

***CHAPTER I***  
***GENERAL***



# CHAPTER I GENERAL

## 1.1 About this Report

This Report contains significant audit findings pointed out in the compliance audit of Departments of Commercial Taxes Department, Chief Commissioner of Land Administration (CCLA) and Registration & Stamps under Revenue Department. 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 four chapters. Chapter-I presents the details about profile of the audited entities and the summary of fiscal transactions during the year 2022-23 and also authority for audit, planning and conduct of audit, response of Departments concerned to audit findings and summary of coverage of this Report. Chapter II contains compliance audit observations relating to Commercial Taxes Department and Chapter III relates to CCLA of Revenue Department and contains Land Revenue related observations. Chapter IV includes observations relating to Registration & Stamps Department and also contains observations noticed during follow-up audit on the implementation of recommendations made in the Performance Audit of 'Revision and Implementation of Market Value Guidelines'.

## 1.2 Audited Entity Profile

The audited entities<sup>1</sup> in the State at the Secretariat level are headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries and assisted by Directors/ Commissioners and subordinate officers.

---

<sup>1</sup> Commercial Taxes, Registration & Stamps and CCLA under Revenue Department

### 1.2.1 Functions of the audited entities:

<b>Commercial Taxes</b>	<ul style="list-style-type: none"> <li>Commercial Taxes Department is responsible for assessment and enforcement of collection of taxes under Goods and Services Tax (GST) Act 2017, AP Value Added Tax (VAT) Act 2005, Central Sales Tax (CST) 1956, AP Professions, Trades, Callings and Employment Act 1987 and AP Tax on Entry of Motor Vehicles into Local Area Act, 1996. The Department also deals with registration of dealer under GST Act and refunds of Input Tax Credit under AP VAT and GST Acts.</li> </ul>
<b>Registration &amp; Stamps</b>	<ul style="list-style-type: none"> <li>Registration &amp; 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.</li> </ul>
<b>CCLA (Land Revenue)</b>	<ul style="list-style-type: none"> <li>Land Revenue related aspects come under the purview of Chief Commissioner of Land Administration (CCLA). This office of Revenue 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.</li> </ul>

### 1.2.2 Summary of Fiscal transactions

Revenue receipts of the State comprises (a) Tax Revenue (b) Non-Tax Revenue (c) State's share of Union Taxes and (d) Grants-in-aid. Mobilisation of resources under Tax Revenue and Non-Tax revenue are detailed below:

#### A. Own Tax Revenue

Own tax revenues of the State consist of State Goods and Services Tax (SGST), State Excise, Taxes on vehicles, Stamp Duty and Registration Fees, Land revenue, Taxes on goods and passengers, etc. During 2022-23, Own Tax Revenue was ₹ 78,026 crore which constituted 49.46 per cent of Revenue Receipts (₹ 1,57,768 crore). SGST was the major contributor to Own Tax Revenue with a share of 35.86 per cent. The major taxes and duties which contributed to Own Tax Revenue during the period 2018-19 to 2022-23 are shown in **Table-1.1**.

**Table-1.1: Components of State's Own Tax Revenue**

Head of receipt	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
State Goods and Services Tax (SGST)	20,611	20,227	18,872	23,809	27,981
Taxes on Sales, trades etc.	21,914	21,410	17,800	20,808	18,004
State Excise	6,220	6,915	11,575	14,703	14,798
Taxes on Vehicles	3,341	3,279	2,966	3,433	4,320
Stamp duty and Registration fees	5,428	5,318	5,603	7,635	8,022
Land Revenue	57	21	143	50	110
Taxes on Goods and Passengers	26	36	25	1	12
Other Taxes <sup>2</sup>	434	395	425	540	4,779
<b>Total</b>	<b>58,031</b>	<b>57,601</b>	<b>57,409</b>	<b>70,979</b>	<b>78,026</b>

Source: Finance Accounts of respective years

<sup>2</sup> Other Taxes include Taxes on Immovable Property other than Agricultural Land, Taxes and Duties on Electricity and Agricultural Income, Other Taxes and Duties on Commodities and Services

## B. Non-Tax Revenue

Non-tax revenue includes receipts from services rendered and supplies made by various Departments of Government and interest receipts. During 2022-23, the non-tax revenue of ₹ 5,417 crore constituted 3.43 *per cent* of the total revenue receipts (₹ 1,57,768 crore). The composition of non-tax revenue during the period 2018-19 to 2022-23 is detailed in **Table-1.2**.

**Table-1.2: Composition of Non-Tax Revenue**

(₹ in crore)					
Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23
Interest Receipts	50	37	24	20	9
Dividends & Profits	1	4	0	6	2
Other Non-tax receipts	4,345	3,274	3,371	4,991	5,406
a) Road Transport	0	0	0	0	978
b) Miscellaneous General Services	138	158	236	141	308
c) Police	225	212	206	190	241
d) Non-Ferrous Mining & Metallurgical Industries	2,211	1,897	2,256	2,983	3,024
<b>Total</b>	<b>4,396</b>	<b>3,315</b>	<b>3,395</b>	<b>5,017</b>	<b>5,417</b>

Source: Finance Accounts of respective years

During 2022-23, Non-Ferrous Mining & Metallurgical Industries (₹ 3,024 crore); Road Transport (₹ 978 crore), Miscellaneous General Services (₹ 308 crore) and Police (₹ 241 crore) were the major contributors to Non-Tax revenue for the year 2022-23. The increase in receipts under Road Transport (MH 1055) was due to remittance of State Government's share of transport revenue of ₹ 978.17 crore by Andhra Pradesh State Road Transportation Corporation.

A summary of the fiscal transactions of the audited entities featured in this Audit Report, *viz.*, Commercial Taxes, Stamps and Registration and Land Revenue Department during the year 2022-23 as compared with previous year is given in **Table-1.3**.

**Table-1.3: Summary of fiscal transactions during 2022-23 of the audited departments**

(₹ in crore)							
2021-22	Receipts	2022-23	Percentage change over 2021-22	2021-22	Disbursements	2022-23	Percentage change over 2021-22
<b>Revenue receipts</b>				<b>Revenue expenditure</b>			
23,809.45	State Goods & Services Tax (SGST)	27,981.20	17.52	342.70	Commercial Taxes	395.71	15.47
20,808.08	Taxes on Sales, Trade etc.,	18,004.36	-13.48				
7,635.21	Stamps and Registration	8,022.49	5.07	171.87	Stamps and Registration	209.88	22.12
49.97	Land Revenue	109.76	119.65	83.05	Land Revenue	117.55	41.54

Source: Finance Accounts of respective years; **Note:** Cost of collection for both the heads SGST and Taxes on Sales, Trade, etc., is under one head of account i.e., MH2040

Receipts from Taxes on Sales, Trade etc. (MH 040) decreased, from ₹ 20,808 crore in 2021-22 to ₹ 18,004 crore in 2022-23 (-13.48 *per cent*), mainly due to decrease in receipts under 'VAT on Foreign Liquor and Spirits' by ₹ 3,583.23 crore. This was due

to rationalisation of VAT on liquor by the State Government<sup>3</sup>. The issue is discussed in detail in CAG's Report on the State Finances for the period 2022-23 (**Report No.2 of 2024**). The significant increase in receipts under Land Revenue (MH 0029) was primarily due to amount realised on alienation of lands on outright sale basis to Solar Energy Companies.

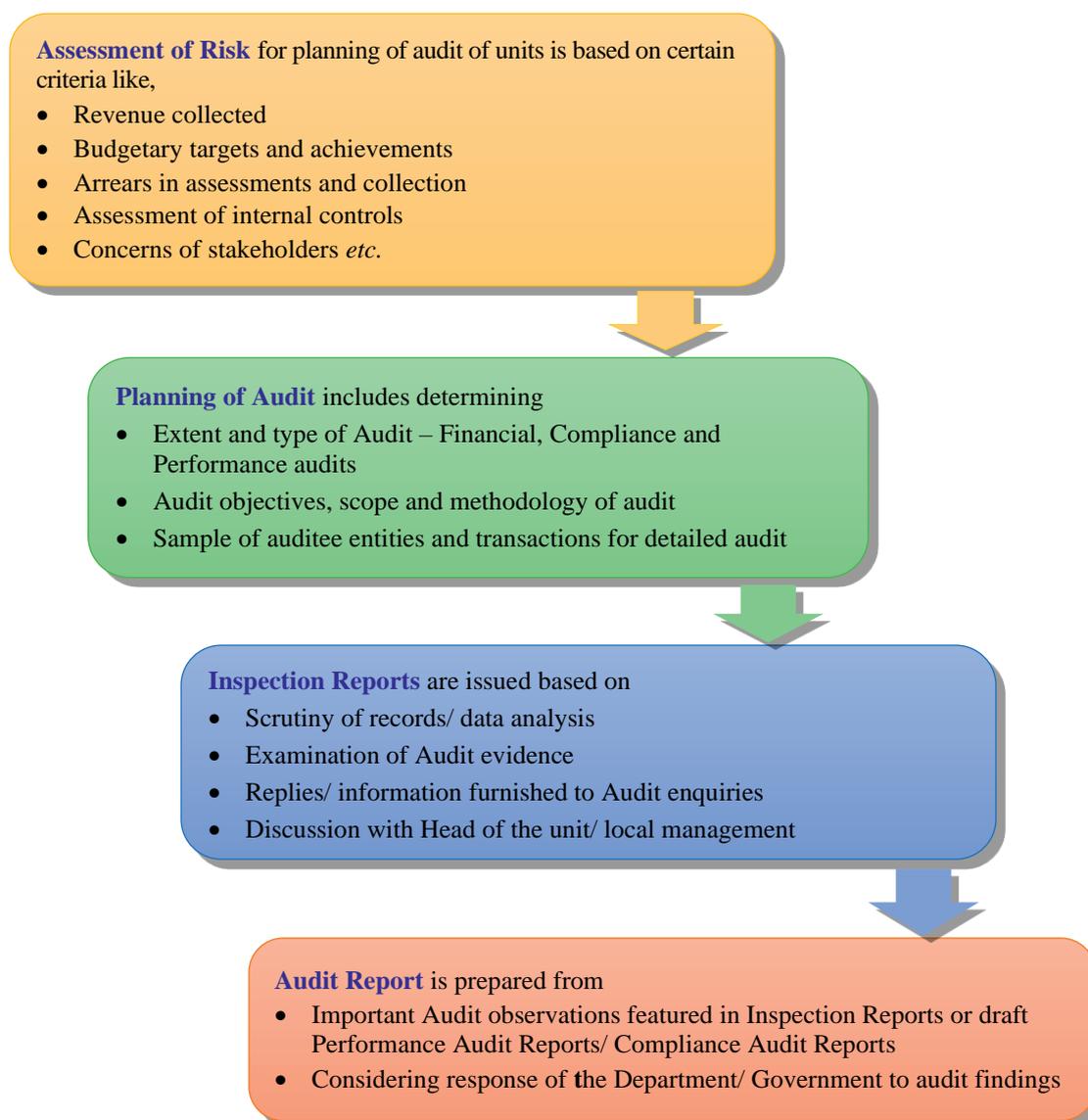
### 1.3 Authority for audit

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 and conduct of audit and preparation of Audit Reports:

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



---

<sup>3</sup> G.O. Ms. No. 312, Revenue (CT-II) Department, dated 09 November 2021

The Report so prepared would be submitted to the Governor of Andhra Pradesh 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 year 2022-23, audit of 139 units<sup>4</sup> out of total 1,324 auditable units were conducted. For the compliance audit on Market Value Guidelines (MVG), documents were test-checked in 42 (out of 321) offices.

## **1.5 Response of Government to audit findings**

### **1.5.1 Response to audit observations**

All Departments are required<sup>5</sup> to send their responses to draft audit paragraphs proposed for inclusion in CAG's Report within six weeks of their receipt. During the year 2022-23, total 37 draft compliance audit paragraphs including follow-up on Performance Audit of 'Revision and Implementation of Market Value Guidelines' were forwarded to the Secretaries of the Departments<sup>6</sup> concerned, drawing their attention to the audit findings and requesting them to send their response within the stipulated time limit. Reminders were also issued for obtaining responses to the draft paragraphs between December 2023 and March 2024. 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.

Government/ Department replies to 31 compliance audit paragraphs of Registration & Stamps and Commercial Taxes Department including follow-up audit on 'Revision and Implementation of Market Value Guidelines' were received. Response for the remaining six draft paragraphs<sup>7</sup> have not been received (January 2025). The responses of the Government have been appropriately incorporated in the Report.

### **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 Pr. Accountant General's office with officers of the Departments concerned.

---

<sup>4</sup> Commercial Taxes (17), Registration & Stamps (60) and CCLA (62)

<sup>5</sup> As per paragraph 4.7 of Finance Department's Handbook of Instructions

<sup>6</sup> Commercial Taxes (14), Registration & Stamps (21) and CCLA (2)

<sup>7</sup> Commercial Taxes (2), Registration & Stamps (2) and CCLA (2)

A review of IRs issued up to March 2023 pertaining to three Departments<sup>8</sup> showed that 11,360 paragraphs relating to 3,927 IRs involving money value of ₹ 2,772.42 crore were outstanding at the end of September 2023 which are detailed in **Table-1.4**. Of these, 2,529 IRs (64.40 per cent) containing 5,024 paragraphs valuing ₹ 854.73 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 (December 2024) in respect of 97 IRs issued during 2022-23.

**Table-1.4: Department-wise details of IRs**

Sl. No.	Department	Number of outstanding IRs	Number of outstanding Paragraphs	Money value involved (₹ in crore)
1.	Commercial Taxes	1,591	5,813	1,926.34
2.	Registration & Stamps	1,589	4,371	363.84
3.	Chief Commissioner of Land Administration (land revenue related)	747	1,176	482.24
<b>Total</b>		<b>3,927</b>	<b>11,360</b>	<b>2,772.42</b>

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

It is pertinent to mention that Government had issued orders<sup>9</sup> for expeditious settlement of outstanding audit objections and pending IRs and requested all the departmental secretariats and Heads of Departments to follow the guidelines scrupulously.

Lack of necessary 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.

### **Recommendation**

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

### **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 months<sup>10</sup> of their presentation to State Legislature duly indicating action taken or proposed to be taken.

Reports of the Comptroller and Auditor General of India on the Departments<sup>11</sup> contained 148 paragraphs for the years from 2014-15 to 2019-21. These Audit Reports were placed before the State Legislative Assembly between March 2014 and March 2024. Explanatory Notes in respect of 65 paragraphs<sup>12</sup> have not been received (January 2025).

<sup>8</sup> Commercial Taxes, Registration & Stamps and CCLA

<sup>9</sup> G.O. Ms. No.534 of Finance (PAC) Department, dated 28 June 2004

<sup>10</sup> As per Para 5.2 of Finance Department's handbook of instructions

<sup>11</sup> Commercial Taxes (70), Registration & Stamps (40) and CCLA (38)

<sup>12</sup> Commercial Taxes (8), Registration & Stamps (36) and CCLA (21)

### 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 instructed<sup>13</sup> 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 receipt. All such ATNs have to be routed through the Finance Department and copies thereof to the Accountant General.

Action Taken Notes on 48 PAC recommendations relating to three Departments were due as of January 2025. Of these, 11 recommendations pertain to Andhra Pradesh exclusively and 37 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 2022-23, one audit committee meeting relating to Commercial Taxes Department was conducted wherein 222 paragraphs involving money value of ₹ 37.15 crore were settled/ dropped.

### 1.6 Analysis of the mechanism for dealing with the issues raised by Audit on Commercial Taxes Department

The system for addressing the issues highlighted in the IRs/ Audit reports in respect of one of the revenue generating departments is reviewed in audit every year. During the year 2022-23, action initiated by Commercial Taxes Department was reviewed to assess the action taken on the cases detected in local audit during 2018-19 to 2022-23.

The summarised position of the IRs and paragraphs relating to Commercial Taxes Department included in these IRs and their status at the end of March 2023 are detailed in **Table-1.5**.

**Table-1.5: Position of Inspection Reports (IRs)**

Year	Opening balance			Additions during the year			Clearance during the year			Closing balance		
	IRs	Paras	Money value (₹ in crore)	IRs	Paras	Money value (₹ in crore)	IRs	Paras	Money value (₹ in crore)	IRs	Paras	Money value (₹ in crore)
2018-19	1611	6465	1637.46	57	696	129.88	5	510	40.06	1663	6651	1727.28
2019-20	1663	6651	1727.28	41	441	82.63	0	0	0	1704	7092	1809.91
2020-21	1704	7092	1809.91	29	390	108.54	1	108	2.79	1732	7374	1915.66
2021-22	1732	7374	1915.66	2	23	11.75	2	639	62.37	1732	6758	1865.04
2022-23	1732	6758	1865.04	21	220	231.57	165	1123	142.31	1588	5855	1954.30

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

<sup>13</sup> Government of Andhra Pradesh U.O. Note No. 1576-A/32/PAC/95, dated 17 May 1995

It can be seen from the table above that 173 IRs and 2,380 Paragraphs were cleared during the period 2018-19 to 2022-23. There has been net decrease of 23 IRs and 610 Paragraphs; and net increase of money value amounting to ₹ 316.84 crore at the end of March 2023 with reference to the amount involved in the audit observations made during the five-year period i.e., 2018-23.

### Recommendation

**Government needs to ensure implementation of guidelines issued<sup>14</sup> for expeditious settlement of outstanding audit objections.**

#### 1.7 Constraints in audit

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

During the year 2022-23, the audited entities of the three Departments did not produce crucial/ documents/ records like Survey and Establishment charges registers, DCB registers, month-wise receipts/ expenditure details, treasury bill register, budget details, land conversion related records, contingent registers, stamps sales/ stock registers, VAT audit files of dealers and internal audit records.

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

### Recommendation

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

#### 1.8 Results of Audit

**Position of local audit conducted during the year 2022-23:** Audit test-checked records in 139 units during the year 2022-23 out of 1,324 units relating to the three Departments. Under assessment/ short levy/ loss of revenue observed by Audit in test check of these units, deficiencies accepted, and the amounts realised by the Departments are detailed in **Table-1.6**.

**Table-1.6: Results of Audit**

(₹ in crore)

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
Commercial Taxes	170	53.73	520	29.40	264	14.56
Registration & Stamps	467	23.43	76	1.22	76	1.22
CCLA	95	17.99	0	0	0	0
<b>Total</b>	<b>732</b>	<b>95.15</b>	<b>596</b>	<b>30.62</b>	<b>340</b>	<b>15.78</b>

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

<sup>14</sup> G.O. Ms. No. 534, Finance (PAC) Department, dated 28 June 2004

During 2022-23, the Departments accepted under assessments and other deficiencies having money value of ₹ 30.62 crore in 596 cases, of which 590 cases involving ₹ 30.46 crore were pointed out in earlier years. Further, an amount of ₹ 15.78 crore was realised in 340 cases during the year 2022-23. Of this, recovery of ₹ 15.76 crore in 337 cases was related to previous years.

### **1.9 Coverage of this report**

This Report contains 25 paragraphs selected from audit observations made during the local audit referred to above and during earlier years (which could not be included in earlier reports), including follow-up of Performance Audit on 'Revision and Implementation of Market Value Guidelines' involving financial effect of ₹ 29.51 crore. The Departments/ Government have accepted the deviations involving ₹ 19.43 crore. Audit observations 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 were 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.