

## 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 years 2019-20 and 2020-21, 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 years and the corresponding figures for the preceding three years, are mentioned in **Table - 1.1**.

**Table - 1.1**  
**Trend of Revenue Receipts**

(₹ in crore)

Sl. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	<b>Revenue raised by the State Government</b>					
	<b>Tax revenue</b>	42,176.37	46,459.61	50,644.11	50,323.14	47,660.84
	<b>Non-tax revenue<sup>1</sup></b>	9,699.98 (6,683.27)	11,199.61 (6,896.23)	11,783.24 (7,195.56)	12,265.22 (7,279.68)	7,327.31 (4,565.92)
	<b>Total</b>	51,876.35 (48,859.64)	57,659.22 (53,355.84)	62,427.35 (57,839.67)	62,588.36 (57,602.82)	54,988.15 (52,226.76)
2	<b>Receipts from the Government of India</b>					
	<b>Share of net proceeds of divisible Union taxes and duties</b>	15,225.02	16,833.08	19,038.17	16,401.05	11,560.40
	<b>Grants-in-aid</b>	8,510.35	8,527.84	11,388.96	11,235.26	31,068.28
	<b>Total</b>	<b>23,735.37</b>	<b>25,360.92</b>	<b>30,427.13</b>	<b>27,636.31</b>	<b>42,628.68</b>
3	<b>Total revenue receipts of the State Government (1 and 2)</b>	75,611.72 (72,595.01)	83,020.14 (78,716.76)	92,854.48 (88,266.80)	90,224.67 (85,239.13)	97,616.83 (94,855.44)
4	<b>Percentage of 1 to 3</b>	<b>69</b>	<b>69</b>	<b>67</b>	<b>69</b>	<b>56</b>

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

The above table indicates that during the years 2019-20 and 2020-21, the revenue raised by the State Government (₹62,588.36 crore and ₹54,988.15 crore) were 69 per cent and 56 per cent of the total revenue receipts. The balance 31 per cent and 44 per cent of the revenue during 2019-20 and 2020-21 were share of net proceeds of divisible Union taxes, duties and Grants-in-aid from the Government of India.

<sup>1</sup> The receipt from State lotteries for the years 2019-20 and 2020-21 were ₹9,973.67 crore and ₹4,873.01 crore, which were 80.76 per cent and 64.34 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 2016-17 to 2020-21 are given in **Appendix - I**.

- i) The State Goods and Services Tax (SGST) Department stated (01 November 2021) that the decrease in actual collection of SGST *vis-à-vis* estimates was due to the granting of Amnesty Scheme, fall in collection in bar hotels and enhancement of threshold limit for taking registration and composition scheme.
- ii) The Registration Department stated (21 October 2021) that the decrease in collection for the period 2019-20 and 2020-21 was due to shortfall in the number of documents registered as a result of the Covid 19 pandemic situation.
- iii) The increase in receipts of Revenue and Disaster Management (R&DM) Department was due to the efforts taken by the Department to realise the Basic Tax.

**1.1.3** The details of non-tax revenue raised during the period 2016-17 to 2020-21 are indicated in **Appendix - II**.

- i) For the year 2020-21, non-tax revenue collected was 49.16 *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 impacts the financial management of the State.
- ii) The Directorate of State Lotteries and the Principal Chief Conservator of Forests stated that Covid 19 related issues adversely affected their receipts.

## **1.2 Analysis of Arrears of Revenue**

The total arrears of revenue as on 31 March 2021 on certain principal heads of revenue amounted to ₹21,797.86 crore of which ₹7,100.32 crore was outstanding for more than five years, as detailed in **Appendix - III**.

The total arrears of ₹21,797.86 crore amount to 22.33 *per cent* of the total revenue of the State. Out of the total arrears, ₹6,422.49 crore (29.46 *per cent*) is pending from the Government and Government/ local bodies. This necessitates urgent intervention from the Government to clear the outstanding arrears. 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 are the main reasons for the huge pendency of arrears. The situation calls for putting in place an effective system for monitoring and realisation of arrears. The arrears of ₹7,100.32 crore were pending for more than five years in 12 Departments and includes those of Excise Department from 1952

onwards. The cases referred to the Government for write off (₹1,905.89 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 are under various stages of collection showed that the arrears pending collection as on 31 March 2021 included collections stayed by various authorities at various stages on some principal heads of revenue, as detailed in **Table -1.2**.

**Table – 1.2**  
**Stages of stay granted**

(₹ in crore)

Sl. No.	Head of revenue	Total arrear amount	Stage wise details of stay		Total amount under stay	% of stay to total arrear
			By Court and other Judicial Authorities	By Government		
1	0040 - Tax on Sales, Trade, etc.	13,830.43	5,577.10	0	5,577.10	40.32
2	0043 - Taxes and Duties on Electricity	2,929.11	8.97	0	8.97	0.31
3	0406 - Forestry and Wild Life	347.35	2.42	107.65	110.07	31.69
4	0039 - State Excise	269.68	65.28	0	65.28	24.21
5	0029 - Land Revenue	397.59	301.40	25.52	326.92	82.23
6	0030 - Stamps and Registration Fees	828.57	7.91	0	7.91	0.95
7	1051 - Ports and Light Houses	0.79	0.10	0	0.10	12.66
8	0853 - Non-Ferrous Mining and Metallurgical Industries	131.61	16.17	30.76	46.93	35.66
<b>Total</b>		<b>18,735.13</b>	<b>5,979.35</b>	<b>163.93</b>	<b>6,143.28</b>	<b>32.79</b>

Source: Details obtained from the respective Departments.

An amount of ₹6,143.28 crore is pending under stay orders, which is 32.79 per cent of the total arrear amount. The Departments need to take effective action to vacate the stay orders and to realise the amounts.

*Recommendation: The Departments should create a database of outstanding arrears for effective monitoring and follow up for recovery of arrears.*

### 1.4 Arrears in Assessments

The particulars regarding the arrears in assessments, 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 years 2019-20 and 2020-21 were furnished by the Departments (February 2022 and April 2022) as given in **Appendix - IV**.

During the years 2019-20 and 2020-21, the R&DM Department cleared 1,71,537 out of 1,84,248 and 97,024 out of 1,20,036 arrear cases respectively of building tax. The remarkable disposal of building tax assessment arrears of 93.10 *per cent* in 2019-20 and 80.83 *per cent* in 2020-21 is appreciated. In the SGST Department, the clearance of arrears in assessments was 57,929 out of 71,135 cases during 2019-20 and 24,839 out of 27,919 cases during 2020-21. The percentage of disposal ranged from 11.95 *per cent* with respect to taxes on Motor Spirit to 98.79 *per cent* with respect to taxes on Works Contracts for 2019-20 and 18.31 *per cent* with respect to taxes on Motor Spirit to 95.34 *per cent* with respect to Other Taxes for 2020-21. The Departments may strive hard for the timely clearance of assessments of Plantation Tax, GST, Sales Tax and Motor Spirit Tax, identifying these areas as potential sources 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. The details furnished by the SGST, Motor Vehicles, Registration and R&DM Departments are given in **Appendix - V**.

The pendency in evasion of tax detected by the Department decreased from 2,21,116 cases as on 31 March 2019 to 1,74,851 cases as on 31 March 2020 and to 1,72,884 cases as on 31 March 2021. Percentage of disposal increased from 54.58 *per cent* in 2018-19 to 85.52 *per cent* in 2019-20 and thereafter decreased to 75.05 *per cent* in 2020-21. All the above Departments completed assessment/ investigation of 10,32,376 cases in total, i.e. 85.52 *per cent* of the total cases detected as on 2019-20 and 5,20,006 cases, i.e. 75.05 *per cent* of the total cases detected as on 2020-21. They raised additional demand and penalty of ₹6,490.59 crore in 2019-20 and ₹3,382.73 crore in 2020-21. The reasons for pendency were not furnished by the Departments (September 2022).

### **1.6 Pendency of refund cases**

The details of refund cases pending at the beginning of the year 2019-20, claims received, refunds allowed during the years 2019-20 and 2020-21 and the cases pending at the close of the year 2020-21, as reported by the SGST and Excise Departments, are given in **Table -1.3**.

**Table – 1.3**  
**Details of pendency of refund cases**

(₹ in crore)

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 2019-20	4,299	250.37	18	2.21

Sl. No.	Particulars	State Goods and Services Taxes		State Excise	
		No. of cases	Amount	No. of cases	Amount
2.	Claims received during the years 2019-20 and 2020-21	2,149	231.70	21	1.88
3.	Refunds made during the years 2019-20 and 2020-21	4,814	358.59	15	0.19
4.	Refunds rejected during the years 2019-20 and 2020-21	562	12.71	2	0.87
5.	Balance outstanding at the end of the year 2020-21	1,072	110.77	22	3.03

Source: Details obtained from the respective Departments.

In SGST Department, number of refund cases outstanding as at the end of March 2021 was 1,072, of which 802 cases pertain to refund of Value Added Tax involving money value of ₹87.82 crore, four cases of ₹9.07 crore pertain to Kerala General Sales Tax (KGST) and 266 cases pertain to Goods and Services Tax (GST) involving money value of ₹13.88 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 and Section 44(4) of KGST 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 the Government of India, if eligible. The reason for 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 2019, a total of 14,713 paragraphs involving ₹4,117.68 crore relating to 2,236 IRs were outstanding at the end of June 2020 and among Reports issued upto December 2020, a total of 14,654 paragraphs involving ₹4,412.44 crore relating to 2,275 IRs were outstanding at the end of June 2021 as mentioned below with the corresponding figures for preceding two years in **Table - 1.4**.

**Table – 1.4**  
**Details of pending Inspection Reports**

	June 2018	June 2019	June 2020	June 2021
Number of IRs pending for settlement	3,340	3,560	2,236	2,275
Number of outstanding audit observations	26,690	22,437	14,713	14,654
Amount of revenue involved (₹ in crore)	8,575.04	8,213.60	4,117.68	4,412.44

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 2020 and 30 June 2021 and the amounts involved are mentioned in **Table - 1.5**.

**Table – 1.5**  
**Department-wise details of Inspection Reports**

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Outstanding as on 30 June 2020			Outstanding as on 30 June 2021		
			Number of outstanding IRs	Number of outstanding audit observations	Money value involved	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	SGST	Taxes on Sales, Trade, etc.	1,699	13,585	3,927.68	1,725	13,480	4,219.60
		Taxes on Agricultural Income	94	271	96.91	91	247	91.90
2	State Excise	State Excise	115	307	36.53	119	360	38.40
3	Registration	Stamp Duty and Registration Fees	299	481	42.91	312	500	48.89
4	Lotteries	Receipts from Lotteries	29	69	13.65	28	67	13.65
<b>Total</b>			<b>2,236</b>	<b>14,713</b>	<b>4,117.68</b>	<b>2,275</b>	<b>14,654</b>	<b>4,412.44</b>

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

Audit did not receive even first replies for 156 IRs during 2019-20 and 76 IRs during 2020-21 within four weeks from the date of issue of the IRs from three Heads of Offices. 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.

*Recommendation : The Government needs to put in place an effective system for ensuring prompt and appropriate response to audit observation within the time frame prescribed in the circular<sup>2</sup> 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 2019-20 and 2020-21 and the paragraphs settled are mentioned in **Table – 1.6**.

**Table – 1.6**  
**Details of Departmental Audit Committee Meetings**

(₹ in crore)

Sl. No.	Head of revenue	Number of meetings held during 2019-20 and 2020-21	Number of audit observations pending as on 31 March 2019	Number of paragraphs settled	Amount involved in settled paragraphs
1	0040 - Taxes on Sales, Trade, etc.	6	17,593	2,245	80.76
2	0030 - Stamps and Registration Fees	0	566	0	0
3	0039 - State Excise	0	340	0	0
4	0022 - Taxes on Agricultural Income	2	477	57	4.55
5	0075-00-103 – Miscellaneous General Services-State Lotteries	0	84	0	0
<b>Total</b>		<b>8</b>	<b>19,060</b>	<b>2,302</b>	<b>85.31</b>

Source: Details compiled by PAG (Audit II).

<sup>2</sup> Circular Memorandum No. 57374/Ins.2/65/Fin. dated 15 November 1965.

An amount of ₹4.52 crore was recovered after discussion in these meetings. No meetings were held in respect of Departments of Registration, State Excise and State Lotteries despite having 990 pending audit 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.

*Recommendation : The Government needs to hold Audit Committee Meetings for every Department to facilitate timely disposal of outstanding IRs/ Audit Paragraphs.*

### **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 years 2019-20 and 2020-21, files relating to Kerala Value Added Tax (KVAT) assessments, in which the turnovers of the assesseees were above ₹60 lakh and all KGST assessments, in which the tax effect was above Rupees two lakh, were called for by Audit for scrutiny in State Goods and Services Tax Department. However, 35 tax assessment files relating to five offices were not made available to Audit, as given in **Table – 1.7**.

**Table – 1.7**  
**Details of State Tax Offices where non-production of files were noticed**

Sl. No.	Name of office	Year in which it was to be audited	Number of assessment cases not submitted		
			KGST	VAT	Total
1	STO, III Circle, Thiruvananthapuram	2017-18	-	10	10
2	STO, Attingal	2017-18	-	8	8
3	STO, Mavelikkara	2017-18	-	9	9
4	STO, Kayamkulam	2017-18	-	3	3
5	STO, Kuthiathode	2017-18	-	5	5
<b>Total</b>			<b>0</b>	<b>35</b>	<b>35</b>

Non-production of transaction records involving 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.

Thirty paragraphs including two Subject Specific Compliance Audit (SSCA) Reports were sent to the Secretaries of the respective Departments by name between July 2021 and October 2021. 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 Principal 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 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 2015 to 31 March 2019, placed before the State Legislative Assembly between 24 February 2016 to 10 June 2021, 118 paragraphs (including Performance Audits) were included. The action taken explanatory notes from the Departments concerned on 12 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 paragraphs are yet to be received. Action taken explanatory notes in respect of all the 12 paragraphs from four Departments (Taxes<sup>3</sup>, Excise, Transport, and R&DM) has not been received so far for the Audit Report for the year ended 31 March 2019.

The PAC discussed 36 paragraphs pertaining to the Audit Reports for the years from 2015 to 2019. The PAC Reports were received for eight paragraphs (across two Reports) during the tenure of the Committee, i.e. 2019-21.

It was noticed that six Departments did not submit action taken explanatory notes on audit paragraphs as of December 2021 in respect of 70 paragraphs (54 individual and 16 PA/ Review paragraphs) featured in the C&AG's Audit Reports from the year ended 31 March 2015. In respect of 54 individual transaction audit paragraphs, compliance was not furnished by four Departments. The Departments largely responsible for non-submission of

<sup>3</sup> The State Goods and Service Tax Department, Registration Department and the State Lotteries Department.

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 were not received in respect of 113 out of 125 recommendations of the PAC from four Departments, i.e. Taxes, Excise, Transport, and R&DM, as mentioned in **Table – 1.8** (till November 2021).

**Table – 1.8**  
**Details of non-receipt of ATNs from four Departments**

Year	Name of the Department				Total
	Taxes	Excise	Transport	Revenue & Disaster Management	
2004-06	0	0	0	1	1
2006-08	0	0	0	2	2
2008-11	3	0	0	0	3
2011-14	0	0	1	0	1
2014-16	3	0	4	0	7
2016-19	39	16	7	3	65
2019-21	19	0	5	10	34
<b>Total</b>	<b>64</b>	<b>16</b>	<b>17</b>	<b>16</b>	<b>113</b>

Source: Records maintained by PAG (Audit-II) and reconciled with 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 Performance Audits included in the Audit Reports for the last 10 years of one Department was evaluated and included in this Audit Report.

The following paragraphs 1.8.1 and 1.8.2 discuss the performance of the SGST Department under revenue head 0040 – Taxes on Sales, Trade, etc. and cases detected during the course of local audit and the cases included in the Audit Reports for the years 2009-10 to 2018-19.

### 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 2021 are tabulated below in **Table - 1.9**.

**Table – 1.9**  
**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	2011-12	1,260	14,798	1,670.22	159	3,212	858.84	50	783	16.44	1,369	17,227	2,512.62
2	2012-13	1,369	17,227	2,512.62	161	2,802	243.85	26	1,783	261.89	1,504	18,246	2,494.58
3	2013-14	1,504	18,246	2,494.58	147	2,493	495.70	21	1,714	57.87	1,630	19,025	2,932.41
4	2014-15	1,630	19,025	2,932.41	177	2,707	459.99	43	1,647	58.45	1,764	20,085	3,333.95
5	2015-16	1,764	20,085	3,333.95	187	2,907	612.14	79	1,861	36.26	1,872	21,131	3,909.83
6	2016-17	1,872	21,131	3,909.83	129	1,559	456.74	76	1,694	144.63	1,925	20,996	4,221.94
7	2017-18	1,925	20,996	4,221.94	167	1,841	676.66	33	1,750	90.12	2,059	21,087	4,808.48
8	2018-19	2,059	21,087	4,808.48	129	1,149	170.56	85	4,643	500.40	2,103	17,593	4,478.64
9	2019-20	2,103	17,593	4,478.64	95	861	483.88	120	3,050	221.95	2,078	15,404	4,740.57
10	2020-21	2,078	15,404	4,740.57	47	361	45.06	385	2,144	554.99	1,740	13,621	4,230.64

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

The Audit Committee and Apex Committee meetings were held between the Department/ Government and the Office of the Principal Accountant General to settle the old paragraphs. Audit Monitoring Committees were not held by the Department at the Government level during the period 2019-21.

### 1.8.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports for the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table - 1.10**.

**Table – 1.10**  
**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 during the year	Cumulative position of recovery of accepted cases as on 31.03.2019
1	2009-10	20	463.59	13	276.77	1.77	1.77
2	2010-11	27	449.65	22	379.82	8.88	10.65

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 during the year	Cumulative position of recovery of accepted cases as on 31.03.2019
3	2011-12	16	290.50	9	238.06	45.40	56.05
4	2012-13	16	12,902.39	15	12,886.24	19.08	75.13
5	2013-14	14	75.32	8	18.57	0.17	75.30
6	2014-15	13	1,247.15	11	47.51	4.05	79.35
7	2015-16	18	3,212.16	12	2,979.20	7.06	86.41
8	2016-17	15	149.03	13	54.57	0.77	87.18
9	2017-18	3	405.38	1	21.74	0.26	87.44
10	2018-19	5	76.52	1	1.43	0.01	87.45

Source: Figures furnished by the State Goods and Services Tax Department.

It is evident from the above table that the progress of recovery in accepted cases was negligible throughout the last ten years. The recovery in accepted cases is 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 Performance Audit (PA) conducted by the Principal Accountant General were forwarded to the Department concerned/ Government with a request to furnish their replies. These reports were also discussed in Exit Conferences 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 Audit Reports for the last five years along with recommendations and their status are given in **Appendix - VI**. The PAs on SGST Department covered 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 focused 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 prepared disaster mitigation plans in 197 villages which are the most disaster-prone areas in 14 districts. The State Disaster Management Authority 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. It was observed that the Department

took some steps to streamline its system and procedures in the light of audit observations.

### 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 the 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 2019-20, there were 1,202 audit units, of which 410 units were planned for audit and 401 units actually audited, which is 33.36 *per cent* of the total audit units. Similarly, for the year 2020-21, there were 1,105 audit units, of which 93 units were planned and 96 units<sup>4</sup> were audited, which is 8.69 *per cent* of the total audit units. Besides the above mentioned units for those years, two SSCAs were also taken up during the years.

### 1.11 Results of Audit

#### Position of Audit conducted during the year

Test-check of the records of 289 units of Sales Tax/ VAT, State Excise, Registration and other Departmental offices conducted during the years 2019-21 showed under-assessment/ short-levy/ loss of revenue aggregating to ₹498.42 crore in 853 cases. During the course of the years, the Departments concerned accepted under-assessment and other deficiencies of ₹12.73 crore involved in 32 cases, which were pointed out in Audit during the years 2019-21. The Departments collected ₹17.57 crore in 850 cases during 2019-21, pertaining to the audit findings of previous years.

<sup>4</sup> Reduction in number of auditee units was due to reduction in the number of audit parties from 55 to 33 and reduction in man-days (12 months reduced to seven months) due to measures taken for Covid-19 pandemic control.

## **1.12 Coverage of the Report**

The Report contains 19 paragraphs, which came to notice in the course of test audit of records during the year 2019-21, as well as those in earlier years, involving revenue impact of ₹66.76 crore. Instances relating to the period subsequent to 2019-21 were also included, wherever necessary. The Department/ Government accepted the audit observations involving ₹55.86 crore, out of which ₹0.68 crore was recovered. These are discussed in the succeeding Chapters II and III.