

CHAPTER I GENERAL

1.1 About this Report

This Report contains significant Audit findings pointed out in the compliance audit of Commercial Taxes, Chief Commissioner of Land Administration (CCLA) and Registration & Stamps under Revenue, and Transport departments. Audit has been conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

Compliance Audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with applicable laws, rules, regulations, established codes, etc., and general principles governing sound public financial management and the conduct of public officials.

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

The audit observations in this Report are based on the results of test check of records made available to Audit by the Government departments concerned.

This Report contains five chapters. Chapter-I presents the details about profile of audited entities and summary of fiscal transactions made during the years 2019-20 and 2020-21 and also authority for audit, planning and conduct of audit, response of Department concerned to audit findings and summary of coverage of this Report. Chapter-II contains compliance audit observations relating to Commercial Taxes Department including subject specific compliance audits on 'Processing of refund claims' and 'Transitional credits' under Goods and Services Tax (GST), Chapter-III contains observations relating to Registration & Stamps Department, Chapter-IV relates to CCLA Department (Land Revenue related aspects) and Chapter-V contains observations relating to Transport Department including Andhra Pradesh State Road Transport Corporation (APSRTC).

1.2 Audited Entity Profile

The audited entities¹ in the State at the Secretariat level are headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries and assisted by Directors/Commissioners and subordinate officers.

¹ Commercial Taxes, Registration & Stamps, CCLA under Revenue Department and Transport Department

1.2.1 Functions of the audited entities

Commercial Taxes	<ul style="list-style-type: none"> Commercial Taxes department administers and collects revenue on goods and services under Andhra Pradesh Value Added Tax Act, 2005 (VAT Act), Central Sales Tax Act, 1956 (CST Act), Andhra Pradesh Entertainments Tax Act, 1939, The Andhra Pradesh Tax on Professions, Trades, Callings and Employment Act, 1987 apart from other minor Acts. The Department has been administering and collecting revenue on goods and services under the Andhra Pradesh Goods and Services Tax Act, 2017 with effect from 01 July 2017.
Registration & Stamps	<ul style="list-style-type: none"> Registration & Stamps department is primarily entrusted with registration of documents and is responsible for determining and collecting stamp duty and registration fees on registration of various documents/ instruments by the general public. The Department also enforces administration of the Indian Stamp (IS) Act, 1899 and the Registration Act, 1908, as amended from time to time and rules framed therein.
CCLA (Land Revenue)	<ul style="list-style-type: none"> Land Revenue related aspects come under the purview of Chief Commissioner of Land Administration (CCLA). The department is responsible for alienation, acquisition and conversion of lands and for collecting revenue arising thereon. It is also responsible for maintenance, updation and protection of land revenue records. The Department also decides on policy matters and administers several Acts and Rules pertaining to land and civil administration in the State.
Transport	<ul style="list-style-type: none"> Transport department of the State established under Section 213 of Motor Vehicle Act, 1988 is primarily responsible for enforcement of provisions of Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Andhra Pradesh Motor Vehicles Taxation (APMVT) Act, 1963, Andhra Pradesh Motor Vehicles Taxation Rules, 1963 and Andhra Pradesh Motor Vehicles Rules, 1989 for collection of taxes, fees, issue of driving licenses, certificates of fitness to transport vehicles, registration of motor vehicles and grant of regular and temporary permits to vehicles. Andhra Pradesh State Road Transport Corporation (APSRTC) under the present name was established on 11th January 1958 in pursuance of the Road Transport Corporations Act 1950. APSRTC is headed by Vice Chairman & Managing Director. APSRTC is committed to provide consistently high quality of services and to continuously improve the services through a process of teamwork for the utmost satisfaction of the passengers and to attain a position of pre-eminence in the Bus Transport sector.

1.2.2 Summary of Fiscal transactions

A summary of the fiscal transactions relating to the above audited entities during the years 2019-20 and 2020-21 is given in **Table-1.1**.

Table-1.1: Summary of fiscal operations during 2019-20 and 2020-21

2019-20	Receipts		2020-21	Percentage change over 19-20	2019-20	Disbursements		2020-21	Percentage change over 19-20
	Revenue receipts					Revenue expenditure			
41,637	Taxes on Sales, Trade etc. & SGST	36,671	(-) 11.93	329	Taxes on Sales, Trade etc.	326	(-) 0.91		
5,318	Stamps and Registration Fees	5,603	5.36	138	Stamps and Registration Fees	144	4.35		
21	Land Revenue	143	580.95	74	Land Revenue	73	(-) 1.35		
3,279	Taxes on Vehicles	2,966	(-) 9.55	142	Taxes on Vehicles	142	0		

Source: Finance Accounts of Government of Andhra Pradesh for relevant years

- The receipts under Sales tax and SGST decreased by ₹4,966 crore (11.93 per cent over previous year) from ₹41,637 crore to ₹36,671 crore during 2020-21.

- Taxes on vehicles decreased by ₹313 crore (9.55 per cent over previous year) from ₹3,279 crore to ₹2,966 crore during 2020-21.

Covid-19 pandemic resulted in the economic slowdown in the country that led to the decrease in receipts when compared to the previous year.

1.2.3 Arrears of Revenue

As of 31 March 2021, it was observed that the arrears of revenue pertaining to these audited entities were ₹8,247.42 crore as detailed in **Table-1.2**.

Table-1.2: Arrears of Revenue

(₹ in crore)

Department	Details of amount outstanding as on 31 March 2020		Details of amount outstanding as on 31 March 2021		Reasons
	Total	For more than five years (per cent)	Total	For more than five years (per cent)	
Commercial Taxes	3,221.98	2,529.19 (78)	4,788.87	2,346.83 (49)	Department did not furnish the reasons for pendency in arrears outstanding for more than five years. Commissioner replied (June 2021) that an amount of ₹152.18 crore was proposed for write off during 2019-20.
Registration & Stamps	51.95	NA	51.46	NA	Commissioner and Inspector General of Registration and Stamps did not furnish (September 2021) the details of amount outstanding for more than five years and the reasons for pendency.
Chief Commissioner of Land Administration	313.78	260.99 (83)	NA	NA	Department replied (October 2020) that due to drought and unseasonal conditions collections as per the target could not be achieved.
Transport	3,261.84	1,331.17 (41)	3,407.09	1,684.23 (49)	Department stated (February 2021) that APSRTC did not pay taxes since 2012-13.

Source: Information furnished by the Departments concerned;

NA: Details not made available

It can be seen from **Table-1.2** that amount outstanding at the end of 2020-21 increased by ₹1,566.89 crore and ₹145.25 crore in respect of Commercial Taxes and Transport departments respectively, when compared with the status at the end of 2019-20. Further, arrears outstanding for more than five years showed an increase of eight percentage points at the end of 2020-21 when compared with the status at the end of 2019-20 in respect of Transport department. Since details were not furnished by Registration & Stamps and CCLA departments, Audit could not analyse the trend of arrears.

Recommendation

The departments concerned need to vigorously pursue the outstanding cases to ensure recovery of arrears in a time bound manner and monitor the progress of recovery of arrears of revenue on a regular basis.

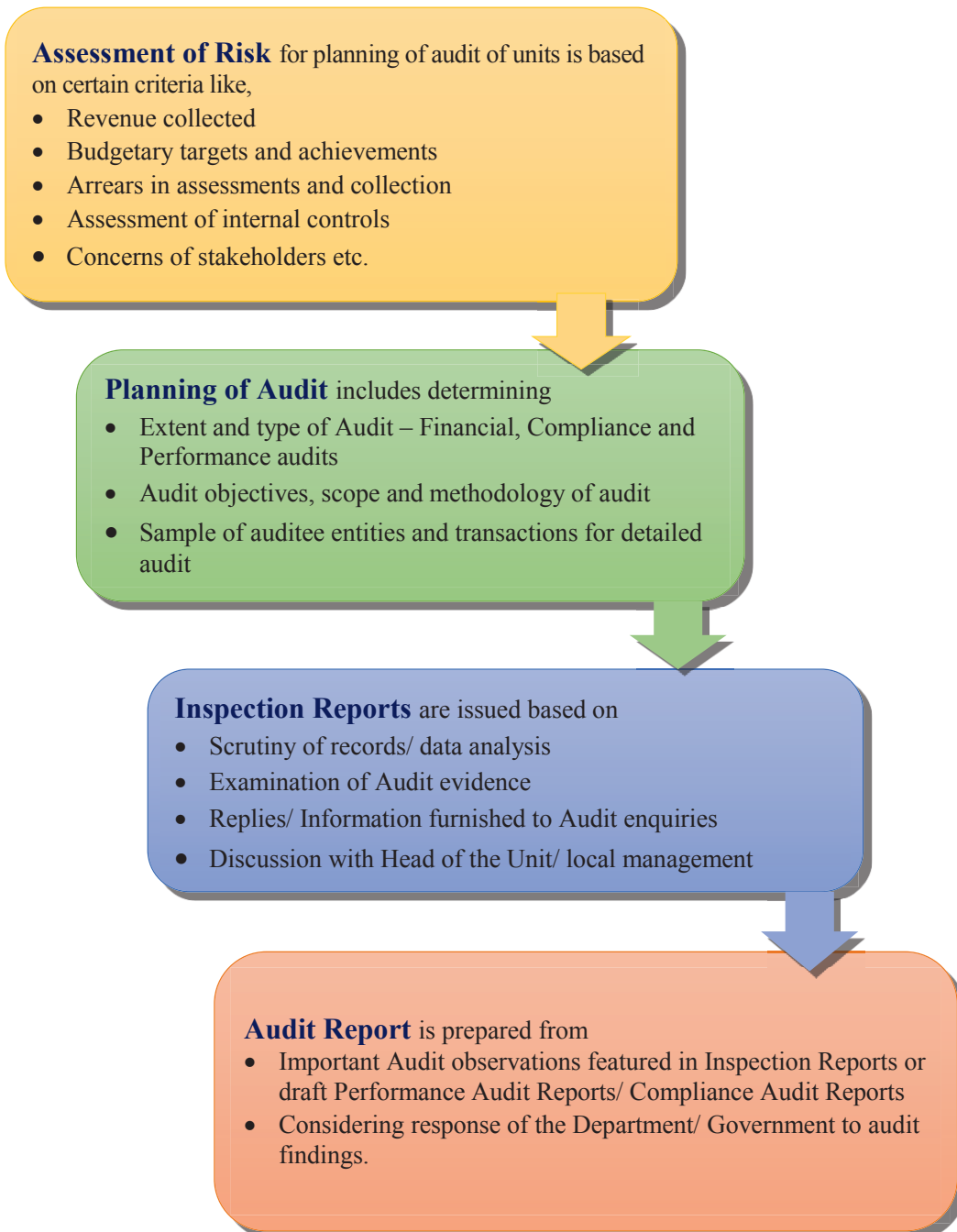
1.3 Authority for audit

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

1.4 Planning and conduct of audit

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

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



The Report so prepared would be submitted to Governor for causing it to be laid in the State Legislature.

After completion of audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the Unit with a request to furnish replies within one month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in Government, are processed for inclusion in the Audit Reports. These Audit Reports are submitted to the Governor of Andhra Pradesh under Article 151 of the Constitution of India for causing them to be laid on the table of State Legislature.

During the two-year period *i.e.*, 2019-21, audit of 254 units² out of total 1,410 auditable units were conducted. For subject specific compliance audit on 'Processing of refund claims' and 'Transitional credits' under Goods and Services Tax (GST), sampled claims were examined in 81 and 97 circles (out of 103 circles) respectively.

1.5 Response of Government to audit findings

1.5.1 Response to audit observations

All Departments are required³ to send their responses to draft audit paragraphs proposed for inclusion in CAG's Report within six weeks of their receipt. During the two-year period *i.e.*, 2019-20 and 2020-21, 56 draft compliance audit paragraphs including two subject specific compliance audit reports *viz.*, 'Processing of refund claims' and 'Transitional credits' under GST, and one compliance audit on 'Administration of Government Lands' were forwarded to Secretaries of the Departments⁴ concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks followed by reminders in June 2021, August 2021 and March 2022. It was brought to their personal attention that these paragraphs were likely to be included in the Audit Report of the CAG of India, which would be placed before the State Legislature and it would be desirable to include their comments/ responses to the audit findings.

Replies to 23 compliance audit paragraph of Commercial Taxes Department, three compliance audit paragraphs of CCLA Department and nine compliance audit paragraphs of Transport department (including APSRTC) were received. Replies for the remaining 21 draft paragraphs have not been received (August 2022).

1.5.2 Response to previous Inspection Reports

Heads of Offices and next higher authorities are required to respond to the observations contained in Inspection Reports (IRs) and take appropriate corrective action. Audit observations communicated in IRs are also discussed at periodical intervals in meetings at District/ State levels by officers of the Accountant General's office with officers of the Departments concerned.

² Commercial Taxes department (56), Registration & Stamps department (113), CCLA department (63) and Transport department (including APSRTC) (22)

³ As per paragraph 4.7 of Finance Department's Handbook of Instructions

⁴ Commercial Taxes department (23), Registration & Stamps department (17), CCLA department (7) and Transport department (Including APSRTC) (9)

A review of IRs issued up to December 2020 pertaining to four departments⁵ showed that 13,419 paragraphs relating to 4,297 IRs valuing ₹4,133 crore were outstanding at the end of June 2021 which is detailed in **Table-1.3**. Of these, 2,841 IRs (66 per cent) containing 6,093 paragraphs valuing ₹887 crore are outstanding for more than 10 years. Even the first replies which were to be furnished within one month by Heads of offices concerned, have not been received in respect of 72 IRs issued during 2019-20 and 10 IRs issued during 2020-21.

Table-1.3: Department-wise details of IRs

(₹ in crore)				
Sl. No.	Department	Number of outstanding IRs	Number of outstanding Paragraphs	Money value involved
1.	Commercial Taxes	1,732	7,312	1,891
2.	Registration & Stamps	1,569	4,056	318
3.	Chief Commissioner of Land Administration	698	1,029	379
4.	Transport (including APSRTC)	298	1,022	1,545
Total		4,297	13,419	4,133

Source: Records of office of the Principal Accountant General (Audit), Andhra Pradesh

It is pertinent to mention that Government had issued orders⁶ for expeditious settlement of outstanding audit observations and pending IRs and requested all Heads of Departments and departments of Secretariat to follow the guidelines scrupulously. There was however, not much progress as evident from the accumulation of outstanding IRs/ Paras.

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

Recommendation

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

1.5.3 Response of Government to audit paragraphs that featured in earlier Audit Reports

Administrative Departments are required to submit Explanatory Notes (ENs) on paragraphs and reviews included in Audit Reports within three months⁷ of their presentation to State Legislature duly indicating action taken or proposed to be taken.

⁵ Commercial Taxes department, Registration & Stamps department, CCLA department and Transport department (including APSRTC)

⁶ G.O. Ms. No.534, Finance (PAC) Department, dated 28 June 2004

⁷ As per Para 5.2 of Finance department's hand book of instructions

Reports of the Comptroller and Auditor General of India on four departments⁸ contained 128 paragraphs (including four Performance Audits) for the years from 2014-15 to 2018-19. These Audit Reports were placed before the State Legislative Assembly between March 2016 and May 2021. Explanatory Notes in respect of 61 paragraphs⁹ have not been received (April 2022).

1.5.4 Response of Government to recommendations of the Public Accounts Committee (PAC) and Committee on Public Undertakings (COPU)

Legislature ensures financial accountability of the Executive primarily through the mechanism of PAC/ COPU discussion of Audit Reports and their recommendations.

Government instructed¹⁰ that all the departments/ Public Sector Undertakings (PSUs) should furnish Action Taken Notes (ATNs) on PAC/ COPU recommendations to the respective committees and Accountant General within six months from the date of its receipt. All such ATNs have to be routed through the Finance Department and copies thereof to the Accountant General.

Action Taken Notes on 64 PAC recommendations relating to four departments¹¹ were due as of April 2022. Of these, 11 recommendations pertain to Andhra Pradesh exclusively and 53 pertain to the composite State of Andhra Pradesh and Telangana.

Action Taken Notes on 24 COPU recommendations relating to APSRTC under Transport department were due as of April 2022. All of these pertain to the composite State of Andhra Pradesh and Telangana.

1.5.5 Departmental Audit Committee Meetings

State Government sets up Audit Committees to monitor and expedite the progress of the settlement of paragraphs in the IRs. During the year 2020-21, one Departmental Audit Committee Meeting was conducted in respect of Registration & Stamps and 40 paragraphs involving money value of ₹94 lakh were settled.

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

The system for addressing the issues highlighted in the IRs/ Audit Reports in respect of one department is reviewed in audit every year. During the year 2020-21, action initiated by CCLA Department on Land Revenue related issues was reviewed to assess the action taken on the cases detected in local audit during 2016-17 to 2020-21.

The summarised position of the IRs and paragraphs on Land Revenue included in these reports and their status as on 31 March 2021 are detailed in **Table-1.4**.

⁸ Commercial Taxes department (56), Registration & Stamps department (26), CCLA department (17), Transport department (25) and APSRTC under Transport department (4)

⁹ Commercial Taxes department (1), Registration & Stamps department (26), CCLA department (17), Transport department (13) and APSRTC under Transport department (4)

¹⁰ Government of Andhra Pradesh U.O. Note No. 1576-A/32/PAC/95 dated 17 May 1995

¹¹ Commercial Taxes department (1), Registration & Stamps department (20), CCLA department (27) and Transport department (16)

Table-1.4: Position of Inspection Reports (IRs)

(₹ in crore)

Year	Opening balance			Additions 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
2016-17	550	725	221.54	40	68	8.47	1	3	0.17	589	790	229.84
2017-18	589	790	229.84	37	87	9.29	1	1	0	625	876	239.13
2018-19	625	876	239.13	27	53	19.12	0	0	0	652	929	258.25
2019-20	652	929	258.25	3	7	0.33	0	0	0	655	936	258.58
2020-21	655	936	258.58	43	94	120.60	0	1	0.01	698	1029	379.17

Source: Records of office of the Principal Accountant General (Audit), Andhra Pradesh

It can be seen from the table above that five paragraphs and two IRs only were cleared during the five-year period. There has been net increase of 148 IRs, 304 Paragraphs and money value of ₹157.63 crore during the period.

Recommendation

Government needs to evolve a mechanism for implementation of guidelines issued¹² for expeditious settlement of outstanding audit observations.

1.7 Constraints in Audit

The programme of local audit of Revenue offices is drawn up sufficiently in advance. Intimations are issued, usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for scrutiny.

During the two-year period 2019-21, 36 offices pertaining to the three departments¹³ did not produce crucial documents/ records like Village and Mandal Accounts Records, Challan Posting Register, Cash Book, Treasury Bill Register, Reconciliation statements, Bank Accounts, Pending Documents Registers, DCB Registers, GST refund claims records, data of refunds, Reconciliation Registers and Register of Challans, Lands resumed under Prevention of Transfers (POT) Act, source of irrigation, notification of water tax, source of water, lift irrigation schemes, write off cases, Challan Posting Registers relating to VAT, CST and reconciliation registers, etc.

Non-production of records hinders efficacy of audit and results in inability to verify accuracy of revenue collections and expenditure.

Recommendation

Government needs to issue suitable instructions to the Heads of the Departments concerned for timely production of all the relevant records for audit scrutiny to ensure transparency and accountability.

¹² G.O. Ms. No.534, Finance (PAC) Department, dated 28 June 2004

¹³ Commercial Taxes department (25), CCLA department (8) and Registration & Stamps department (3)

1.8 Results of Audit

Position of local audit conducted during the year:

Audit test checked records in 239 units and 15 units during the years 2019-20 and 2020-21 respectively out of 1,410 units under four departments¹⁴. Under assessment/ short levy/ loss of revenue observed by the Audit during the years 2019-20 and 2020-21, under assessments and other deficiencies accepted and the amounts realised by the departments during respective years are given in **Table-1.5**.

Table-1.5: Results of Audit

(₹ in crore)

Year	Department	Under assessments & other deficiencies observed		Under assessments & other deficiencies accepted		Under assessments & other deficiencies realised	
		No. of cases	Money Value	No. of cases	Money Value	No. of cases	Money Value
2019-20	Commercial Taxes	682	128.40	0	0	0	0
	CCLA	350	67.69	0	0	0	0
	Registration & Stamps	474	21.39	9	0.04	9	0.03
	Transport (including APSRTC)	119	81.57	0	0	0	0
Total		1,625	299.05	9	0.04	9	0.03
2020-21	Commercial Taxes	18	10.64	93	13.01	37	0.47
	CCLA	41	0.01	1	0.01	1	0.01
	Registration & Stamps	5	0.05	83	0.39	83	0.39
	Transport (including APSRTC)	39	83.45	0	0	0	0
Total		103	94.15	177	13.41	121	0.87

Source: Records of office of the Principal Accountant General (Audit), Andhra Pradesh

During 2019-20, the Departments accepted under assessments and other deficiencies of ₹0.04 crore in nine cases, of which three cases involving ₹0.01 crore were pointed out in earlier years. An amount of ₹0.03 crore was realised in nine cases during the year 2019-20. Of this, recovery of ₹0.01 crore in three cases relate to previous years.

Similarly, for the year 2020-21, the Departments accepted under assessments and other deficiencies of ₹13.41 crore in 177 cases, of which 159 cases involving ₹2.77 crore were pointed out in earlier years. An amount of ₹0.87 crore was realised in 121 cases pertaining to audit findings of previous years.

1.9 Coverage of this report

This Report contains 28 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 two subject specific compliance audits, involving financial effect of ₹198.04 crore.

¹⁴ 2019-20: Commercial Taxes department (55), Registration & Stamps department (112), CCLA department (54) and Transport department (including APSRTC) (18)
2020-21: Commercial Taxes department (1), Registration & Stamps department (1), CCLA department (9) and Transport department (including APSRTC) (4)

The Departments/ Government have accepted audit observations involving ₹58.68 crore, out of which ₹2.03 crore had been realised. The replies in the remaining cases have not been received (August 2022). Audit observation are detailed in the succeeding Chapters.

Most of the audit observations are of a nature that may reflect similar errors/ omissions in other units of the State Government departments but not covered in the test check. The Departments/ Government may therefore like to internally examine all other units with a view to ensure that they are functioning as per extant rules.