strictly follow codal provisions and ensure early disposal of refund cases. The Department has not complied with the recommendation in this regard given in the Audit Report 2016-17.

1.5 Response of the Departments/Government to Audit

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

Analysis of Inspection Reports revealed that 25,030 paragraphs involving potential revenue of as much as ₹ 23,884.71 crore relating to 5,477 IRs were outstanding at the end of June 2018. Department-wise details of the IRs and audit observations are given in **Table 1.6** below:

Table 1.6
Department-wise details of IRs

(₹ in crore)					
Sl. No	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value
1.	Commercial Tax	Taxes on sales, trade, etc.	1,738	9,759	4,093.59
2.	Energy	Taxes and Duties on Electricity	114	353	1,886.68
3.	State Excise	State Excise	416	1,724	8,245.90
4.	Revenue	Land Revenue	1,530	5,012	5,428.63
5.	Transport	Taxes on Vehicles	566	3,665	601.95
6.	Registration and Stamps	Stamp Duty and Registration Fees	753	2,571	749.75
7.	Mineral Resources	Non-ferrous mining and metallurgical industries	360	1,946	2,878.21
Total			5,477	25,030	23,884.71

For all 309 IRs issued during 2017-18, audit did not receive even the first reply from the Heads of Offices within the stipulated four weeks from the dates of issue of the IRs.

Recommendation:

The Government should introduce a mechanism to ensure that Departmental Officers respond to IRs promptly, take corrective action and work closely with Audit to bring about early settlement of IRs. The same recommendation appeared in Audit Report 2016-17. However, no action has been taken by the Government yet.

1.5.1 Follow-up on the Audit Reports: Summarised Position

As per the recommendations of the High Powered Committee¹⁰, *suo moto* explanatory notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the Departments, duly vetted by the Accountant General, to the Public Accounts Committee (PAC) within three months¹¹ from the date of placing of the Audit Reports in the Legislature.

Explanatory Notes in respect of 112 paragraphs¹² of the Audit Reports for the period from 2013-14 to 2016-17 have not been received (April 2019) from State Revenue Departments (Commercial Tax, State Excise, Transport, Land Revenue, Registration and Stamps, and Mineral Resources) along with Water Resources Department.

As per the instructions issued (November 1994) by the State Legislative Affairs Department, Action Taken Reports (ATRs) on the recommendations of the PAC should be submitted within six months from the date of recommendations by the PAC. In spite of these provisions, the ATRs on audit paragraphs of the Reports were being delayed inordinately.

After issue of Recommendation Reports¹³ by the PAC, the ATRs in respect of 143 paragraphs of the Audit Reports for the period from 1995-96 to 2011-12 (Recommendation Reports on Audit Report 2012-13 onwards are still awaited) were not received up to March 2018 from State Revenue Departments (Commercial Tax, State Excise, Transport, Land Revenue, Registration and Stamps, and Mineral Resources).

Recommendation:

The Government may initiate action to address the shortcomings and system defects pointed out by Audit in order to plug the leakage of revenue. The Government may also ensure that all Departments promptly prepare ATRs on PAC recommendations.

1.5.2 Compliance to earlier Audit Reports

During the period from 2012-13 to 2016-17, the Departments/Government accepted audit observations involving ₹ 3,078.13 crore, out of which only ₹ 67.37 crore was recovered till March 2018 as mentioned in **Table 1.8:**

¹⁰ High Powered Committee appointed to review the response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India (Shakdher Committee Report).

¹¹ *Suo moto* replies to be furnished within three months, in case Audit paragraphs are not selected by the PAC/COPU during this period.

¹² 2013-14 (07), 2014-15 (03), 2015-16 (48) and 2016-17 (54).

¹³ Received between December 2004 to February 2018 in this office.

Table 1.8
Compliance to earlier Audit Reports

(₹ in crore)

Sl. No.	Department	Accepted money value	Amount recovered	Percentage of recovery to amount accepted
1.	Commercial Tax	700.05	1.49	0.21
2.	Land Revenue	129.52	18.43	14.22
3.	Registration and Stamps	212.26	10.56	4.97
4.	Mineral Resources	211.70	17.54	8.28
5.	Transport	86.03	4.48	5.20
6.	State Excise	48.09	11.80	24.53
7.	Forest	12.23	0.63	5.15
8.	Water Resources	1,626.24	0.00	0.00
9.	Energy	52.01	2.44	4.69
Total		3,078.13	67.37	2.19

1.6 Analysis of the mechanism for dealing with the issues raised by Audit

In order to assess how the Department/Government is acting upon issues raised in the Inspection Reports/Audit Reports, the actions taken on the Draft Paragraphs and PAs included in the Audit Reports of the last 10 years for Mineral Resources Department were evaluated as a test case, and included in this Audit Report.

The succeeding paragraphs 1.6.1 to 1.6.3 discuss the performance of the Mineral Resources Department under Revenue Major Head 0853 and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2007-08 to 2016-17.

1.6.1 Position of Inspection Reports

The summarised position of the Inspection Reports issued during the last 10 years, paragraphs included in those reports and their status as on 31 March 2018 are tabulated in **Table 1.9** below:

Table 1.9
Position of Inspection Reports

(₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance at the end of 31 March 2018		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2008-09	285	797	803.17	32	179	368.14	05	39	161.19	312	937	1,010.12
2009-10	312	937	1,010.12	41	268	1,824.35	61	211	181.12	292	994	2,653.35
2010-11	292	994	2,653.35	37	208	282.36	130	313	193.73	199	889	2,741.98
2011-12	199	889	2,741.98	33	234	174.66	30	148	1,302.50	202	975	1,614.14
2012-13	202	975	1,614.14	35	254	147.18	04	09	0.06	233	1,220	1,761.26
2013-14	233	1,220	1,761.26	37	280	638.55	06	155	589.95	264	1,345	1,809.86
2014-15	264	1,345	1,809.86	33	200	243.90	01	20	1.53	296	1,525	2,052.23
2015-16	296	1,525	2,052.23	32	177	107.51	14	151	105.26	314	1,551	2,054.48

2016-17	314	1,551	2,054.48	33	197	502.31	16	112	115.69	331	1,636	2,441.10
2017-18	331	1,636	2,441.10	26	289	434.22	0	01	0.01	357	1,924	2,875.31

The increase in the number of outstanding paragraphs is indicative of the fact that adequate steps were not being taken by the Department to settle the number of outstanding IRs and paragraphs.

1.6.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered up to March 2018 are mentioned in **Table 1.10** below:

Table 1.10
Recovery of accepted cases

(₹ in crore)						
Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year (2017-18)	Cumulative position of recovery as of 31 March 2018
2007-08	1 ¹⁴	395.76	1	0.11	0	63.53
2008-09	8	102.93	1	1.53	0	2.92
2009-10	11	447.89	3	138.24	0	4.71
2010-11	11	115.46	8	83.67	0	125.22
2011-12	12	80.34	3	23.92	0	39.11
2012-13	1 ¹⁵	46.43	1	9.44	0.02	0.02
2013-14	8	26.29	3	7.80	0	0
2014-15	8	15.38	6	2.46	0.10	0.10
2015-16	10	43.91	8	25.17	0	0
2016-17	7 ¹⁶	318.03	7	166.58	3.34	3.34
Total	77	1,592.42	41	458.92	3.46	238.95

It is evident that the Department's efforts for recovery of accepted outstanding amount in respect of old paragraphs were unsatisfactory during last 10 years. The recovery of accepted cases was to be pursued as arrears recoverable from the parties concerned. However, no mechanism for pursuance of the accepted cases had been put in place by the Department/Government.

The Government had not made specific provisions in the Act, or issued instructions to the Department, to fix a timeline for effecting recovery in such cases and to ensure that such irregularities do not occur in future. Therefore, non-response of the Department to Audit Report para-s not only resulted in non-recovery of deficient amount of royalty and other mining receipts but also persistence of similar natured irregularities in all the subsequent years, as reflected in respective Audit Reports. Some of them, noticed by audit during 2017-18, have been incorporated in Chapter 4 of this Report.

¹⁴ One Performance Audit paragraph on "Mining receipts".

¹⁵ One Performance Audit paragraph on "Mining receipts in Madhya Pradesh".

¹⁶ Includes one Audit paragraph on "Sand mining and environmental consequences".

Recommendation:

The Government may take special efforts to ensure recovery at least in the accepted cases which are not sub-judice.

1.6.3 Action taken on the recommendations accepted by the Department/Government

The draft Performance Audit Reports (PAs) of the AG are forwarded to the Department/Government concerned for their information and replies. These PAs are also discussed in Exit Conferences and the Department's/Government's views are included while finalising the PAs for the Audit Reports.

PAs relating to Mineral Resources Department featured during the last five years in the Audit Reports, the total number of recommendations, details of the recommendations accepted by the Department/Government, and up-to-date status of accepted recommendations are given in **Table 1.11** below:

Table 1.11
Action taken on the accepted recommendations

Year of Report	Name of the PA	Total No. of recommendations	Details of the accepted Recommendations
2012-13	“Mining Receipts in Madhya Pradesh”	13	<p>The Government may consider-</p> <ul style="list-style-type: none"> • Prescribing the maintenance of appropriate registers for monitoring the submission of returns by the lessees to ensure effective control on assessment of mining receipt. Government may also enforce penalty provision to ensure better compliance. • Prescribing time limit for disposal of dealer license applications in the interest of revenue as well as minimize scope of illegal transportation and storage of minerals. • Prescribing a periodic report/return to be furnished by the MI to the higher authorities to ensure inspections of mines by the Mining Inspectors according to prescribed norms. • E-auction of trade quarries to obtain competitive rates in a transparent manner. • The Mineral Resources Department and MPPCB needs to coordinate with each other for granting permission to the lessee for annual production so that the issues of revenue leakage and environment concerns are duly addressed. • Pending chemical analysis/tests should be conducted in time to avoid delay in revenue realisation.

			<ul style="list-style-type: none"> • Setting up of an internal audit wing in the Department and ensure regular audit of the offices for strengthening levy and collection; • Prescribing the maintenance of appropriate records for monitoring the receipt of reports from prospecting licensees for effective control on prospecting activities; • Prescribing submission of the <i>Khatoni</i> to higher authorities at regular intervals for effective monitoring of its proper maintenance; • Prescribing mechanism for ensuring that the working of mines is strictly in accordance with the approved mining plan; • Introducing measures for recovery of damages caused to environment and cost of reclamation of the area due to illegal excavation of minerals; • Prescribing provision for levy of interest on delayed payments of Road Development Tax to ensure early receipt of Government revenue; and • Prescribing a system wherein the details entered in the transit passes are cross verified every month from the monthly returns furnished by the lessees.
2016-17	“Sand mining and environmental consequences”	7	<ul style="list-style-type: none"> • The Department may review the existing sanctioned strength of Mining Officers and Mining Inspectors and also ensure that all existing vacancies are filled. • The Department should either increase the security deposit equivalent to reserve price or blacklist such defaulters to discourage such practices by them from participating in bidding process in future. • The Department should revise agreements with MPSMCL so that the royalty on contracted quantity or actually consumed and dispatched quantity of sand, whichever is more, is collected from MPSMCL, so that Government may not incur loss of revenue. • The Department may evolve mechanism to monitor compliance with the conditions laid down by SEIAA for environment clearances for sand mining. For this purpose, the Department may prescribe

			<p>periodic returns to closely monitor the issues related to environment clearances.</p> <ul style="list-style-type: none"> • The Department may develop module and provide login access to minerals carriers to facilitate them for submission of online quarterly returns. • The Department may establish sufficient number of check posts in every district to prevent illegal mining and transportation. • The Department should prepare a Departmental Manual and set up an Internal Audit wing.
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All the above recommendations of the PAs were accepted by the Department during respective Exit Conferences. However, no further action has been intimated by the Department in this regard.

Recommendation:

The Government may issue instructions to the Mineral Resources Department to take appropriate actions on the accepted audit recommendations of the previous Audit Reports.

1.7 Results of Audit

Position of local audit conducted during the year

Audit test-checked records of 287 units out of 962 units relating to Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Registration and Stamps, and Mineral Resources Departments during 2017-18 and observed under-assessment/short levy/loss of revenue amounting to ₹ 1,542.04 crore in 77,886 cases. The Departments concerned accepted the under-assessments and other deficiencies of ₹ 459.11 crore in 7,840 cases, and accepted to review 50,674 in cases involving ₹ 393.28 crore. In remaining 19,372 cases involving ₹ 689.65 crore, the Departments had differences of opinion. However, proper rebuttals were given by audit in those cases. The Departments intimated (September 2019) the recovery of ₹ 42 lakh in 199 cases.

1.8 Coverage of this Report

This Report contains 19 paragraphs (selected from the audit objections made during the local audit referred to above and during earlier years, which could not be included in earlier reports) and one Audit on “**Mining Receipts from Major Minerals in Madhya Pradesh**” with effect of ₹ 207.07 crore.

The Government/Departments have accepted audit observations involving ₹ 90.15 crore out of which ₹ 4.85 crore was recovered. The replies in the remaining cases, along with documents in support of actions initiated by the Department, have not been received. These are discussed in succeeding Chapters 2 to 7.

Most of the audit observations are of a nature that may reflect similar errors/omissions in other units of the concerned State Government Department, but were not covered in the test check conducted during the year.

The Department/Government may therefore like to internally examine all other units with a view to ensuring that they are functioning as per requirement and rules.