

CHAPTER-I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Kerala during the year 2018-19, the State's share of net proceeds of divisible Union taxes and duties assigned to the State, Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years, are mentioned 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 revenue	35,232.50	38,995.15	42,176.37	46,459.61	50,644.11
	• Non-tax revenue ¹	7,283.69 (5,097.95)	8,425.49 (5,902.45)	9,699.98 (6,683.27)	11,199.61 (6,896.23)	11,783.24 (7,195.56)
	Total	42,516.19 (40,330.45)	47,420.64 (44,897.60)	51,876.35 (48,859.64)	57,659.22 (53,355.84)	62,427.35 (57,839.67)
2	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	7,926.29	12,690.67	15,225.02	16,833.08	19,038.17
	• Grants-in-aid	7,507.99	8,921.35	8,510.35	8,527.84	11,388.96
	Total	15,434.28	21,612.02	23,735.37	25,360.92	30,427.13
3	Total revenue receipts of the State Government (1 and 2)	57,950.47 (55,764.73)	69,032.66 (66,509.62)	75,611.72 (72,595.01)	83,020.14 (78,716.76)	92,854.48 (88,266.80)
4	Percentage of 1 to 3	73	69	69	69	67

Source : Finance Accounts prepared by PAG(A&E), Kerala

The above table indicates that during the year 2018-19, the revenue raised by the State Government (₹ 62,427.35 crore) was 67 per cent of the total revenue receipts. The balance 33 per cent of the revenue during 2018-19 was share of net proceeds of divisible Union taxes, duties and Grants-in-aid from the Government of India.

¹ The receipt from State lotteries for the year 2018-19 was ₹ 9,264.66 crore, which was 78.63 per cent of non-tax revenue. The difference between the figures shown in column and bracket represent expenditure on distribution of prizes of lotteries conducted by the Government.

1.1.2 The details of the tax revenue raised during the period 2014-15 to 2018-19 are given in **Table - 1.2**.

Table - 1.2
Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2014-15		2015-16		2016-17		2017-18		2018-19 (Per cent of increase (+) or decrease (-) in 2018-19 over 2017-18)		Per cent variation of actuals to budget estimates for the year 2018-19
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1	0006 ² -State Goods and Services Tax	-	-	-	-	-	-	-	12,007.69	27,000.00 (NA)	21,014.71 (75.01)	(-) 22.17
2	0040 ² - Tax on Sales, Trade etc.	31,913.47	27,908.33	34,712.28	30,736.78	36,952.98	33,453.49	42,187.57	24,577.82	19,791.10 (-53.09)	19,225.75 (-21.78)	(-) 2.86
3	0041 - Taxes on vehicles	2,799.82	2,364.95	3,087.35	2,814.30	3,351.49	3,107.23	3,890.63	3,662.85	4,683.41 (20.38)	3,708.61 (1.25)	(-) 20.81
4	0030- Stamps and Registration Fees	3,733.67	2,659.02	4,311.33	2,877.73	3,469.41	3,006.58	3,489.80	3,452.56	3,766.53 (7.93)	3,693.17 (6.97)	(-) 1.95
5	0039 - State Excise	3,208.36	1,777.42	2,600.66	1,964.16	2,397.36	2,019.30	2,945.34	2,240.42	2,804.42 (-4.78)	2,521.40 (12.54)	(-) 10.09
6	0029 - Land Revenue	169.57	139.03	138.46	182.28	191.34	124.15	193.52	162.16	157.79 (-18.46)	202.78 (25.05)	28.51
7	Other receipts ³	642.60	383.75	577.95	419.90	681.03	465.62	704.63	356.11	384.19 (-45.48)	277.69 (-22.02)	(-) 27.72
	Total	42,467.49	35,232.50	45,428.03	38,995.15	47,043.61	42,176.37	53,411.49	46,459.61	58,587.44 (9.69)	50,644.11 (9.01)	(-) 13.56

Source : Budget Estimates and Finance Accounts of the respective years

- The State Goods and Services Tax (SGST) department stated (20 July 2019) that the decrease in actual collection of SGST vis-à-vis estimates was due to reduction in Goods and Services Tax (GST) rates by the GST council and extension of date of filing of annual returns for the year 2017-18. But there has been significant increase vis-à-vis the previous year i.e., 2017-18 (75 per cent).
- The Motor Vehicles department stated (11 July 2019) that the decrease in actual collection vis-à-vis estimates was due to decrease in vehicle registration and revenue collection due to floods.

² Both the heads of accounts 0040 and 0006 are being operated by SGST department.

³ Taxes and Duties on Electricity, Taxes on Agricultural Income, Taxes on immovable property other than agricultural land, Taxes on Goods and Passengers, Luxury tax and Entertainment tax.

- The decrease of 22.02 *per cent* in other receipts in 2018-19 compared to 2017-18 was due to the decrease in collection under entertainment tax and luxury tax which were subsumed under GST.
- The increase in receipts of R&DM department was due to the revision of Basic Tax Rate⁴ and consequent increase in tax collection.

1.1.3 The details of non-tax revenue raised during the period 2014-15 to 2018-19 are indicated in **Table - 1.3**.

Table - 1.3
Details of Non-Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2014-15		2015-16		2016-17		2017-18		2018-19 (Per cent of increase (+) or decrease (-) in 2018-19 over 2017-18)		Per cent variation of actuals to budget estimates for the year 2018-19
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1	0075-00-103- Miscellaneous General Services- State Lotteries	2,875.00	3,259.14	4,105.60	3,748.37	5,728.90	4,266.57	5,826.65	4,730.79	7,266.00 ⁵ (24.70)	4,676.98 ⁶ ((-) 1.14)	(-) 35.63
2	0406 - Forestry and Wild Life	376.17	300.40	468.73	283.04	446.48	296.85	404.88	245.42	397.68 ((-) 1.78)	287.21 (17.03)	(-) 27.78
3	0202 - Education, Sports, Art and Culture	253.15	246.41	369.71	243.63	376.83	282.35	340.49	257.78	418.34 (22.86)	256.73 ((-) 0.41)	(-) 38.63
4	Other receipts ⁷	1,473.15	1,292.00	1,725.98	1,627.41	2,046.21	1,837.50	2,095.52	1,662.24	2,345.11 (11.91)	1,974.64 (18.79)	(-) 15.80
Total		4,977.47	5,097.95	6,670.02	5,902.45	8,598.42	6,683.27	8,667.54	6,896.23	10,427.13 (20.30)	7,195.56 (4.34)	(-) 30.99

Source: Budget Estimates and Finance Accounts of the respective years

⁴ Basic tax/land tax is a tax charged as per Section 5 of the Kerala Land Tax Act, 1961 on the lands in the State of Kerala, other than those having exemptions under Section 2 of the Act. The Basic tax rates were increased as per Notification No. 3111(1)/Leg.A2/2018/Law dated 31 March 2018.

⁵ The District Lottery Officers are authorised to incur expenditure towards distribution of prizes (small denominations upto and including ₹ 5,000) by appropriating the receipts collected in the respective offices. The other expenditures are met from the budget allocation of the State. From gross receipts (budget estimates) of ₹ 11,110 crore, expenditure on distribution of prizes of lotteries (budget estimates) of ₹ 3,844 crore was deducted.

⁶ From gross receipts of ₹ 9,264.66 crore, expenditure of ₹ 4,587.68 crore on distribution of prizes was deducted, but other expenditure like commission to agents (₹ 2,800.62 crore), sale of lottery tickets (₹ 167.69 crore), etc., were not deducted.

⁷ Other receipts include 43 heads of revenue. The major ones are 0210-Medical and Public Health, 0425-Co-operation, 0853- Non ferrous Mining and Metallurgical Industries, 0070-Other Administrative Services, 0075- Miscellaneous General Services (excluding lotteries) etc.

- For the year 2018-19, non-tax revenue collected is 30.99 *per cent* less than the budget estimate. This wide variation indicates the need for a more realistic planning and execution process in budgetary control as this has its impact in the financial management of the State.
- The Director of State Lotteries stated (16 July 2019) that due to the introduction of GST, the Department had to remit ₹ 1,111.70 crore as GST which resulted in variation of actual figures to budget estimate. However, even if this amount (₹ 1,111.70 crore) is not considered, there is a variation of 20.33 *per cent*.

1.2 Analysis of arrears of revenue

The total arrears of revenue as on 31 March 2019 on some principal heads of revenue amounted to ₹ 20,146.39 crore of which ₹ 5,765.84 crore was outstanding for more than five years, as detailed in **Appendix I**.

The total arrears of ₹ 20,146.39 crore comes up to 22 *per cent* of the total revenue of the State. Out of the total arrears, ₹ 5,564.64 crore (27.62 *per cent*) is pending from Government/ Government bodies. This necessitates urgent intervention from Government to clear the outstanding arrears. During the course of Compliance Audit on 'Arrears of Revenue' for the period 2014-2019, Audit observed that a comprehensive and up to date database was not maintained in any of the six selected Departments as detailed in paragraph no. 4.4.4 (Chapter IV). The arrear figures are furnished by the departments every year only at the instance of Audit. Absence of prompt reporting of arrears to Revenue department and pursuance by the departments concerned for realising the arrears were the main reasons for the huge pendency of arrears. This calls for an urgent need to put in place an effective system for monitoring and realisation of arrears. The arrears of ₹ 5,765.84 crore pending for more than five years in eleven departments included those of Excise department from 1952 onwards for which clarification has been sought from the departments. The cases referred to Government for write off (₹ 184.40 crore) were also not being pursued by the departments/offices concerned.

1.3 Analysis of cases in which stay was granted

An analysis of arrears of revenue which were under various stages of collection revealed that the arrears pending collection as on 31 March 2019 included collections stayed by various authorities at various stages on some principal heads of revenue as detailed in **Table -1.4**.

Table – 1.4
Stages of stay granted

(₹ in crore)

Sl. No.	Head of revenue	Total arrear amount	Stage wise details of		Total amount under stay	% of stay to total arrear
			Stay by Court and other judicial authorities	Stay by Government		
1	0040- Tax on sales, trade etc.	13,305.88	4,669.99	106.58	4,776.57	35.90
2	0043-Taxes and Duties on Electricity	1,486.50	8.96	0	8.96	0.60
3	0406-Forestry and Wild Life	407.12	1.95	88.45	90.40	22.20
4	0039-State Excise	258.80	57.32	0	57.32	22.15
5	0029- Land Revenue	450.71	258.54	121.21	379.75	84.26
6	0030-Stamps and Registration Fees	1,401.62	15.72	0	15.72	1.12
7	1051-Ports and Light Houses	5.29	1.20	0.35	1.55	29.30
8	0853-Non-Ferrous Mining and Metallurgical Industries	69.76	10.88	21.80	32.68	46.85
Total		17,385.68	5,024.56	338.39	5,362.95	30.85

Source: Details obtained from the respective departments

An amount of ₹ 5,362.95 crore is pending under stay, which is 30.85 per cent of the total arrear amount. The Departments need to take effective action to vacate the stay and to realise the amounts.

1.4 Arrears in assessments

The particulars regarding the arrears in assessment such as 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 2018-19 were furnished by the Departments (November 2020) as given in **Table - 1.5**.

Table – 1.5
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2018-19	Total assessments due	Cases disposed off during 2018-19	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Revenue and Disaster Management Department						
1) Building Tax	7,794	1,57,856	1,65,650	1,56,472	9,178	94.46
2) Plantation Tax	1,706	544	2,250	973	1,277	43.24
SGST Department						
1) a. Sales Tax	1,873	1,018	2,891	1,157	1,734	40.02

Head of revenue	Opening balance	New cases due for assessment during 2018-19	Total assessments due	Cases disposed off during 2018-19	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
b. Motor Spirit Tax	74	45	119	46	73	38.65
c. Luxury Tax	7,928	4,733	12,661	4,900	7,761	38.70
d. Tax on Works Contracts	4,859	4,999	9,858	5,240	4,618	53.15
e. Others	23,601	46,881	70,482	49,723	20,759	70.55
2) Taxes on Agricultural Income	186	115	301	76	225	25.25

Source: Details obtained from respective departments

During the year, the Revenue and Disaster Management (R&DM) Department cleared 5,730 out of 7,794 arrear cases of building tax and 505 out of 1,706 cases of plantation tax. In the SGST Department, the clearance of arrears in assessments was 22,902 out of 38,521 cases. The percentage of disposal ranged from 25.25 per cent with respect to taxes on agricultural income to 94.46 per cent with respect to building tax. The remarkable disposal of building tax assessment arrears (94.46 per cent) is appreciable. As compared to the previous year i.e., 2017-18, clearance has improved in the case of plantation tax, sales tax and tax on works contracts. The departments may strive hard for the timely clearance of assessments identifying these areas as a potential source of revenue.

1.5 Evasion of tax detected by the Departments

The details of cases of evasion of tax detected by the Departments were called for by Audit and the details furnished by the SGST, Motor Vehicles, Stamps and Registration and Revenue and Disaster Management Departments are given in **Table - 1.6**.

Table – 1.6
Details of evasion of tax detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2018	Cases detected during 2018-19	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2019
					Number of cases	Amount of demand (₹ in crore)	
1	0040- Tax on sales, trade etc.	21,243	52,796	74,039	55,052	2,838.83	18,987
2	0006-Goods and Services Tax	6	4,429	4,435	4,331	34.85	104
3	0041 - Taxes	112	3	115	39	1.61	76

Sl. No.	Head of revenue	Cases pending as on 31 March 2018	Cases detected during 2018-19	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2019
					Number of cases	Amount of demand (₹ in crore)	
	on vehicles						
4	0030-Stamps and Registration Fees	62,513	9,490	72,003	23,619	14.23	48,384
5	0029-Land Revenue	2,720	677	3,397	1,002	8.60	2,395
Total		86,594	67,395	1,53,989	84,043	2,898.12	69,946

Source: Details obtained from respective Departments

Pendency has decreased from 86,594 as on 31 March 2018 to 69,946 as on 31 March 2019. Percentage of disposal has also increased from 43.55 *per cent* to 54.58 *per cent*. The disposal of 23,619 cases during the year 2018-19 as compared to 9,190 cases during the previous year by the Registration department is appreciable. All the above departments have together completed assessment/investigation of 84,043 cases i.e., 54.58 *per cent* of the total cases detected and raised additional demand and penalty of ₹ 2,898.12 crore. The reasons for pendency were not furnished by the Departments (December 2020).

1.6 Pendency of refund cases

The details of refund cases pending at the beginning of the year 2018-19, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2018-19 as reported by the SGST and Excise Departments are given in **Table -1.7**.

Table – 1.7
Details of pendency of refund cases

Sl. No.	Particulars	State Goods and Services Taxes		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year 2018-19	10,701	261.47	15	2.32
2.	Claim received during the year	5,726	399.38	6	0.44
3.	Refunds made during the year	12,128	410.48	3	0.55
4.	Balance outstanding at the end of the year 2018-19	4,299	250.37	18	2.21

Source: Details obtained from the respective Departments

In SGST Department, number of refund cases outstanding as at the end of March 2019 was 4,299 of which, 3,845 cases pertain to refund of value added tax involving money value of ₹ 223.53 crore and the remaining 454 cases pertain to GST involving money value of ₹ 26.84 crore. As per Section 56 of the Kerala State Goods and Services Tax Act, 2017, if the tax ordered to be refunded is not refunded within a period of 60 days from the date of receipt of the application, interest at the rate of six *per cent* (nine *per cent* in case of refund made on order passed by an adjudicating authority or Appellate Tribunal or court which has attained finality) will become payable along with refund from the expiry of 60 days till the date of payment of refund. As per Section 89(4) of Kerala Value Added Tax (KVAT) Act, interest at the rate of 10 *per cent* per annum is applicable on refund cases after 90 days from the date of assessment order or receipt of the order in appeal or revision or the date of expiry of the time for preferring appeal or revision. The more the delay in giving refunds, the more is the possibility of huge interest liability falling upon the Department. Also, the delay in settling refund cases may deteriorate the chances of claiming GST compensation from Government of India if eligible. The reason for huge pendency of outstanding cases was not explained by the Department.

1.7 Response of the Government/Departments to Audit

The Principal Accountant General (PAG) (Audit II), Kerala, conducts periodical inspection of the Government Departments to test check the transactions and verifies the 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 the 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 furnish first reply within four weeks from the date of receipt of the Inspection Report. Even if final reply to certain paras in Inspection Report are not furnished within the prescribed time limit, an interim reply is to be furnished indicating the action taken to rectify the defects pointed out by Audit. Serious financial irregularities are reported to the heads of the Departments and the Government.

From among Inspection reports issued upto December 2018, 22,437 paragraphs involving ₹ 8,213.60 crore relating to 3,560 IRs were outstanding at the end of June 2019 as mentioned below with the corresponding figures for preceding two years in **Table - 1.8**.

Table – 1.8
Details of pending Inspection Reports

	June 2017	June 2018	June 2019
Number of IRs pending for settlement	3,243	3,340	3,560
Number of outstanding audit observations	26,848	26,690	22,437
Amount of revenue involved (₹ in crore)	8,017.53	8,575.04	8,213.60

Source: Details compiled by PAG (Audit II) and reconciled with respective Departments

1.7.1 Department-wise details of IRs

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2019 and the amounts involved are mentioned in the **Table - 1.9**.

Table – 1.9
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 involved
1.	SGST	Taxes on sales, trade, etc.	2,057	16,766	4,412.30
		Taxes on agricultural income	347	382	120.46
2.	Power	Electricity duty	34	125	3,176.50
3.	R&DM	Land Revenue	472	2,616	286.32
4.	Motor Vehicles	Taxes on vehicles	247	1,858	130.41
5.	State Excise	State Excise	118	271	34.21
6.	Registration	Stamp duty and registration Fees	257	346	39.75
7.	Lotteries	Receipts from lotteries	28	73	13.65
Total			3,560	22,437	8,213.60

Source : Details compiled by PAG (Audit II) and reconciled with the respective Departments

Audit did not receive even first replies for 265 IRs within four weeks from the date of issue of the IRs from seven heads of offices during 2018-19. This large pendency of the IRs due to non-receipt of the replies was 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 (Audit II) in the IRs. The large pendency of IRs due to non-receipt of replies shows the failure of monitoring mechanism for clearing the pending audit observations by the Audit Monitoring Committees at Secretary level and Apex Committees at Chief Secretary level.

The Government needs to put in place effective system for ensuring prompt and appropriate response to audit observation within the time frame prescribed in the circular⁸ issued by the Finance Department.

1.7.2 Departmental Audit Committee Meetings

The Government set up Audit Committees to monitor and expedite the progress of settlement of local audit reports and paragraphs in the local audit reports. The details of the Audit Committee Meetings held during the year 2018-19 and the paragraphs settled are mentioned in **Table – 1.10**

⁸ Circular memorandum No. 57374/Ins.2/65/Fin. Dated 15 November 1965.

**Table – 1.10
Details of Departmental Audit Committee Meetings**

(₹ in crore)

Sl. No.	Head of revenue	Number of meetings held	Number of audit observations pending as on 31 March 2018	Number of paragraphs settled	Amount involved in settled paragraphs
1	0040-Tax on Sales, Trade etc.	8	21,087	3,152	16.62
2	0041-Taxes on vehicles	11	2,485	893	20.67
3	0029-Land Revenue	3	2,317	177	1.80
4	0030-Stamps and Registration Fees	0	704	0	0
5	0043-Taxes and Duties on Electricity	0	115	0	0
6	0039-State Excise	3	365	35	0.06
7	0022-Taxes on Agricultural Income	2	719	76	50.30
8	0075-00-103-Miscellaneous General Services-State Lotteries	0	103	0	0
Total		27	27,895	4,333	89.45

Source : Details compiled by PAG(Audit II)

An amount of ₹ 20.55 crore was recovered after discussion in these meetings. No meetings were held in respect of Registration, Electricity Duty and State Lotteries despite having 922 pending Audit observations. In the case of Tax on Sales, Trade etc. number of meetings held was insufficient compared to the huge pendency of observations. The Government may issue strict instructions to the departments to devise periodic action plans to clear all the outstanding paragraphs in a time bound manner by conducting regular Audit Committee Meetings.

1.7.3 Non-production of records 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, usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2018-19, files relating to KVAT assessments, in which, the turnover of the assessee was above ₹ 60 lakh and all Kerala General Sales Tax (KGST) assessments, in which, the tax effect was above ₹ 2 lakh were called for by Audit for scrutiny in State Goods and Services Tax Department. However, 163

tax assessment files relating to 21 offices were not made available to Audit. Of these 92 files pertained to 10 special circles and works contract offices, where assessments of major dealers are dealt with (**Appendix II**).

Non-production of large number of transaction records involving substantial revenue hinders Audit in discharging the constitutional responsibility and comes in the way of assuring the State Government about the quality and risk involved in these transactions involving revenue for the State Government. The possibility of fraud or misappropriation or business malfeasance remaining hidden/surpassed and escaping detection during audit also remains high.

1.7.4 Response of the Departments to the draft paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are sent by the PAG (Audit II) to the Secretaries of the respective Departments drawing their attention to audit findings and requesting their response within six weeks.

Twelve paragraphs including two Compliance Audit (CA) reports were sent to the Secretaries of the respective Departments by name between December 2019 and July 2020. The Secretaries of the Departments have furnished replies to all the paragraphs.

1.7.5 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 to the Legislature Secretariat with copies to Accountant General and Finance (PAC) Department within two months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. In the Reports of the Comptroller and Auditor General of India on Revenue Sector of the Government of Kerala for the years ended 31 March 2014 to 31 March 2018 placed before the State Legislative Assembly between 11 March 2015 to 12 February 2020, 136 paragraphs (including Performance Audit (PA)) were included. The action taken explanatory notes from the Departments concerned on 50 paragraphs were received late with delay ranging from four months to 53 months in respect of these Audit Reports and action taken on the rest of the paras are yet to be received. Action taken explanatory notes in respect of 18 paragraphs from four departments (Taxes, Excise, Transport and R&DM) have not been received for the Audit Report for the year ended 31 March 2018 so far (December 2020).

The PAC discussed 14 paragraphs pertaining to the Audit Reports for the years from 2014 to 2018. PAC Reports have been received on these paras during the respective tenures of the Committee during the period 2019-2021.

It was noticed that five departments did not submit action taken explanatory notes on Audit paragraphs as of December 2020 in respect of 86 paragraphs (70 individual and 16 PA/Review paragraphs) featured in the C&AG's Audit Reports from the year ended 31 March 2014. In respect of 70 individual transaction audit paragraphs, compliance was not furnished by four departments. The departments largely responsible for non-submission of action taken explanatory notes were Taxes, Transport and R&DM. The non-receipt of Action Taken Notes (ATNs) were brought to the notice of the Chief Secretary to the Government in the Apex Committee meetings held on 08 December 2016, 15 June 2017, 11 December 2017, 23 June 2018, 18 December 2018 and 11 February 2020.

Action Taken Notes on PAC recommendations have not been received in respect of 123 out of 140 recommendations of the PAC from four Departments i.e., Taxes, Excise, Transport and R&DM as mentioned in the **Table 1.11** (December 2020).

Table 1.11
Details of non-receipt of ATN from four Departments

Year	Name of Department				Total
	Taxes	Excise	Transport	R&DM	
2004-06	0	0	0	1	1
2006-08	0	0	0	2	2
2008-11	3	0	0	1	4
2011-14	0	0	1	0	1
2014-16	3	0	4	0	7
2016-19	40	20	9	4	73
2019-21	20	0	5	10	35
Total	66	20	19	18	123

Source: Records maintained by PAG (Audit II) and reconciled with the Departmental figures

1.8 Status of the mechanism for dealing with the issues raised in Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the audit paragraphs and PAs included in the Audit Reports of the last 10 years of one Department was evaluated and included in this Audit Report.

The following paragraphs 1.8.1 to 1.8.2 discuss the performance of the Motor Vehicles Department under revenue head 0041 – Taxes on vehicles and cases

detected in the course of local audit and the cases included in the Audit Reports for the years 2008-09 to 2017-18.

1.8.1. Position of Inspection Reports

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2018 are tabulated below in **Table - 1.12**.

Table – 1.12
Position of Inspection Reports

(₹ in crore)

Sl No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance		
		IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
1	2008-09	299	1,360	10.87	66	689	2.72	83	609	3.52	282	1,440	10.07
2	2009-10	282	1,440	10.07	64	656	9.84	97	904	3.44	249	1,192	16.47
3	2010-11	249	1,192	16.47	63	683	8.19	27	388	2.70	285	1,487	21.96
4	2011-12	285	1,487	21.96	64	674	14.34	58	526	2.87	291	1,635	33.43
5	2012-13	291	1,635	33.43	68	571	9.51	74	666	5.19	285	1,540	37.75
6	2013-14	285	1,540	37.75	71	637	21.92	46	504	5.72	310	1,673	53.94
7	2014-15	310	1,673	53.94	71	734	14.57	41	411	8.87	340	1,996	59.64
8	2015-16	340	1,996	59.64	84	1,005	146.67	30	422	7.46	394	2,579	198.85
9	2016-17	394	2,579	198.85	47	584	41.91	21	331	88.12	420	2,832	152.64
10	2017-18	420	2,832	152.64	99	1,242	52.32	205	1,589	61.59	314	2,485	143.37

Source : Figures compiled by the PAG (Audit II) and reconciled with the Departmental figures

Audit Committee Meetings held between the Department and the Office of the Accountant General helped in the clearance of the old paragraphs. Due to the effort of the Audit Committee Meetings and correspondence by the headquarters sections, a total number of 6,350 paragraphs and 682 IRs were cleared during the period. Audit Monitoring Committees were not held by the Department at the Government level during the period from 2016-17 to 2018-19.

1.8.2. Recovery in 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 - 1.13**.

**Table – 1.13
Details of paragraphs included in the Audit Reports**

(₹ in crore)

Sl. No.	Year of Audit Report	Number of paragraphs included	Money value of paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered as on 31 March 2018	Cumulative position of recovery of accepted cases as of 31 March 2018
1	2008-09	7	2.36	6	1.67	0.49	-
2	2009-10	6	362.79	6	358.61	0.14	0.63
3	2010-11	6	1.11	6	1.11	0.82	1.45
4	2011-12	5	1.78	5	1.78	0.28	1.73
5	2012-13	5	1.69	5	1.63	0.89	2.62
6	2013-14	5	10.69	5	10.58	1.11	3.73
7	2014-15	4	2.09	4	2.03	1.35	5.08
8	2015-16	5	8.70	5	8.70	1.49	6.57
9	2016-17	7	155.17	7	132.92	9.02	15.59
10	2017-18	4	459.01	4	459.01	1.82	17.41

Source : Figures furnished by the Motor Vehicles Department

It is evident from the above table that the progress of recovery in accepted cases was negligible throughout the last 10 years. The recovery in accepted cases was to be pursued as arrears recoverable from the parties concerned.

1.9 Action taken on the recommendations accepted by the Departments/Government

The draft reports of PA conducted by the PAG (Audit II) were forwarded to the Department concerned/Government with a request to furnish their replies. These reports were also discussed in an Exit Conference and the views of the Department/ Government included while finalising the Audit Reports.

The details of five PA Reports on the Departments of SGST, R&DM, Power and Registration featured in the Reports for the last five years along with recommendations and their status are given in **Appendix III**. The PAs on SGST Department covered the areas such as System of assessment under KVAT and Infrastructure facilities in the Commercial Taxes Department. The PA on the R&DM Department was based on Disaster Management in the State. Audit also focussed on the Levy, Collection and Accounting of Electricity duty, surcharge and inspection fee under the Power Department. The lapses in the Functioning of OPEN PEARL in Registration Department were also brought to light by Audit.

In tune with the recommendations of Audit, the R&DM Department has prepared disaster mitigation plans in 197 villages which are the most disaster risk areas in 14 districts. The State Disaster Management Authority has also started submitting

Annual Reports to the Government. The SGST Department has issued Circular instructions to the assessing authorities to comply with the procedural requirements incidental to completion of assessment and penalty in order to avoid violation of natural justice.

1.10 Audit planning

The unit offices under various departments were categorised into high, medium and low risk units according to their revenue position, past trends of audit observations, complaints, media reports, non-production of records, information regarding malpractice obtained through RTI and misappropriation. The annual audit plan was prepared on the basis of risk analysis which *inter-alia* included critical issues in government revenue, tax administration i.e. budget speech, white paper on finances, reports of the Finance Commission (State and Central), recommendation of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during the past five years etc.

During the year 2018-19, there were 828 audit units, of which 327 units were planned and audited, which is 39.49 *per cent* of the total audit units. Besides the above mentioned units, two Compliance Audits (CA) were also taken up during the year.

1.11 Results of Audit

Position of audit conducted during the year

Test check of the records of 327 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles and other Departmental offices conducted during the year 2018-19 showed under-assessment/short-levy/loss of revenue aggregating to ₹ 5,645.36 crore in 1,137 cases. During the course of the year, the Departments concerned accepted under-assessment and other deficiencies of ₹ 5,417.63 crore involved in 464 cases, which were pointed out in audit during 2018-19. The Departments collected ₹ 59.47 crore in 1,384 cases during 2018-19, pertaining to the audit findings of previous years.

1.12 Coverage of the Report

The Report contains 12 paragraphs, which came to notice in the course of test audit of records during the year 2018-19 as well as those in earlier years involving revenue impact of ₹ 5,422.12 crore. Instances relating to the period subsequent to 2018-19 were also included, wherever necessary. The Department/Government accepted audit observations involving ₹ 5,416.05 crore, out of which, ₹ 7.86 crore was recovered. These are discussed in the succeeding Chapters II to V.