

CHAPTER I

CHAPTER I

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of West Bengal during the year 2017-18, 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 during the year and the corresponding figures for the preceding four years are detailed in **Table – 1.1**.

Table – 1.1
Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Revenue raised by the State Government					
	(a) Tax revenue	35,830.56	39,411.98	42,492.08	45,466.46	52,720.57
	(b) Non-tax revenue	2,022.72	1,626.66	1,861.79	2,949.86	3,117.17
	Total	37,853.28	41,038.64	44,353.87	48,416.32	55,837.74
2.	Receipts from the Government of India					
	(a) Share of net proceeds of divisible Union taxes and duties	23,175.02	24,594.93	37,163.93	44,625.16	49,321.10
	(b) Grants-in-aid	11,853.49	20,880.64	28,214.41	24,790.97	26,111.55
	Total	35,028.51	45,475.57	65,378.34	69,416.13	75,432.65
3.	Total revenue receipts of the State Government (1 and 2)	72,881.79	86,514.21	1,09,732.21	1,17,832.45	1,31,270.39¹
4.	Percentage of 1 to 3	52	47	40	41	43

During the year 2017-18, the total revenue raised by the State Government (₹ 55,837.74 crore) was 43 *per cent* of the total revenue receipts. The remaining 57 *per cent* came from the Government of India.

1.1.2 The details of the tax revenue raised during the period 2013-14 to 2017-18 are given in **Table 1.2**.

¹ For details, please see Statement No. 14 – Detailed statement of revenue by minor heads in the Finance Accounts of Government of West Bengal for the year 2017-18. Figures under the heads 0005-Central Goods and Services Tax (CGST), 0008-Integrated Goods and Services Tax (IGST), 0020 - Corporation Tax, 0021 - Taxes on income other than Corporation Tax, 0032- Taxes on Wealth, 0037 – Customs, 0038 - Union Excise Duties and 0044 - Service Tax mentioned in the Statement under caption “A - Tax revenue” have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes.

Table – 1.2
Details of tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2013-14		2014-15		2015-16		2016-17		2017-18		Percentage of increase (+)/ decrease (-) in 2017-18 over 2016-17
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1.	State Goods and Services Tax (SGST)	-	-	-	-	-	-	-	-	-	14,963.74	-
2.	Taxes on sales, trade etc.	22,783.98	21,931.09	27,472.66	24,021.91	29,115.91	26,050.16	32,018.09	27,982.69	34,679.46	12,999.34	(-)53.54
3.	Stamp duty and registration fees	4,500.00	4,053.07	5,399.06	4,196.20	4,597.67	4,174.97	5,199.09	4,382.73	4,699.99	5,260.77	(+)20.03
4.	State excise	3,202.02	3,017.66	3,810.41	3,587.02	4,418.15	4,015.12	4,698.29	5,226.16	5,781.38	9,340.05	(+)78.72
5.	Land revenue	3,942.82	2,253.54	2,829.13	2,275.74	3,031.85	2,456.27	2,643.06	2,568.66	2,759.83	2,874.51	(+)11.91
6.	Taxes and duties on electricity	1,380.00	1,213.30	1,403.74	1,946.83	1,660.22	2,091.63	1,909.25	1,318.87	3,181.89	2,333.55	(+)76.94
7.	Taxes on vehicles	1,389.97	1,350.66	1,667.96	1,504.68	1,590.00	1,707.02	1,903.40	1,869.86	2,141.31	2,317.23	(+)23.93
8.	Others	2,584.83	2,011.24	2,830.99	1,879.60	2,083.01	1,996.91	2,402.33	2,117.49	2,542.87	2,631.38	(+) 24.27
	Total	39,783.62	35,830.56	45,413.95	39,411.98	46,496.81	42,492.08	50,773.51	45,466.46	55,786.73	52,720.57	(+)15.95

Source: Finance Accounts and Budget Publications of the Government of West Bengal.

Reasons for variation in respect of principal heads of tax revenue were not furnished by the Departments concerned, though sought for (May 2018) followed by reminders.

The details of the non-tax revenue raised during the period 2013-14 to 2017-18 are given in **Table 1.3**.

Table – 1.3
Details of non-tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2013-14		2014-15		2015-16		2016-17		2017-18		Percentage of increase (+)/ decrease (-) in 2017-18 over 2016-17
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1.	Interest receipts	478.41	986.29	775.45	277.46	1,152.93	334.94	323.80	1,201.24	397.95	1,395.68	(+) 16.19
2.	Miscellaneous general services	330.46	231.78	227.73	185.79	276.89	180.24	219.47	182.66	215.62	131.57	(-) 27.97
3.	Non-ferrous Mining and Metallurgical Industries	26.32	45.63	40.61	46.31	53.22	292.17	1,204.01	399.68	347.12	422.19	(+) 5.63
4.	Other Administrative Services	50.42	63.89	69.25	50.60	74.53	170.58	59.02	210.35	202.66	133.95	(-) 36.32
5.	Education, Sports , Art and Culture	24.85	63.19	46.38	53.32	73.70	58.00	62.22	176.64	68.90	68.31	(-) 61.33
6.	Forestry and wild life	111.89	123.76	137.47	135.73	144.35	134.86	160.32	126.48	160.23	93.74	(-) 25.89
7.	Police	184.87	139.17	161.85	126.61	162.33	104.38	147.69	143.68	124.02	187.10	(+) 30.22
8.	Medical and Public Health	105.45	91.44	125.92	103.29	106.66	112.45	123.04	134.78	133.60	210.48	(+) 56.18
9.	Roads and Bridges	28.24	27.68	57.54	34.93	40.28	82.55	40.74	104.92	98.07	124.43	(+) 18.60
10.	Other non-tax receipts	415.29	249.89	348.15	612.62	295.00	391.62	347.66	269.43	472.78	349.72	(+) 29.80
	Total	1,756.20	2,022.72	1,990.35	1,626.66	2,379.89	1,861.79	2,687.97	2,949.86	2,220.95	3,117.17	(+) 5.67

Source: Finance Accounts and Budget Publications of the Government of West Bengal.

Reasons for variation in respect of principal heads of non-tax revenue were not furnished by the Departments concerned, though sought for (May 2018) followed by reminders.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 in respect of some principal heads of revenue amounted to ₹ 63.91 crore, of which ₹ 45.76 crore was outstanding for more than five years, as detailed in the **Table – 1.4**.

Table - 1.4
Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Replies of the Department
1.	State Excise	63.45	45.52	The Directorate attributed arrears of revenue to recoveries stayed by the Hon'ble High Court and other judicial authorities, cases pending at appeal stage before the Government and other appellate authorities, recoveries held up due to rectification/review of demands, certificate case initiated against defaulters and process of recovery underway and demand raised against the defaulters not complied with.
2.	Taxes and Duties on Electricity	0.46	0.24	The concerned Collectors/District Magistrates were the collecting authority. The Directorate of Electricity Duty compiled the data furnished by the various District Collectors regarding Electricity Duty.
3.	Taxes on sales, trade etc.	The concerned Departments/Directorates did not furnish the figures of arrears of revenue though requested (May 2018) and followed by reminders.		
4.	Stamp duty and registration fees			
5.	Land revenue			
6.	Taxes on vehicles			
Total		63.91	45.76	

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year, as furnished by the Directorate of Commercial Taxes, Directorate of Mines and Minerals and the Directorate of Electricity Duty are given in **Table 1.5**.

Table – 1.5
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2017-18	Total assessments due	Cases disposed of during 2017-18	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Taxes on sales, trade etc.	Not furnished	VAT (Value Added Tax) - 16,770 CST (Central Sales Tax) - 7,637	Not furnished	VAT- 16,766 CST- 7,632	Not furnished	--
Taxes and duties on electricity	Nil	56	56	56	Nil	100
Mines and Minerals ²	84	283	367	187	180	50.95
Stamp duty and registration fees	The concerned Departments/Directorates did not furnish the figures of arrears in assessments though requested (May 2018) and followed by reminders.					
Land revenue						
Taxes on vehicles						

1.4 Evasion of tax detected by the department

As per reply furnished by the Directorate of Commercial Taxes, investigation was completed in 415 cases of evasion involving ₹ 78.04 crore during 2017-18. Cases of evasion pending as on 31 March 2018 and cases detected during 2017-18 as stated by the Directorate of Electricity Duty, Directorate of Mines and Minerals and the Directorate of Excise were nil.

Other principal revenue generating Departments/Directorates namely Directorate of Agricultural Income Tax, Directorate of Registration and Stamp Revenue, Land and Land Reforms Department and Transport Department did not furnish any information on evasion of tax (December 2019) though requested (May 2018) and followed by reminders.

1.5 Pendency of refund cases

The number of refund cases pending at the beginning of the year 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2017-18, as reported by the Directorate of Commercial Taxes, are given in **Table 1.6**.

Table – 1.6
Details of pendency of refund cases

(₹ in crore)

Sl. No.	Head of revenue	Claims outstanding at the beginning of the year		Claims received during the year		Refunds made during the year		Balance outstanding at the end of the year	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Taxes on sales, trade etc.	422	Not furnished	601	152.24	1,004	97.53	19	Not furnished

² Information provided by Directorate of Mines and Minerals.

(₹ in crore)

Sl. No.	Head of revenue	Claims outstanding at the beginning of the year		Claims received during the year		Refunds made during the year		Balance outstanding at the end of the year	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2.	State Excise	The concerned Departments/Directorates did not furnish the detail of refund cases though requested (May 2018) and followed by reminders.							
3.	Taxes and duties on electricity								
4.	Stamp duty and registration fees								
5.	Land revenue								
6.	Taxes on vehicles								

1.6 Response of the Government/Departments towards audit

1.6.1 Pendency of inspection reports

The Accountant General (Economic and Revenue Sector Audit), West Bengal, conducts periodical inspection of the Government Departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities detected during inspection and not settled on the spot, which are issued to the heads of the offices inspected, with copies to the next higher authorities, for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the Accountant General (AG) within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Inspection reports issued upto December 2017 disclosed that 4,958 paragraphs involving ₹ 2,459.78 crore relating to 970 IRs remained outstanding at the end of June 2018, as mentioned along with the corresponding figures for the preceding two years in **Table 1.7**.

Table - 1.7
Details of pending Inspection Reports

	June 2016	June 2017	June 2018
Number of IRs pending for settlement	853	945	970
Number of outstanding audit observations	4,460	5,239	4,958
Amount of revenue involved (₹ in crore)	2,536.06	3,092.90	2,459.78
Number of paras cleared during the year	2,112	1,318	1,569

The Department-wise details of the IRs and audit observations issued upto December 2017, outstanding as on 30 June 2018 and the corresponding amounts involved are mentioned in **Table 1.8**.

Table - 1.8
Department wise details of IRs

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Number of outstanding audit observations	Money value involved	Pending since
1.	Finance	Sales Taxes/VAT	251	1,823	1,246.90	2006-07 to December 2017
		Electricity duty	31	95	396.52	2008-09 to December 2017
		Amusement Tax	20	62	31.84	2013-14 to December 2017
		Profession Tax	86	259	11.24	2006-07 to December 2017
		Stamp duty and registration fees	288	726	98.72	2009-10 to December 2017
		Non-judicial Stamp duty	28	73	8.56	2011-12 to December 2017
		Departmental Receipts	01	01	0.07	2011-12
		State Excise	32	171	27.74	2009-10 to December 2017
2.	Land and Land Reforms	Land Revenue	87	1,069	458.85	1984-85 to December 2017
		Receipts from mines and minerals	96	571	174.14	2007-08 to December 2017
3.	Transport	Taxes on motor vehicles	50	108	5.20	2008-09 to December 2017
Total			970	4,958	2,459.78	

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of 344 IRs issued during 2017-18. The large pendency of IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG/AG in the IRs.

The Government may consider instituting an effective system for prompt and appropriate response to audit observations.

1.6.2 Departmental Audit Committee Meetings

The Government sets up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2017-18 and the paragraphs settled are mentioned in **Table 1.9**.

Table - 1.9
Details of Departmental Audit Committee Meetings

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Number of meetings held	Number of paras settled	Amount
1.	Finance	Amusement Tax	2	106	11.55
		State Excise	1	12	0.60
2.	Land and Land Reforms	Land Revenue	1	65	5.48
Total			4	183	17.63

Despite holding Departmental audit committee meetings, the progress of settlement of paragraphs pertaining to these Departments, was insignificant as compared to the huge pendency of the IRs and paragraphs in the IRs as detailed in the paragraph 1.6.1.

1.6.3 Constraints in Audit

Non-availability of data and information has been a regular constraint in audit. During the year 2017-18, Audit requested the Transport Department in August 2017 for making available the dump data regarding 'e-VAHAN'. The same was, however, not made available to audit. In February 2018, the Commissioner of Commercial Taxes, West Bengal was requested to fix a convenient date on which the Data Transmission, Use and Storage Protocol (DTUSP) could be signed by the audit and DCT for facilitating the regular data flow of GST. This has not been done, so far, by the Directorate of Commercial Taxes.

Following information sought, for Audit Report 2017-18, was not made available despite repeated requests: (i) opening balance of arrears in assessments and total assessments due at the end of the year from the Directorate of Commercial Taxes, Directorate of Mines and Minerals and Directorate of Electricity Duty; (ii) claims of refund outstanding at the beginning and at the end of the year from the Directorate of Commercial Taxes and (iii) information regarding performance of the Internal Audit Wing of the Directorate of Registration and Stamp Revenue.

1.6.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG/AG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their responses within six weeks. The fact of receipt/non-receipt of the replies from the Department/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Twenty six draft paragraphs (DPs) including one Performance Audit (PA) and two detailed compliance audits were sent to the Principal Secretaries/Secretaries of the respective Departments by name between July and August 2018. With the exception of one detailed compliance audit on "Working of check-posts under Transport Department" and two DPs under Chapter VII- Mines and Minerals for which replies were received, for all other DPs the Principal Secretaries/Secretaries of the Departments concerned did not send replies despite reminders. As such, these DPs have been included in this Report without response of the Government. Replies of the heads of the audited units, wherever furnished, have been taken into account.

1.6.5 Follow up on the Audit Reports-summarised position

The internal working system of the Public Accounts Committee (PAC), notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, explanatory notes of action taken on audit paragraphs of the Reports were delayed inordinately. 149 paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of West Bengal for the years

ended 31 March 2012, 2013, 2014, 2015 and 2016 were placed before the State Legislative Assembly between 10 July 2014 and 7 March 2016. No action taken explanatory note in respect of paragraphs/sub-paragraphs of Performance Audit was received on time. The action taken explanatory notes from the concerned Departments on 11 sub-paragraphs/paragraphs were received with average delay of 14 months in respect of Audit Reports for the years ended 31 March 2012, 2013, 2014, 2015 and 2016. Action taken explanatory notes in respect of remaining paragraphs from four departments (Finance, Industries, Commerce and Enterprises, Land & Land Reforms and Transport) had not been received for the Audit Reports for the years ended 31 March 2012, 2013, 2014, 2015 and 2016 so far (December 2019).

No discussions of the selected paragraphs were held by the Public Accounts Committee during 2017-18.

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

To analyse the system of addressing the issues highlighted in the IRs/Audit Reports by the Departments/Government, action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 and 1.7.2 discuss the performance of the Transport Department 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 2008-09 to 2017-18.

1.7.1 Position of Inspection Reports

The summarised position of the inspection reports issued to the Transport Department during the last 10 years, paragraphs included in these reports and their status as on 31 March 2018 are tabulated in **Table 1.10**.

Table - 1.10
Position of Inspection Reports

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
		IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
1.	2008-09	427	1,280	58.98	8	38	14.68	0	12	0.90	435	1,306	72.76
2.	2009-10	435	1,306	72.76	8	49	5.41	332	1,015	59.83	111	340	18.34
3.	2010-11	111	340	18.34	7	53	5.31	10	53	4.34	108	340	19.31
4.	2011-12	108	340	19.31	18	309	156.76	21	154	85.79	105	495	90.28
5.	2012-13	105	495	90.28	15	243	283.83	31	158	15.25	89	580	358.86
6.	2013-14	89	580	358.86	11	167	185.23	12	240	216.09	88	507	328.00
7.	2014-15	88	507	328.00	13	138	170.84	24	287	156.17	77	358	342.67
8.	2015-16	77	358	342.67	20	245	441.57	27	228	258.42	70	375	525.82
9.	2016-17	70	375	525.82	9	124	153.23	7	112	230.89	72	387	448.16
10.	2017-18	72	387	448.16	21	231	194.58	25	282	347.40	68	336	295.34

Though Audit Committee Meetings are organised between the Department and Audit to settle old paragraphs, it would be evident from the above table, that except for 2009-10, settlement of paras was not significant. This is primarily because the Department is not providing replies/follow-up action for settlement of outstanding paragraphs contained in the IRs.

1.7.2 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 are mentioned in **Table 1.11**.

Table – 1.11
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 of recovery of accepted cases as of 31.03.2018
2007-08	4	4.66	4	1.06	Nil
2008-09	5	10.69	5	1.17	Nil
2009-10	33	14.41	9	4.76	0.52
2010-11	4	73.97	4	9.05	0.07
2011-12	6	4.28	6	4.28	0.02
2012-13	4	205.42	4	204.82	0.01
2013-14	9	151.02	8	10.51	0.69
2014-15	9	230.31	9	61.16	0.01
2015-16	6	321.76	6	170.47	0.01
2016-17	11	320.22	11	289.51	1.61
Total	91	1,336.74	66	756.79	2.94

It is evident from the above table that the recovery even in accepted cases was meagre (only 0.39 *per cent*) during these years. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties by instituting an appropriate mechanism for pursuance of the accepted cases by the Department/Government.

The Department may take prompt action to monitor and pursue recovery of the dues involved in accepted cases.

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

The draft performance reviews conducted by the PAG/AG are forwarded to the concerned Department/Government for their information with a request to furnish replies to audit observations included in the draft report. These reviews are also discussed in an Exit Conference and the Department's/Government's views are included in the Audit Reports.

The status of action taken on recommendations in the Audit Reports of last five years as per reports furnished by the Departments till December 2019 is given in **Appendix-I**.

1.9 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which includes critical issues in government revenues and tax administration i.e. budget speech, white paper on state finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, issues related to the tax administration, the extent of audit coverage and its impact during past five years etc.

During the year 2017-18, there were 583 auditable units, of which 178 units were planned for audit and 180 units were audited, which was 30.87 *per cent* of the total auditable units. The details are shown in the **Appendix – II**.

Besides the compliance audits mentioned above, one Performance Audit and two detailed compliance audits were also conducted to examine the efficacy of the tax administration of revenue receipts.

1.10 Results of audit

1.10.1 Position of local audit conducted during the year

Test check of the records of 180 units related to Sales Tax/Value Added Tax, State Excise, Motor Vehicles tax, Land and Land Reforms, Stamp Duty and Registration Fees and other Departmental offices conducted during the year 2017-18 showed under assessment/short levy/loss of revenue aggregating ₹ 870.64 crore in 1,490 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 155.08 crore involved in 695 cases pointed out in audit during 2017-18. The Departments collected ₹ 16.21 crore in 189 cases during 2017-18 pertaining to findings of local audit.

1.11 Coverage of this Report

This Report contains 26 paragraphs (selected from the audit observations made during the local audit referred to above and during earlier years, which could not be included in earlier reports) including one Performance Audit on “Assessment and Collection of Stamp Duty and Registration Fees” and two detailed compliance audits on “Working of Check-posts under Transport Department” and “Assessment and Collection of Profession Tax” involving financial effect of ₹ 748.13 crore.

The Departments/Government accepted audit observations involving ₹ 380.26 crore of which ₹ 4.50 crore had been recovered. No replies/specific replies had been furnished in respect of remaining cases (December 2019). These are discussed in succeeding Chapters II to VII.