

CHAPTER-VI

REVENUE RECEIPTS

6.1 Trend of revenue receipts

The tax and non-tax revenue raised by Government of Goa during the year 2007-08, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
I. Revenue raised by the State Government					
• Tax revenue	710.25	856.53	1,096.49	1,291.54	1,358.91
• Non-tax revenue	724.73	729.26	761.16	917.62	1,042.82
Total	1,434.98	1,585.79	1,857.65	2,209.16	2401.73
II. Receipts from the Government of India					
• State's share of divisible Union taxes	135.59	162.07	244.70	312.11	393.72
• Grants-in-aid	52.55	72.16	66.52	88.49	148.45
Total	188.14	234.23	311.22	400.60	542.17
III. Total receipts of the State	1,623.12	1,820.02	2,168.87	2,609.76	2,943.90
IV. Percentage of I to III	89	87	86	85	82

The above table indicates that during the year 2007-08, the revenue raised by the State Government was 82 *per cent* of the total revenue receipts (Rs 2,943.90 crore) against 85 *per cent* in the preceding year. The balance 18 *per cent* of receipts during 2007-08 was from the Government of India.

6.1.1 The following table presents the details of tax revenue raised during the period from 2003-04 to 2007-08:

(Rupees in crore)

Sr. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	• Sales tax	463.52	502.70	671.83	783.28	819.66	(+) 4.64
	• Central sales tax	38.84	64.49	71.48	61.54	59.62	(-) 3.12
2.	State excise	53.44	55.34	55.35	57.23	75.94	(+) 32.69
3.	Stamps and registration fees	28.96	35.69	60.49	115.92	117.59	(+) 1.44
4.	Taxes on vehicles	50.76	58.78	63.84	74.56	81.96	(+) 9.92
5.	Taxes on goods and passengers	41.14	103.10	130.80	138.02	112.72	(-) 18.33
6.	Luxury tax	24.73	27.01	29.92	42.73	66.94	(+) 56.66
7.	Entertainment tax	2.11	2.48	5.18	5.09	11.17	(+) 119.45
8.	Other taxes and duties on commodities and services	1.46	1.79	2.52	6.94	6.12	(-) 11.82
9.	Land revenue	5.29	5.15	5.08	6.23	7.19	(+) 15.41
Total		710.25	856.53	1,096.49	1,291.54	1,358.91	(+) 5.22

The following reasons for variations were reported by the concerned departments:

Sales tax: The increase was mainly due to more receipts under value added tax (VAT).

State excise: The increase was mainly due to more receipts under malt liquor and foreign liquors and spirits.

Taxes on vehicles: The increase was mainly due to more receipts under the State Motor Vehicles Taxation Acts.

Taxes on goods and passengers: The decrease was mainly due to less receipts under tax on entry of goods into local areas.

Luxury tax: The increase was mainly due to more receipts under luxury tax.

6.1.2 The following table presents the details of the major non-tax revenue raised during the period 2003-04 to 2007-08:

(Rupees in crore)

Sr. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	2.23	3.73	12.95	15.60	16.70	(+) 7.05
2.	Dairy development	0.26	0.20	0.20	0.35	0.64	(+) 82.86
3.	Forestry and wild life	1.81	2.08	1.91	1.99	2.49	(+) 25.13
4.	Non-ferrous mining and metallurgical industries	19.39	23.66	27.15	34.30	36.40	(+) 6.12
5.	Power	592.15	584.66	594.91	681.67	796.26	(+) 16.81
6.	Major and medium irrigation	2.94	3.49	10.32	2.93	3.56	(+) 21.50
7.	Medical and public health	7.30	8.82	12.67	9.06	8.33	(-) 8.06
8.	Public works	1.41	1.37	1.67	1.79	1.67	(-) 6.70
9.	Other Administrative services	5.50	10.26	5.52	62.68	22.16	(-) 64.65
10.	Water Supply and Sanitation	--	--	--	58.09	61.23	(+) 5.41
11.	Other non-tax receipts	91.74	90.99	93.86	49.16	93.38	(+) 89.95
Total		724.73	729.26	761.16	917.62	1,042.82	(+) 13.64

The following reasons for variations were reported by the concerned departments:

Interest receipts: The increase was mainly due to more receipts under interest realised on investment of cash balances.

Power: The increase was mainly due to more sale of power.

Non-ferrous mining and metallurgical industry: The increase was due to increase in mineral concession fees, rent and royalties.

Medical and Public health: The decrease was due to less receipts from Employees State Insurance scheme.

Other Administrative Services: The decrease is mainly due to less receipts under other receipts.

6.1.3 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2007-08 in respect of the principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sr. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
Tax revenue					
1.	Sales tax	841.10	879.28	(+) 38.18	(+) 4.54
2.	State excise	67.00	75.94	(+) 8.94	(+) 13.34
3.	Land revenue	7.69	7.19	(-) 0.50	(-) 6.50
4.	Stamps & registration fee	73.27	117.59	(+) 44.32	(+) 60.49
5.	Taxes on goods & passengers	90.51	112.72	(+) 22.21	(+) 24.54
6.	Taxes on vehicles	84.75	81.96	(-) 2.79	(-) 3.29
7.	Luxury tax	50.00	66.94	(+) 16.94	(+) 33.88
Non-tax revenue					
8.	Interest receipts	11.42	16.70	(+) 5.28	(+) 46.23
9.	Non-ferrous mining & metallurgical industries	29.00	36.40	(+) 7.40	(+) 25.52
10.	Misc. general services	693.18	69.68	(-) 623.50	(-) 89.95
11.	Power	720.00	796.26	(+) 76.26	(+) 10.59
12.	Other administrative services	5.60	22.16	(+) 16.56	(+) 295.71
13.	Water supply and sanitation	85.23	61.23	(-) 24.00	(-) 28.15

The following reasons for variations were reported by the concerned departments:

State excise: The increase in revenue was due to revision of excise duty structures in August 2007 and November 2007.

Land revenue: The decrease in land revenue was mainly due to diversion of staff for election related work, disposal of cases under various Acts/Rules etc.

The other department did not intimate (September 2008), the reasons for variation though called for.

6.1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2005-06, 2006-07 and 2007-08 along with the relevant all India average percentage for 2006-07 are as follows:

(Rupees in crore)

Sr. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
1.	Sales tax	2005-06	743.31	4.65	0.63	0.82
		2006-07	844.82	3.68	0.44	
		2007-08	819.66	4.63	0.56	
2.	Taxes on vehicles	2005-06	63.84	0.99	1.55	2.47
		2006-07	74.56	0.99	1.33	
		2007-08	81.96	1.30	1.59	
3.	State excise	2005-06	55.35	2.67	4.82	3.30
		2006-07	57.23	2.89	5.05	
		2007-08	75.94	3.76	4.95	
4.	Stamp duty and registration fees	2005-06	60.49	1.52	2.51	2.33
		2006-07	115.92	2.17	1.87	
		2007-08	117.59	3.34	2.84	

Thus, the percentage of expenditure on collection in respect of sales tax, taxes on vehicles was lower than the all India average percentage while in case of state excise and stamps and registration fees, it was higher except during 2006-07 in respect of stamp and registration fees.

6.1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs 460.37 crore of which Rs 101.24 crore were outstanding for more than three years as detailed below.

(Rupees in crore)

Head of revenue	Amount of arrears as on 31 March 2008	Arrears more than three years old	Remarks
Finance Department			
Commercial tax	216.56	78.94	Out of Rs 216.56 crore, only Rs 14.71 crore were referred to Revenue Recovery Court (RRC) by the department.
Excise	0.27	0.07	No cases were referred to RRC.
Transport			
Taxes on vehicles	7.51	3.94	No cases were referred to RRC.
Public Works Department			
Chief Engineer			
• Rent of building/shops	0.42	0.20	No cases were referred to RRC.
• Water charges, meter rent and sewerage charges	15.03	5.18	Out of Rs 15.03 crore, only Rs 5.20 crore in respect of 1,775 cases were referred to the RRC.
Power			
Chief Electrical Engineer Energy charges	168.09	Not available	Out of Rs 168.09 crore, only Rs 7.23 crore in respect of 5,977 cases were referred to RRC.
Water Resources Department			
Chief Engineer			
• Water tax	1.00	0.74	Out of Rs 1 crore, only Rs 3 lakh in respect of 147 cases were referred to RRC.
• Water charges	41.46	6.18	No cases were referred to RRC.
• Rent on building/shops	1.89	0.69	Out of Rs 1.89 crore, only Rs 6 lakh in respect of 19 cases were referred to RRC.
• Hire charges of machinery	0.35	0.24	No cases were referred to RRC.
Agriculture Department			
Hire charges of agriculture machinery, paddy field arrears etc.	3.15	2.95	Out of Rs 3.15 crore, only Rs 9,000 in respect of four cases were referred to RRC.
River Navigation Department			
Ferry toll collection	0.56	0.50	Out of Rs 56 lakh, only Rs 7 lakh in respect of five cases were referred to RRC.
Printing and Stationery			
Supply of stationery	1.61	0.61	--
Mines & Geology			
Royalty/rent	1.94	0.96	--
Tourism Department			
Lease rent	0.53	0.04	Out of Rs 53 lakh, only Rs 35 lakh in respect of 12 cases were referred to RRC.
Total	460.37	101.24	

6.1.6 Arrears in assessments

There were no arrears in sales tax assessments at the end of 2007-08 as informed by the Commercial Taxes Department.

6.1.7 Arrears in appeals

According to the information furnished by the Commercial Taxes Department, the number of pending appeals at the beginning of the year 2007-08, number of appeals filed and disposed of and number of cases pending with appellate authorities as on 31 March 2008 are as mentioned below:

(Rupees in crore)

Opening balance	No. of appeals filed during 2007-08	Total	No. of appeals disposed of during the year	Balance as on 31 March 2008	Percentage of cases disposed of to total number of cases
833	210	1,043	222	821	21

The opening balance of 833 cases reported by the department is different from the closing balance included in the last Audit Report.

Thus the percentage of appeal cases disposed of is only 21 *per cent* when compared to the total pending appeal cases as on 31 March 2008.

6.1.8 Frauds and evasions

The Commissionerate of Commercial Taxes reported that there were no cases of frauds and evasions detected by the Commercial Taxes Department during the year.

The number of cases booked for the year 2007-08, cases finalised and additional tax raised during the year as reported by the Commissionerate of Excise are as follows :

(Rupees in crore)

	Number of cases	Additional demand raised (Rs)
A. (i) Cases pending as on 1 April 2007	91	-
(ii) Cases detected during the year 2007-08	475	-
B. Cases in which investigations/assessments were completed during the year	419	0.08
C. Cases pending as on 31 March 2008	147	-

6.1.9 Internal audit

Internal audit is an effective tool in the hands of the management of an organisation to assure itself that the organisation is functioning in an efficient manner and in terms of its stated objectives; the financial and administrative systems and control procedures are functioning effectively.

Internal audit of all the departments and offices in the State is the responsibility of the internal inspection cell (IIC) under the administrative control of Director of Accounts. The Government, in August 1996, decided that major departments, having a post of Senior Accounts Officer/Accounts

Officer would be responsible for internal inspection of their subordinate offices.

The details of the number of offices due for audit and number of offices audited during the year 2007-08 are as mentioned below:

Department	No. of offices due for audit	No. of offices audited	Shortfall	Reasons for shortfall
Transport	7 Offices & 4 Check posts	2 Offices & 2 Check posts	5 Offices & 2 Check posts	Not available
Registration	11	10	1	Shortage of time
Excise	72	2	70	Shortage of staff

The details of observations made by internal audit and their clearance upto the end 2007-08 are as follows:

(Rupees in lakh)

Department	Observations relating to the year	Observations pending settlement/made during the year		Observations settled during 2007-08		Observations pending at the end of 2007-08	
		Number	Amount	Number	Amount	Number	Amount
Registration	Upto 2006-07	--	--	--	--	--	--
	2007-08	124	--	100	--	24	--
Excise	Upto 2006-07	--	--	--	--	--	--
	2007-08	8	3.0	7	1.5	1	1.5

The Commissionerate of Commercial Taxes have stated that no internal audits were conducted by the department. No observations were pending in respect of Transport Department.

6.1.10 Results of audit

Test check of the records of sales tax, land revenue, state excise, motor vehicles tax, stamps and registration fees conducted during the year 2007-08 revealed underassessment/short levy/loss of revenue amounting to Rs 18.80 crore in 182 cases. The department accepted underassessment/short assessment of Rs 1.56 crore in 31 cases pointed out in earlier years and short assessment of Rs 5 lakh in 19 cases pointed out during the year and recovered Rs 1.61 crore as of June 2008 in 50 cases. No replies have been received in respect of the remaining cases.

This chapter contains a review of "Receipt under Luxury Tax", an IT Audit review of "Working of e-RTA and e-Transport in the department of Transport" and six paragraphs involving an amount of Rs 25.09 crore.

6.1.11 Outstanding inspection reports and audit observations

The Accountant General, Goa conducts periodical inspections of various offices of Government departments to test check the transactions of tax receipts and verify the maintenance of important accounting and other records

as per the prescribed rules and procedures. These inspections are followed by inspection reports (IRs) issued to the heads of offices with a copy to next higher authority. The Government of Goa issued (January 1992) instructions to the executive for response within one month to the IRs issued by Accountant General, Goa after ensuring action in compliance with the prescribed Acts, rules and procedures. A yearly report is sent to the Secretary of the department in respect of pending IRs to facilitate monitoring of audit observations by the Government.

The time schedule prescribed by the Government has seldom been adhered to, with the result that 69 IRs issued upto the end of December 2007, containing 184 audit observations involving Rs 28.30 crore were to be settled at the end of June 2008, as indicated below, alongwith the corresponding figures for preceding two years.

	June 2006	June 2007	June 2008
Number of outstanding IRs	73	106	69
Number of outstanding Audit observations	188	360	184
Amount involved (Rs in crore)	1.99	12.25	28.30

Out of 69 IRs pending settlement, even first replies have not been received (June 2008) for 16 IRs containing 93 observations. Pendency of these reports was reported to the Government (August 2008). The department-wise details of IRs and audit observations outstanding as on 30 June 2008 and the amount involved are indicated below:

(Rupees in crore)

Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
Revenue	Land tax	7	11	2.08
	Stamp duty & registration fee	12	31	7.21
Finance	State excise	18	35	0.86
	Entertainment tax	2	16	11.50
	Motor vehicles tax	7	25	1.11
	Sales tax	23	66	5.54
Total		69	184	28.30

Since the outstanding amount represents unrealised revenue, the Government needs to take speedy and effective action on the issues raised in the IRs

6.1.12 Response of the departments to draft audit paragraphs

The draft paragraphs/reviews proposed for inclusion in the Audit Report are forwarded by the Accountant General to Secretaries of the concerned departments through demi-official letters. All departments are required to furnish their remarks on the draft paragraphs/reviews within six weeks of their receipt. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Seven paragraphs and two reviews proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts Chapter) for the year ended 31 March 2008 were forwarded to the concerned Secretaries during March-June 2008. Their replies were due latest by the end of July-August 2008.

Replies to three draft paragraphs and one review have been received and considered while finalising the Report (September 2008). The remaining cases have been included in this Report without the reply of the Government.

6.1.13 Follow up on Audit Reports

According to the instruction issued by the Goa Legislative Secretariat in July 2004, administrative departments are required to furnish explanatory memoranda (EMs), vetted by the Office of the Accountant General, Goa, within three months from the date of tabling of the Audit Report in the State Legislature in respect of the paragraphs included in the Audit Reports. EMs were not received as of September 2008 in respect of three paragraphs from the administrative departments, as shown below:

Department	Year of Audit Report	Date of presentation to the Legislature	Last date by which departmental notes were due	Number of paragraphs for which departmental notes were due	Delay (months)
Finance	2004-05	July 2006	October 2006	1	24
	2005-06	July 2007	October 2007	1	12
	2006-07	August 2008	October 2008	6	--
Mines	2005-06	July 2007	October 2007	1	12
Public health	2006-07	August 2008	October 2008	1	--
Public Works Department	2006-07	August 2008	October 2008	1	--

6.1.14 Compliance with the earlier Audit Reports

In the Audit Reports 2002-03 to 2006-07, 19 cases of non-assessments, non/short levy of taxes etc., were included involving Rs 39.95 crore. Of these, as of June 2008, the departments concerned have accepted eight cases involving Rs 1.01 crore and recovered Rs 56.34 lakh in four cases. Audit Report wise details of cases accepted and amounts recovered are as under:

(Rupees in lakh)

Audit Report	Included in the Audit Report		Accepted by the Department		Recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2002-03	4	19.78	1	6.28	-	-
2003-04	1	2.17	1	2.17	1	1.18
2004-05	1	111.96	-	-	-	-
2005-06	5	469.30	3	55.16	3	55.16
2006-07	8	3,391.63	3	37.69	-	-
Total	19	3,994.84	8	101.30	4	56.34

6.1.15 Audit Committee Meetings

During the year 2007-08, only one audit committee meeting in respect of State Excise Department was held in which eight IRs containing nine paragraphs were discussed. Of these, two paragraphs were settled.

FINANCE DEPARTMENT

6.2 Receipts under Luxury Tax

Highlights

- 1,763 hoteliers remained out of tax net as a result of non-existence of mechanism to identify maximum number of hoteliers.
(Paragraph 6.2.7)
- The vital information of tariff which forms the basis for determination of applicability of tax rate was not available with the department.
(Paragraph 6.2.8)
- The Commissioner had not issued any guidelines to the assessing authorities regarding procedure to be followed to satisfy that the returns were correct and complete.
(Paragraph 6.2.10)
- There was no uniformity in levy of penalty for non/late filing of returns. In 140 cases, penalty was short levied by Rs 4.57 crore and in 84 cases, penalty of Rs 1.83 crore was not levied.
(Paragraph 6.2.11)
- Incorrect application of rate resulted in short realisation of tax of Rs 1.82 crore.
(Paragraph 6.2.12)
- Fine of Rs four crore leviable for non-renewal/delay in renewal of registration certificate by hoteliers was not levied.
(Paragraph 6.2.16)
- Failure to issue recovery certificates promptly and non-recovery of dues by tax recovery officers led to introduction of scheme for waiver of interest/ penalty and caused a loss of revenue to the Government of Rs 3.77 crore.
(Paragraph 6.2.21)

6.2.1 Introduction

Levy and collection of luxury tax is governed by the Goa Tax on Luxuries (GTL) Act, 1988 and the Goa Tax on Luxuries Rules, 1988 (GTL) made thereunder. Under GTL Act, tax is levied on luxuries provided in a hotel and accommodation provided for commercial purposes. A hotel includes any place where residential accommodation is provided by way of business. Luxuries provided in a hotel include air-conditioning, telephone, television, music, entertainment, extra beds and all services other than casinos, water sports, boat/river cruises and supply of food and drinks. Chewing tobacco including gutka and tobacco products were also included for levy of tax between April 2001 and August 2006.

6.2.2 Organisational set-up

The Commissioner of Commercial Taxes heads the Commercial Taxes Department which administers GTL Act besides other taxes. He is assisted by

an Additional Commissioner. There are seven wards headed by commercial tax officers, located in different talukas of Goa, for registering taxpayers and levying, assessing and collecting taxes.

6.2.3 Audit objectives

The review was conducted to assess efficiency and effectiveness of administration of GTL Act by the Commercial Taxes Department, with special emphasis on the following points:

- bringing maximum potential taxpayers into the tax net;
- adequacy of system of assessment and appeal;
- enforcement, i.e. administration of penal provisions of law; and
- adequacy of internal control procedures and internal audit system.

6.2.4 Scope and methodology of audit

The review covers the period from 2003-04 to 2007-08. The records maintained at the office of the Commissioner of Commercial Taxes and four¹ out of seven² wards were test checked. Receipts under luxury tax are mainly co-related with the tourism/business activity in Goa. Therefore, four wards having substantial tourism/business activity were selected for review. Out of 826 registered taxpayers in the State as on 31 March 2008, there were 792 taxpayers in the four wards selected for test check. Of these, the assessment cases of 396 taxpayers were test-checked in audit. A list was prepared for each ward arranging taxpayers in descending order based on accommodation provided in each hotel. First 25 *per cent* cases from this list and every third case from the remaining list were selected for test check. As the wards did not produce 24 cases falling in the sample, alternate cases were examined.

6.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Finance Department and Commercial Taxes Department in providing necessary records for audit. The draft review report was forwarded to the Government and department in May 2008 and was discussed in the audit review committee meeting held in July 2008. Secretary (Finance) represented the Government while the Commissioner of Commercial Taxes represented the department. Comments of the Government on the draft review have not been received (September 2008).

¹ Mapusa, Margao, Panaji and Vasco.

² Bicholim, Curchorem, Mapusa, Margao, Panaji, Ponda and Vasco.

Audit findings

6.2.6 Trend of revenue

The budget estimates and actuals during 2003-04 to 2007-08 were as under:

(Rupees in crore)

Year	Budget estimates	Actual collection	Excess(+)/ shortfall(-)	Percentage of variation	Growth per cent over previous year
2003-04	20.50	24.73	(+) 4.23	21	55
2004-05	20.00	27.01	(+) 7.01	35	9
2005-06	22.00	29.92	(+) 7.92	36	11
2006-07	25.00 (revised to 40.00)	42.73	(+)17.73 (+) 2.73	71 (7)	43
2007-08	50.00	66.94	(+) 16.94	34	57

The sharp increase in collection during 2006-07 was mainly attributable to revision of rates with effect from September 2006. Another sharp increase in revenue in 2007-08 was attributed to tightening of enforcement and recovery of arrears.

The actual collection during 2003-07 was substantially higher (21 to 71 per cent) than the budget estimates indicating a need to develop a better budget estimation process. The department stated that there was practically no system of submitting any proposal for estimation of tax revenue. The normal budget proposals are made, which cannot be considered as realistic. Therefore it is evident that, the budget estimation process was adhoc and not based upon a realistic assessment of the number of taxpayers, trends in tariff, number of tourists expected, etc.

System deficiencies

6.2.7 Absence of a tariff policy

It is mandatory under the GTL Act for a hotelier to register himself with the department within 30 days from the date on which he becomes liable to pay tax. A hotelier was liable to get registered with effect from 1 September 2006 and 1 April 2007 if luxury provided was for Rs 200 and above and Rs 500 and above per day respectively.

Audit scrutiny revealed that the department relies on voluntary compliance and simply registers the hoteliers under GTL Act as and when they approach the department. There was no system in the department to conduct a periodical cross-check with the Tourism Department to identify potential taxpayers, undertake a physical survey of localities to identify new hotels or issue periodical notices in the newspaper asking the unregistered hoteliers to register. As on 31 March 2008, hoteliers registered with the Tourism Department were 2,567, whereas 804 hoteliers were registered in the State under the GTL Act. In the absence of a mechanism to identify and bring maximum number of hoteliers in the tax net, at least 1,763 hoteliers remained

out of tax net as compared to the hotels registered with the Tourism Department. Loss of revenue during 2003-04 to 2005-06 towards registration/renewal fee works out to Rs 9.22 lakh (approx.) calculated based on the minimum charges leviable.

The Government may consider prescribing a system of periodic cross verification of departmental records with the Tourism Department.

6.2.8 Inadequate information base of taxpayers

When a taxpayer applies for registration or is registered, it is necessary to obtain required details such as number of rooms with beds, tariff structure which in turn would help during assessment of returns filed by him. These details should also be updated annually at the time of renewal of registration certificate.

Audit scrutiny revealed that the department, did not obtain these details at the time of registration or renewal of registration certificate. The GTL Act also did not contain the provisions requiring submission of these details at the time of registration and renewal. This system deficiency was partially rectified in October 2006 through an amendment which required the taxpayers to furnish form Lux-1 along with the renewal application. The form Lux-1 contains details of beds capacity but not the tariff. Thus, the vital information of tariff which forms the basis of determination of applicable luxury tax rate is not available with the department.

It was further noticed that out of 641 Lux-1 forms due in four wards during 2006-07 to 2007-08, only 439 Lux-1 forms were filed by the hoteliers. Out of these 202 cases of non-filing, renewal was done without initiating any action for not furnishing form Lux-1 in 60 cases.

As non-availability of information has a direct bearing on quality of assessment, it is recommended that form Lux-1 be modified to include details of current tariff structure and occupancy in the previous year.

6.2.9 Inadequacies in format of returns

The taxpayers are required to file their returns in form-8 on a quarterly basis. Form-8 seeks to obtain details of turnover from the taxpayers. But the form does not seek to obtain details of occupancy. As the occupancy varies from season to season, availability of this information in the returns together with other information available with the department would provide first pointer whether the returns are prima facie acceptable. Further, this form needs to be modified as and when the tax rates/slabs change. However, the current Form-8 in use was not modified since December 2003 though the rate structure was modified vide Government notifications of 16 March 2004, 29 March 2004, 31 August 2006 and 1 April 2007.

The Government may consider modifying the form 8 to include occupancy rates and also amend the form as and when the tax rates are changed.

6.2.10 Deficiency in system of assessment

Efficient assessment procedure has a vital bearing on collection of the revenue of a State. It is, therefore, necessary to ensure that the assessment procedure is

adequate for levy of taxes due. For this purpose, to assist the Commissioner under GTL Act, luxury tax officers, assistant luxury tax officers have been appointed to assess tax. It was noticed that the Commissioner had not issued any guidelines/instructions to the assessing authorities regarding procedure to be followed to satisfy that the returns were correct and complete. As a result, there is a risk of different method/criteria being followed by different assessing authorities in wards. The following table shows that increase in dues as a result of assessment ranged from eight to 31 *per cent* of initial tax paid in four wards during 2003-08. Absence of procedure to satisfy correctness and completeness of returns may have resulted in such a wide variation in increase in tax dues.

(Rupees in lakh)

Name of the ward	Tax paid before assessment	Tax assessed including interest and penalty	Increase in the dues in assessment	Percentage of increase
Mapusa	963.70	1,259.61	295.91	31
Margao	3,046.07	3,749.96	703.89	23
Panaji	1,729.78	1,862.89	133.11	8
Vasco	811.18	930.43	119.25	15

Scrutiny of returns of selected taxpayers for quarter ending December 2006 and 2007 revealed that in 17 returns, there was reduction of turnover to the extent of Rs 68.61 lakh as compared to previous year's return of quarter ending December 2006. It is necessary that the assessing authorities record their reasons while passing assessment orders wherever reduction in turnover takes place.

The Government may consider prescribing guidelines/modalities for preparing the assessments in the interest of revenue.

6.2.11 Non/late filing of returns

Non/late filing of returns attracts Section 17 of the GTL Act which provides for penalty not exceeding one and half times of the amount of tax assessed. The levy of penalty is at the discretion of the assessing authorities. Audit scrutiny revealed that no instructions/guidelines were issued to the assessing authorities as regard to the manner in which the quantum of penalty was to be determined.

Out of 396 cases test checked in audit, in 224 cases penalty was leviable during 2003-04 to 2007-08. As against the maximum penalty of Rs 7.35 crore leviable, penalty of only Rs 95 lakh was levied. In 140 cases penalty was short levied by Rs 4.57 crore and in 84 cases penalty of Rs 1.83 crore was not levied. There was neither any uniformity in levy of penalty nor were the reasons for reduction in penalty recorded on the assessment files.

As there is no transparency in levy of penalty for non/late filing of returns, it is recommended that GTL Act be amended to provide for definite guidelines on levy of penalty and it may be made mandatory for the assessing authorities to mention the reasons for non-levy of penalty wherever it is not levied/levied at reduced rates.

Compliance deficiencies

6.2.12 Short realisation of tax due to incorrect application of rates

The Government vide notification dated 8 May 2003, prescribed concessional rates of tax for the months of June to October 2003 and March 2004 provided that the hotelier should hold registration/renewal of registration certificate and pay all the taxes in time and clear all undisputed arrears and other dues. Further, as per notification dated 29 March 2004, the period for concessional rates was modified as April to November and March. The concessional rates were four and two and half *per cent* during 2003-04 and three *per cent* during 2004-05, 2005-06 and 2006-07 (upto August 2006).

Scrutiny of the assessments of 396 taxpayers for 2003-04 to 2006-07 in four wards revealed that in 78 cases, concessional rates were allowed though the conditions attached were not fulfilled, resulting in short realisation of tax of Rs 1.82 crore.

6.2.13 Receipts not considered for levy of tax

As defined under Section 2 (f) of the GTL Act, luxury provided in a hotel means accommodation and other services provided in a hotel, including air conditioning, telephone, television, radio, music, entertainment, extra beds and the like, and all services other than casinos, water sports, boat/river cruises and supply of food and drinks. Out of 396 cases test checked in audit, in 21 cases, the receipts of laundry, activity income, business income, health club, miscellaneous, travel desk sales, convention services etc. amounting to Rs 10.60 crore relating to the period from 2003-04 to 2006-07 were neither taxed nor was there explanation as to why the relevant luxuries were not taxed. The tax leviable on such luxuries worked out to Rs 66.01 lakh.

Under Section 2 (a) of the GTL Act, accommodation for commercial purposes was taxable at the rate of 12 *per cent* of receipts or Rs 250 per day whichever was higher. In case of accommodation provided for commercial purposes in any hotel, the rate of tax was the normal rate in the case of accommodation provided for residential purposes in the hotels. In 13 cases, accommodation receipts of Rs 2.09 crore during 2003-04 to 2005-06 were neither taxed nor reasons advanced for not doing so. This resulted in non-levy of tax of Rs 9.84 lakh.

6.2.14 Non-levy of interest for delayed payment after issue of demand notice

As per Section 13(7)(a) of the GTLA, if the dues are not paid on or before the date specified in the demand notice issued for payment, simple interest at the rate of 24 *per cent* per annum was leviable from the expiry of the date specified in the demand notice to the date of payment. Levy of interest is mandatory for delayed payment and is not at the discretion of the assessing authorities.

It was noticed from the dealers' ledger that wherever the recovery of dues was made after the due date of payment specified in the demand notice, no interest

was levied. This resulted in non-levy of interest of Rs 7.94 lakh in two³ wards in 34 assessments during 2000-01 to 2005-06 of which Rs 40,000 relates to the period from 2002-03 to 2005-06.

6.2.15 Incorrect exemption of receipts

The Government vide notification dated 8 May 2003, exempted luxuries less than Rs 100 provided, that the hotelier should not be in default for payment of tax due during the period for which exemption was claimed and should have renewed his RC. One case each in Panaji and Margao wards was noticed where the exemption was allowed for 2003-04 by assessing authorities even though the payment of tax was delayed. This resulted in non-levy of tax of Rs 2.17 lakh. In one case in Mapusa ward, similar exemption was allowed for 2003-04 even though the RC was not renewed, resulting in non-levy of tax of Rs 1.97 lakh.

6.2.16 Delay in renewal of registration certificate

As per Section 9A of the GTL Act, every tax payer is required to get his registration certificate (RC) renewed every financial year on payment of prescribed fees. Non-renewal of RC attracts Section 37 of the GTL Act, according to which non-renewal is an offence and, on conviction, punishable with a daily fine of not less than Rs 100 per day during the period of continuance of offence in addition to imprisonment upto one year.

Scrutiny of the renewal of RC in respect of 396 selected taxpayers for 2003-04 to 2007-08 revealed that in 286 instances, the renewal of RC was delayed from one to 1,649 days and in 313 instances the renewal was not done as of March 2008. The department did not initiate action as required under the provisions of the GTL Act in order to convict the defaulters in renewal of RCs. The fine leviable for delay in renewal of RC was Rs 1.57 crore and for non-renewal of RCs was Rs 2.43 crore.

There is no provision in GTL Act to allow the assessing authorities to levy penalty in case of delay in renewal of RC. As getting a taxpayer convicted in court is a lengthy process involving considerable time and energy, it is recommended that a provision may be introduced in GTL Act to allow the assessing authorities to levy penalty at prescribed rates.

Internal controls

6.2.17 Non-existence of internal audit

Internal audit is generally defined as control of all controls or key internal control used to assess whether various prescribed systems were functioning reasonably well in the organisation. It was seen that though an internal audit cell was set up by the department, scrutiny of records of four wards revealed that no internal audit was conducted during the period 2003-04 to 2007-08 due to non-availability of staff. The manner in which the staff sanctioned for internal audit is being utilised has been called for.

³ Mapusa and Panaji.

6.2.18 Reconciliation

Rule 19 of GTL Rules provides for verification of taxes collected with the treasury records. The amount payable by the taxpayer is directly paid by him into the State Bank of India accompanied by the prescribed challan in quadruplicate, one copy is retained by the treasury, one copy is sent to the assessing authority and two copies are returned to the taxpayer of which one copy goes to the assessing authority along with the returns. The revenue realised under the GTL Act/Rules is in the form of tax, fees, interest, penalty and surcharge (14 November 2002 to 31 March 2003). As per Rule 13 of GTL Rules, the columns prescribed in challan were tax, interest and penalty. However, it was noticed that the entire revenue which was reconciled upto March 2008, was accounted for as 'tax' only. No system existed to reconcile the revenue under different detailed heads such as tax, interest, penalty.

6.2.19 Incomplete maintenance of records

Different registers are used to record details of taxpayers returns, assessments etc. These registers are useful in maintaining correct and complete records of taxpayers and serve as the monitoring mechanism for the department. Maintenance of registers was poor in four wards as stated below.

6.2.19.1 Day Book

The wards maintain Day Book indicating, inter alia, name of hotelier, registration certificate number, period of assessment, gross receipt, tax, penalty, tax assessed, amount paid before assessment, balance, amount refundable, due date for payment, amount paid with date, revenue recovery certificate number and date etc.

Scrutiny of register maintained at the wards revealed that the Day Book format was not prescribed by the Commissioner/Government. The register prescribed for the sales tax is being used for the luxury tax without any modification. No column was provided in the register to record the interest levied for delayed payment of tax and the same is recorded in the column of penalty. As a result, amount of interest levied could not be ascertained from the Day Book. Though the columns such as due date for the payment of amount due after assessment, the amount paid with date and RRC number and date were provided in the register, the same were not filled in. This indicated that the Day Book maintained was incomplete, further there was no indication of check of the register by any authority.

6.2.19.2 Dealers' ledger

The Wards maintain dealers' ledger indicating, inter alia, revenue recovery certificate number, date of commencement of liability, validity of registration certificate, details of previous dues, date of returns, amount of challan, date of assessment, amount extra assessed, date of demand notice, appeal details, extra dues payment details, amount of interest/penalty.

Scrutiny of register of dealers' ledger revealed that the register format was not prescribed by the Commissioner/Government but the register prescribed for sales tax was being used without any modification. The columns such as

details of previous dues, date of returns, details of extra dues recovery, account of interest, penalty were not filled in. There was no evidence of check of the register by any authority. In the absence of the above details, the maintenance of the register did not serve its purpose.

6.2.19.3 Refunds register

Section 22 of the GTL Act provides for refund of tax and penalty, if any, after adjustment of recovery due from the taxpayer, if any. No application is required from the taxpayer asking for the refund. The format in which the register of refunds needs to be maintained has not been prescribed by the Commissioner/Government. It was noticed from the register maintained at three⁴ wards that though 11 cases of refunds amounting to Rs 1.90 lakh were due as per Day Book, the same were not recorded in the refunds register. Thus, the register maintained was incomplete and did not serve its purpose.

6.2.19.4 Register for renewal of registration certificate (RC)

Section 9A of the GTL Act provides that every taxpayer is required to get his RC renewed each financial year on payment of prescribed fees. The renewal fee was to depend upon the capacity of the accommodation. In order to watch timely renewal of RC and payment of fees, a register indicating number of rooms, amount paid, date of renewal was necessary. The Commissioner/Government did not prescribe the format in which the register for renewal of RC was to be maintained.

Scrutiny of the register maintained at three⁵ wards revealed that the registers were maintained from 2006-07 onwards without indicating accommodation capacity. No register was maintained at Mapusa ward. For the earlier period computerised statements were available wherein only amount of renewal fees was recorded without indicating number of rooms and date of payment. This indicated that maintenance of vital record was weak.

6.2.19.5 Register for cases referred to Tax Recovery Officer

In order to watch the recovery of the cases referred to Tax Recovery Officer (TRO), a register was required to be maintained with suitable columns. The Commissioner/Government did not prescribe any such register.

It was noticed that no register of cases referred to TRO was maintained at Panaji ward. In case of Vasco ward, out of 21 cases amounting to Rs 71.88 lakh referred to TRO during November 1991 to July 2006 in eight cases an amount of Rs 6.49 lakh was recovered, leaving 13 cases in respect of which details of recovery were not available on record. In Margao ward, no columns were provided in the register to indicate the amount and the date of recovery. However, the register with all necessary columns was maintained at Mapusa ward.

The aspect of non-maintenance of the registers indicates that the department was not serious about building on information database and at the same time there was no monitoring mechanism in place.

⁴ Margao, Panaji and Vasco.

⁵ Margao, Panaji and Vasco.

6.2.20 Arrears of revenue

The position of arrears of luxury tax revenue in the State during 2003-07 was as under:

(Rupees in crore)

Year	Amount of tax collected	Amount of arrears	Percentage of arrears to collection
2003-04	24.73	13.28	54
2004-05	27.01	6.32	23
2005-06	29.92	5.62	19
2006-07	42.73	6.14	14

As per Section 13 of the GTL Act, the amount of tax/interest/penalty not paid shall be recoverable as arrears of land revenue. With effect from November 1996, the assessing authority may refer any case of recovery to authorised TRO to recover the outstanding amount. The procedure laid down according to which recovery shall be made by one or more of the following modes, is as follows:

- by attachment or distraint and sale of the defaulters' movable property;
- by attachment and sale of the defaulters' immovable property.

Verification of the records revealed that there was slackness in referring the cases to TRO by the assessing authorities and recovery by the TRO. Amount involved in pendency of issue of recovery certificates by the department and amount pending at level of TRO for more than one year after the assessment, as on 31 March 2005, 2006 and 2007 were detailed below:

(Rupees in lakh)

As on 31 March	Pending at departmental level	Pending with TRO	Pertains to the assessment done prior to April of the year
2005	345.77	150.95	2004
2006	355.97	114.80	2005
2007	366.38	115.45	2006

In the ward at Mapusa, it was noticed that during 2003-04 to 2007-08, cases referred to TRO were 67 (Rs 72.95 lakh). Of this, recovery made was only in three cases (Rs 7.52 lakh) indicating slackness in recovery. Reasons for pending at departmental and TRO level called for have not been reported (September 2008).

6.2.21 Scheme of settlement of arrears by hoteliers

In order to provide for the expeditious enforcement of payment of arrears of tax relating to the period from 1 April 1999 to 31 March 2003 by hoteliers under the GTL Act by way of settlement, waiving interest and penalty, a scheme of "Settlement of Arrears by hoteliers" was introduced for the period from 9 March 2004 to 31 March 2004 which was extended upto 31 May 2004. As per the scheme, the hotelier was to make full payment of tax (excluding

interest and penalty) due from him on or before 31 May 2004. Further, the hotelier was to apply in respect of cases assessed as well as not assessed for the period from 1999-2000 to 2002-2003. As on 31 March 2003, arrears of dues were Rs 11.44 crore including Rs 8.82 crore at departmental level and Rs 2.61 crore at TROs level. The arrears remained to be recovered mainly due to lack of prompt issue of recovery certificates and non-recovery of dues by the TROs in respect of recovery certificates issued to the TROs. As a result, the Government introduced a scheme under which amount of interest/penalty waived was Rs 3.77 crore in 69 cases, out of which amount pertaining to the year 2002-03 was Rs 30.53 lakh. The penalty/interest waived was not quantified by the department in respect of applications received under the scheme for non-assessed cases.

It was noticed that there was no mechanism to issue recovery certificate promptly as well as for recovery of dues by the TROs by following the prescribed procedure which ultimately led to introduction of scheme for waiving the interest/penalty and caused a loss of revenue to the Government of Rs 3.77 crore in assessed cases. Loss was not quantified in non-assessed cases. Such amnesty schemes do not render help to overall atmosphere of compliance by honest taxpayers and hence should be avoided.

6.2.22 Conclusion

The administration of GTL Act suffered from a number of system and compliance deficiencies as pointed out in the preceding paragraphs. The deficiencies existed in practically every major area of functioning from bringing maximum taxpayers into tax net to registration, renewal, assessment and enforcement. The internal control mechanism was far from satisfactory. Effective steps were also not taken by the department to plug the loop holes in the extant Acts/Rules and make suitable amendments for better collection of luxury tax. Thus, efficiency and effectiveness of administration of GTL Act by the Commercial Taxes Department was not upto the expected level and needed substantial improvement.

6.2.23 Recommendations

The Government may consider implementation of the following recommendations for rectifying the system and compliance deficiencies:

- a system may be prescribed for obtaining periodical information of hoteliers registered with the Tourism Department and conduct systematic surveys so as to bring maximum taxpayers into the tax net;
- a systematic information base of taxpayers may be created and record maintenance at the offices strengthened;
- Form Lux-1 may be modified to include details of current tariff structure and occupancy in the previous year;
- Form-8 (Returns) may be modified to include occupancy details;
- the records to be submitted by the hoteliers may be specified and a procedure may be devised for satisfying correctness and completeness of the returns during assessment;

- GTL Act may be amended to allow the assessing authorities to levy penalty at prescribed rates for delay in renewal of registration certificate instead of convicting at court etc.;
- GTL Act may be amended to provide for a definite guidelines for levy of penalty for non/late filing of returns; and
- the internal audit wing may be strengthened in order to strengthen the internal control mechanism.

6.3 Working of e-RTA and e-Transport software in the Department of Transport, Goa

Highlights

- Absence of wide area network resulted in non-utilisation of smart cards for online checking of licences. *(Paragraph 6.3.7.2)*
- The software did not have provisions to capture the dual fuel option (Petrol and LPG). *(Paragraph 6.3.8)*
- Faulty system design provided for closure of a series before exhausting all the registration numbers leaving scope for manipulations. *(Paragraph 6.3.11)*
- Incorrect mapping of business rules in the system resulted in violation of provisions of the Motor Vehicles Act. *(Paragraphs 6.3.14.1 and 6.3.14.2)*
- Inadequate physical and logical access controls and system security made the system and data vulnerable to unauthorised access and manipulation. *(Paragraphs 6.3.15.1, 6.3.15.2 and 6.3.15.3)*
- Lack of input controls resulted in poor assurance regarding completeness, accuracy and reliability of data. *(Paragraph 6.3.16.1)*
- Non-validation of life time taxes resulted in short realisation by Rs 6.24 lakh. *(Paragraph 6.3.16.2)*

6.3.1 Introduction

The Transport Department regulates the levy and collection of taxes on motor vehicles, passenger tax and fees towards licence, registration, fitness certificate and matters regarding the issue of Trade certificate to dealers of motor vehicles, national permits to goods carriages, permits for contract/stage carriage/tourist taxis, etc. and compounding of offences. The Directorate of Transport is the regulatory authority for implementing the various statutory provisions of the Motor Vehicles Act, 1988 and rules made thereunder.

6.3.2 Computerisation

The department was initially using the system developed by National Informatics Centre (NIC) at RTOs, Panaji and Margao since May 2000 and July 2002 respectively. In April 2003, the Government decided to have a web portal for a comprehensive computerised management of the Department's activities for which M/s Goa Electronics Limited (GEL), Panaji was assigned the following works:

- development and implementation of e-RTA software for web-based-application with 11 modules to be executed through M/s Maruthi IT. Com Limited (Maruthi). e-RTA was functioning in all the seven RTOs since July 2006;
- development and implementation of e-Transport software for administrative activities with 11 modules⁶ was entrusted in September 2005;
- development and implementation of Electronic Motor Vehicle Registration Scheme (e-MVR) for dealer level registration was entrusted in April 2006 for non-transport and January 2007 for transport vehicles; and
- computerisation of permanent driving licences in the form of smart card⁷ in April 2006 through M/s Smart Chip Limited.

Windows 2000 server application server, SQL server 2000 database server at the back-end and ASP language at the front-end were used in both e-RTA as well as e-Transport.

The central server at Secretariat is the repository of data of registration and learners' licences (e-RTA).

6.3.3 Objectives of computerisation

The objectives of computerisation were to process through system the activities of:

- issuance of learners' driving licenses, driving licenses and its renewal;
- motor vehicle registration, renewal of registration;
- collection of taxes and fees at check posts online;
- issue and renewal of permits online;
- online generation of management information system and reports.

6.3.4 Organizational set up

The Directorate of Transport is headed by a Director who is assisted by seven⁸ Assistant Directors each heading the respective road transport offices (RTO) in the State. Besides, there are four⁹ check posts situated at the borders under the control of the department.

⁶ Cash collection, challans generation, demand drafts collection, inward/outward, prosecution, accounts functions, establishment and personnel, STA permits, website interface and maintenance, RTA permits and touch screen kiosk facility.

⁷ Smart card refers to permanent driving licence in the form of card with features of data storage through which online booking of offences was possible.

⁸ Panaji, Margao, Mapusa, Bicholim, Ponda, Vasco and Quepem.

⁹ Pollem, Mollem, Dhargal and Dhudamarg.

6.3.5 Audit objectives

The audit objective was to assess the implementation and operation of e-RTA, e-Transport, e-MVR and the smart card module with reference to data integrity, confidentiality and availability. The system compliance to IT objectives of the department, IT security benchmark, achievement of business intended results and efficient use of the resources were examined.

6.3.6 Scope and methodology of Audit

The records relating to e-RTA, e-Transport, Smart Card and e-MVR were scrutinised to evaluate the effectiveness of computerised activities of the department with reference to the stated objective. The collection of data through issue of questionnaire, audit requisitions, audit enquiries; test check of sample transactions in registration module and extraction and analysis of data using CAAT was made.

Audit observations

6.3.7 Planning of computerization

6.3.7.1 Development of module for tax collection

Though the e-RTA system developed by Maruthi had provision to collect road tax from transport vehicles, the department awarded development of a separate module for collection of tax as part of e-Transport to GEL. It was noticed that there was no linkage between the two modules as well to share data. Thus the data already available in e-RTA had to be entered into e-Transport again. Further, as the details of the vehicle registration, licences and their renewals were available in the e-RTA only, the collection module in e-Transport could not be effectively utilised to monitor the revenue for the due renewals.

The department replied (July 2008) that the motive in incorporating a separate cash collection module was to have a single point cash collection for fine/fees and tax and as the date of registration and the latest tax paid date were captured, the system could easily generate the list of defaulters for each RTO. However, it was seen that the RTOs were unable to generate such lists of defaulters as they were not adequately trained to do the same. The reply also indicated poor planning as the facility available in e-RTA was not considered while developing the new module resulting in duplication of data entry besides incompleteness of data.

6.3.7.2 Non establishment of WAN connectivity – Smart Card module

Work order for issue of smart cards for permanent drivers' license provided for connectivity of all the RTOs with the Headquarters through a wide area network (WAN) and a central server installed in the Transport Commissioner's office. Instead, a server was installed (May 2006) at each RTO with no inter-connectivity and there was no central server installed at the Headquarters. Further, hand held machines (20 numbers) supplied by GEL for enabling online checking of the smart cards also could not be put to use for

want of connectivity leading to non-utilisation of the smart cards for intended purposes.

The department replied (July 2008) that a central server for the smart card driving licence would be installed.

System deficiencies

6.3.8 Registration of new vehicles

There was no provision in the registration module of e-RTA system to select dual fuel (petrol and LPG) option and also to enter the details of cylinder number, batch number and validity. The department replied (July 2008) that the provision for dual fuel would be facilitated in the system.

6.3.9 Re-registration of vehicles

In re-registration module of e-RTA system, the registration number of the vehicle being re-registered could be entered either in old format or new format. The new format had State code, RTO code, series and number. It was seen that the details of the state and the name of the RTO were being captured again in the same format to facilitate ascertaining the state and the RTO even though the registration number in new format was already captured. This re-capture of same information was avoidable. There was no validation between the data being captured for the registration number and the data to ascertain the state and RTO as well. This led to inconsistent data in the system.

The department replied (July 2008) that the above suggestions were noted and the required changes would be incorporated into the system.

6.3.10 Issue of duplicate RC book

There was provision in the registration module of e-RTA system for issue of a duplicate registration certificate (RC) book. Before issuing a duplicate RC book, it was seen that the original RC book number had to be deleted and the present running number was allotted to the duplicate RC book. The original RC book number could not be retrieved from the system which left scope for misuse of the original RC book through manipulations. The department replied (July 2008) that the suggestion was noted and the required change would be incorporated into the system.

6.3.11 Continuity in registration numbers

The Motor Vehicles Act provides that a registering authority shall assign a unique mark in a series to every vehicle at the time of registration. The department had designed the system in such a way that two series in each class of vehicle could be kept open. Before a series is exhausted, no new series should be opened. An analysis of registration data in e-RTA of all the seven RTOs showed that opening of a new series led to closure of the older of the two current series such that only two series were alive at the same time. This

led to non-issue of the balance of the registration numbers in the old/closed series.

The department replied (July 2008) that the reason for opening of a new series was mainly due to the constant demand from vehicle owners for specific/choice numbers and there was no apprehension/or cause to believe that there will be any misuse of numbers on account of any gap in the chronological order. The reply is not acceptable as system could have been customised for opening more than two series or not to open new series till series in currency was exhausted. This practice led to the risk of allotment of unused numbers in the closed series through manipulations.

6.3.12 Change of driving licence number on renewal – Smart card module

In smart card module, it was observed that the earlier number of the driving licence (DL) was not retained on renewal but a fresh number was allotted. Change of DL number on each renewal indicated deficient design as no link was established between old and new numbers due to which tracing the old DL number for a new DL was not possible.

6.3.13 Challan and vehicle number entry (Check post module-e-Transport)

- For recording day-to-day transaction, the check post module of e-Transport provides for generation and issue of receipts. The system provided for remittance of day-to-day collection of receipts into bank. It was seen that at the end of the day for generating a challan, the details of all receipts were entered into the system manually though they were already available in the system. This manual intervention posed the risk of wrong entry and manipulation of receipt details and belated remittance of collections into the bank. It was further seen that the receipt details were automatically captured in cash module of e-Transport used at Directorate as well as RTOs but the same was not provided at the check posts.

The department accepted (July 2008) the fact and assured for necessary action.

- The data entry of registration number of vehicles was not uniform in the check posts as a format for such entry was not available in the system. The department replied (July 2008) that maintaining uniformity at the check post with reference to vehicle numbers was not feasible as well as not practical as there were vehicles with different formats of registration numbers from different States entering the check post. The reply could not be accepted since the format of the vehicle registration number applicable to all the states was prescribed in Motor Vehicles Act, 1988 and the format as followed in re-registration module of e-RTA could be adopted.

Mapping of business rules

6.3.14 Non-compliance of the provisions of the Acts and Rules

6.3.14.1 Registration Module

The permanent account number (PAN) issued by Income Tax Department had to be quoted in cases of purchase of motor car. However, there was no provision in the registration module of e-RTA system to capture the PAN. The department replied (July 2008) that the provision to enter the PAN card details would be provided in the application.

6.3.14.2 Licencing Module

- As per section 7(1) of the Motor Vehicles (MV) Act, no person was to be granted a learner's license (LL) to drive a transport vehicle unless he held a driving license (DL) to drive a light motor vehicle for at least one year. This mandatory requirement of populating/capturing in database was not provided.
- As per section 7(2) of the MV Act, no person under the age of 18 years shall be granted LL to drive a motor cycle without gear except with the consent in writing of the person (guardian) having the care of the licensee desiring the LL. There was no provision in the system to record the consent.
- According to section 4 of MV Act, a motor cycle with engine capacity not exceeding 50 cc may be driven in a public place by a person after attaining the age of 16 years and no person under the age of 20 years shall drive a transport vehicle in any public place. In contravention of this proviso, LL was issued in nine cases to persons below 18 years to drive motor cycle with gear and LL was issued in 139 cases to persons below 20 years of age to drive transport vehicles. The system was not customised to exclude person below 18 years from obtaining LL to drive motor cycle with gear and below 20 years from obtaining LL to drive transport vehicles.

6.3.15 IT security

6.3.15.1 Physical access controls

There was lack of access controls to system in directorate office and in five out of seven RTOs. The department had not installed any security devices like finger print reader, card swipe, etc. to ensure only authorised persons had access to EDP room.

6.3.15.2 Logical access controls

- Logical access controls in the system should prevent any unauthorised access to the system. It was noticed that the access to e-RTA system (both registration and licencing) was through a single common user id and password in each RTO. Thus, with a single user id the users were

allowed to access the system exposing it to unauthorised changes and manipulations which led to deficient accountability.

- The system did not deny access after limited number of unsuccessful attempts.

6.3.15.3 System Security

- Programme developers and support rendering agency were doing the job of data entry from the back-end as corroborated from the fact of presence of two series with the same alphabet viz. GA-08-A and GA-08-a. This was impossible as the registration number is auto generated by the system. Similarly, vehicles of Kadamba Transport Corporation Limited (State owned transport company) at Mapusa RTO were registered from the back-end as the system did not generate the registration number. Use of back-end for data entry or its manipulation is fraught with risk of deficient data integrity.
- The changes to data in master tables were effected by the support rendering agency. The department had not put in place any mechanism to ensure the entries made were by authorised persons only and in order. Thus there was a risk and compromised security to the data.
- The data of check posts were delivered in person to RTOs through pen drives without encryption of data. Thus, there was a risk of manipulation or even loss of data.
- **Unauthorised access to infrastructure resources**

The MV Act through an amendment in January 2005, provided for only registration of vehicles by the dealers. The dealers, however, have been granted access to register as well as to print the RC books in e-RTA. The department attributed (July 2008) that the provision was made with presumption of facilitating dealer level printing of RC book in future. However, the fact remains that printing of RC Book by dealers was not permitted by the Act and the facility needed to be withdrawn to avoid unauthorised printing of RC books.

- The systems in the directorate or in five RTOs and Mollem and Dhargal check posts were not protected through anti virus software.

6.3.15.4 Data Migration from the legacy system

The work of data entry of legacy data in the system related to vehicles registered in manual system was awarded (September 2005) to GEL. However, no time frame for completion of the work was fixed and data entry was yet to be completed (May 2008).

The department replied (July 2008) that though the data was digitised, it had not been verified for its authenticity and hence, was not available in the live e-RTA database. Analysis of legacy data available in e-Transport revealed null or redundant figures for name of the citizen (735 cases), address (1,537 cases), name of city (65,181 cases), model of the vehicle (1,09,814 cases), chassis number (2,462 cases), engine number (2,563 cases), colour of the vehicle (2,452 cases), insurance numbers (24,653 cases), date of registration (1,254

cases) and date of issue of fitness certificate (4,380 cases). The outsourced work of data entry, though deficient, was paid without verifying the completeness and correctness of the data.

The department replied (July 2008) that the records would be checked and updated.

6.3.16 Application controls

Application controls are those checks and balances that are incorporated in the developed application for maintaining data integrity. These include input controls, processing controls and output controls.

6.3.16.1 Input Controls

- The registration number of the vehicle being unique, the re-registration module in e-RTA system should capture vehicle data details automatically in respect of cases already registered through the system whenever vehicles are re-registered on conversion. This inbuilt control was not available in the e-RTA system leading to manual data entry and thus led scope for erroneous data with respect to category of vehicles, price, chassis number, engine number, etc.
- In e-RTA system, duplicate chassis (in 621 cases) and duplicate engine numbers (in 669 cases) after excluding duplicate entries due to re-registration were noticed. In 1,041 cases both the engine number and chassis number were the same.

The department replied (July 2008) that lack in the data validation was noticed almost two years back and the system has been rectified to ensure the uniqueness of engine and chassis number for each vehicle. The reply was not tenable as duplicate engine numbers and chassis numbers could be entered into the system even till April 2008.

- Analysis of data of registration in e-RTA system revealed that null values were present in validity of registration period (1,793 cases) and insurance certificate number and insurance date (492 cases). Similarly, valid date in respect of LL (4,795 cases), class of vehicle (6,587 cases) and citizen number (1,84,351 cases) were missing in issued licences.

Absence of input controls in the system made data incomplete. The department replied (July 2008) that registrations in these cases were not carried out and that the date of registration would not be captured. The reply was not tenable since registration numbers were present in 1,413 cases cited to department. The department further replied (July 2008) that the selection of a 'class' and citizen number was mandatory for issuing a LL but the claim was not substantiated by system data maintained in the department.

6.3.16.2 Absence of validation checks

- **Non-validation of life time tax rates**

The life time tax on non-transport vehicles costing Rs six lakh and above was six *per cent*. In 59 cases of vehicles registered between June 2004 and April 2008 through e-RTA, tax was not collected at the stipulated rate resulting in short realisation of tax by Rs 6.24 lakh. The department replied (July 2008) that the revised tax structure was incorporated into the system after five days of notification and the tax amount was collected and receipts were issued manually by the RTOs during this period. Reply is not tenable as the short realisation did not pertain to only five days but persisted as on date (April 2008). It was further observed that the system calculated the life time tax correctly, but the same could be edited by the user due to absence of a validation check. Thus, manipulation could not be ruled out.

- **Non-validation of registration period**

As per provisos to the MV Act, the validity of registration in case of new non-transport vehicles was 15 years from the date of registration. The registration module of e-RTA system is not customised to take default valid registration period with the result that vehicles with registration period less than 15 years was observed in 268 cases and registration period with more than 15 years was observed in 50 cases.

The department replied (July 2008) that the cases where the validity of registration was less than or more than 15 years were records where editing was carried out. This confirmed the absence of necessary validations to ensure the validity of registration for 15 years only.

- The insurance of any vehicle was valid for a period of one year. The registration module of e-RTA system accepted the insurance effective date even if it was prior to the date of registration by more than one year. The department replied (July 2008) that the check for the validity of the insurance would be incorporated in the system.

- The registration module of e-RTA system accepted future dates as dates of manufacture indicating absence of validation controls. The department replied (July 2008) that necessary controls would be incorporated in the system.

- **Non-capture of validity of learners licence – licensing modules**

Validity of the LL issued is for six months. The licensing module of e-RTA system was not customised for capturing the default validity period of six months. It was observed that date of validity for LL was not entered (6,633 cases), the validity of LL was more than the prescribed period of six months (1,383 cases) and LL validity was prior to date of commencement of the LL (1,854 cases).

The department recorded the facts and replied (July 2008) that issue regarding renewal after six months was encountered due to a change in the process, as notified by the Government which was not incorporated in the system. Further development has not been intimated (September 2008).

6.3.17 Non-utilisation of modules

The system provided for entering the details of alterations carried out on vehicles but the module was not working. As a result, the details of alterations remained outside the database.

6.3.18 MIS

The system was not customised for generation of various MIS reports though the required data were available in the system. The department replied (July 2008) that the possibility of incorporating more reports would be explored and added as per requirement.

6.3.19 Business continuity plan

The GEL was entrusted with development of various modules for computerisation of the activities of the department. The company on payment of Rs one lakh per month was rendering support services like modifications and enhancements to system implemented, development of new MIS reports, assisting the users in the day-to-day functioning of the system, taking regular back up of data, supervising and verifying the data entry and uploading the data onto department website, since the implementation of e-RTA. The support was periodically extended up to March 2008. The department continued to depend on the support from the GEL to carry out the critical activities and has not prepared any plan to link e-RTA with other modules, complete the entry of legacy data and take over the maintenance of the system.

6.3.20 Conclusion

Poor planning in the system development stage has resulted in development of similar modules without integration and unnecessary duplication of work, non-utilisation of smart card system for day-to-day online checking. Deficient system designs and incomplete mapping of business rules paved way for continued dependence on manual interventions and controls. Changes of management controls and documentation of such changes were not satisfactory. Deficient logical access controls like usage of single user id to access the system exposed the system to the risk of unauthorised manipulations. Deficient input controls and validation checks coupled with incomplete migration of legacy data resulted in less assurance regarding completeness, correctness and reliability of data. The system could not be used for an effective MIS system. Thus, the stated objectives of computerising the system of registration, licencing and taxation of vehicles could not be fully achieved.

6.3.21 Recommendations

The Government may consider the following recommendations:

- the developed modules for collection of tax should be integrated so as to avoid duplication of work;
- the connectivity should be established and smart card system should be put in use for online checking of the licenses;
- necessary input controls and validation checks should be inbuilt in the system so as to make data complete, accurate and reliable;
- completeness and correctness of migrated data from the legacy system should be ensured;
- physical and logical access controls should be strengthened to make data secure; and
- system should be customised and utilised to generate effective MIS reports for reference and decision making.

FINANCE DEPARTMENT

6.4 Non-realisation of bottling fee

Failure of the department to collect bottling fee resulted in non-realisation of revenue amounting to Rs 44.06 lakh.

As per notification dated 31 March 2000, the bottling fee for Malt Spirit¹⁰ and Extra Neutral Alcohol (ENA)¹⁰ was notified as Re. 0.20 per bottle. Further, as per notification dated 31 March 2003, a bottling fee of Re. 0.20 per bottle was leviable in respect of High Bouquet Spirit (HBS)¹⁰. "Bottle" means a bottle of any volume not exceeding one litre and in case of transfer of any excisable article from receptacle into tankers/tanks carrying bulk quantity, one bulk litre shall be the unit of measure for the purpose of levying bottling fees.

Audit scrutiny (August 2007) revealed that United Spirits Ltd Ponda, a manufacturer of HBS, malt spirit and Indian made foreign liquor (IMFL) was paying bottling fees only for the quantity of HBS and Malt Spirit sold to other units but not for the quantity used for in-house production of IMFL. The unit which was also a manufacturer of ENA, was also not paying bottling fees on the quantity of ENA used for in-house production of IMFL. During April 2002 to February 2008, the unit consumed 2,20,28,326 bulk litre of ENA/HBS/Malt Spirit for in-house production of IMFL, but did not pay bottling fees. Failure of the department in collecting bottling fee led to non-realisation of revenue amounting to Rs 44.06 lakh.

This was brought to the notice of the department and the Government in March 2008, their reply has not been received (September 2008).

6.5 Non-levy of penalty on delayed payment of tax

Non-levy of penalty on delayed payment of road tax resulted in non-recovery of revenue amounting to Rs 43.50 lakh.

As per amendment (August 2004) to Section 4 of the Goa, Daman and Diu Motor Vehicles Tax (MVT) Act, 1974, tax shall be paid in advance for a year by every registered owner or person having possession or control of the motor vehicle. Section 12 of the Act *ibid* provides that if the tax due in respect of any motor vehicle is not paid in time, the registered owner shall, in addition to the payment of tax due, be liable to a penalty which may extend to twice the quarterly tax payable. Further, the Director of Transport issued instructions (December 2004) to all the seven taxation officers to levy a penalty of minimum of 25 *per cent* in addition to tax payable, if the road tax due in respect of any motor vehicle is not paid within the stipulated period. For the year 2005-06, the advance road tax was due on or before 31 March 2005.

Audit scrutiny (January 2007) and information furnished by seven taxation officers revealed that during April 2005 to July 2005, only one taxation officer¹¹ collected the road tax for the year 2005-06 amounting to Rs 6.25 lakh

¹⁰ Raw material for production of IMFL.

¹¹ Asstt. Director of Transport, Quepem.

with a penalty of Rs 39,000. The other six taxation officers¹² collected road tax amounting to Rs 6.71 crore but did not levy minimum penalty of Rs 43.50 lakh for delayed payment of tax, resulting in non-recovery of revenue.

This was brought to the notice of the Government in March 2008, their reply has not been received (September 2008).

6.6 Grant of inadmissible rebate on advance payment of yearly tax

Failure of the Government to amend the provision of the Rules in consonance with amendment of a provision of the Motor Vehicle Tax Act, resulted in grant of inadmissible rebate of Rs 29.85 lakh.

As per sections 3 and 4 of Goa, Daman and Diu MVT Act, road tax is to be paid in advance by every registered owner of the motor vehicle for a quarter, half year or year at his choice and in the case of annual licences, rebate shall be allowed. Further, as per Rule 9 of Goa, Daman and Diu Motor Vehicles Rules, 1974 in case of annual payment of tax, a rebate of two and a half *per cent* of the tax is admissible to the registered vehicle owners. By an amendment (August 2004) to section 4 of the Act, road tax was to be paid in advance for a year by every registered owner with effect from 1 April 2005. However, no corresponding amendment was made to remove Rule 9 which was rendered redundant.

Audit scrutiny (January 2007) and information furnished by the seven taxation officers revealed that during 2005-06 and 2006-07, while one taxation officer¹³ did not allow rebate in the absence of provision in the amendment (August 2004) to the Act, the other six¹⁴ taxation officers allowed a rebate of Rs 29.85 lakh while levying the tax at annual rate. As the Government replaced the old section 4 of the Act by a new section the corresponding provisions in the Rule 9 should have also been repealed. Failure of the Government to repeal Rule 9, resulted in grant of inadmissible rebate of Rs 29.85 lakh.

This was brought to the notice of the department and the Government in March 2008, their reply has not been received (September 2008).

6.7 Non-levy of interest

Failure of the department to levy interest on delayed payment of sales tax.

Under Goa Sales Tax Act and rules made thereunder, if a dealer fails to pay the tax due from him, within the prescribed period, simple interest at the rate of 15 *per cent* per annum (reduced to 12 *per cent* per annum with effect from 22 February 2005) is leviable on the amount of tax remaining unpaid. A fraction of a month is treated as one calendar month. The above provisions

¹² Asstt. Director of Transport, Bicholim, Mapusa, Margao, Panaji, Ponda and Vasco.

¹³ Asstt. Director of Transport, Vasco.

¹⁴ Asstt. Director of Transport Bicholim, Mapusa, Margao, Panaji, Ponda and Quepem.

apply to assessments finalised under the Central Sales Tax Act, 1956 by virtue of Section 9(2) of the Act.

During test check of the records of Vasco and Panaji wards, it was noticed (November 2007) that during the year 2004-05, payment of tax was made by M/s Hindustan Petroleum Corporation Limited (HPCL) after delays ranging between 15 and 16 days while M/s Bharat Petroleum Corporation Limited paid the tax after delays ranging between two and five days for the years 2002-03 and 2003-04. However, interest amounting to Rs 18.92 lakh was not levied by the department.

This was brought to the notice of the department and the Government in April 2008, their reply has not been received (September 2008).

ANIMAL HUSBANDRY AND VETERINARY SERVICES DEPARTMENT

6.8 Loss of revenue due to non-collection of cess on fluid milk

Failure to collect cess on fluid milk resulted in non-realisation of revenue of Rs 1.94 crore and a penalty of Rs 19.40 crore.

The Goa Cess on Fluid Milk (Control) Act, 2000, effective from March 2001, and the Rules made (August 2001) thereunder and as amended in February 2003 provides for assessment, levy and collection of cess at the rate of 15 paise per litre of fluid milk meant for sale in Goa by any organisation or individual in any form or in any packing. The competent authority is required to assess the quantity of fluid milk and assess, levy and collect the cess from the dealers in advance on the first and sixteenth of every month and credit the proceeds to Government account. The defaulter is liable for penalty of Rs 500 or 10 times the cess payable, whichever is more. The Assistant Directors of Veterinary Hospital and Veterinary Officers of the veterinary dispensaries of the Department were appointed (March 2001) as competent authorities to perform the functions under the Act, for the areas under their jurisdiction.

Audit scrutiny (February 2008) revealed that the department did not levy and collect the cess from Goa Milk Producers Union, Curti, Goa, a major trader of milk in Goa, during the period April 2003 to 15 February 2007, though the Union had procured 12.92 crore litres of fluid milk locally and from outside for sale in Goa, during the above period. The cess leviable on this quantity was Rs 1.94 crore. The penalty at 10 times the cess amount worked out to Rs 19.40 crore.

This resulted in non-realisation of revenue of Rs 21.34 crore to the Government. The department was yet (February 2008) to take action to recover the outstanding cess and penalty. In addition, cess was not collected from other traders during the years 2003 to 2006 and the loss of revenue on this account could not be ascertained in the absence of maintenance of proper records by the department.

After the matter was pointed out, the department stated (July 2008) that vigorous efforts are being made for recovery and the matter has been referred

to Government/Law Department for further directives. A report on further development has not been received (September 2008).

REVENUE DEPARTMENT

6.9 Non-realisation of revenue due to delay in fixation of minimum price of land

Faliure of the department to fix minimum land price resulted in under valuation of the land and consequent short levy of stamp duty and registration fees.

It was mentioned in paragraph 6.6.6 of the Comptroller and Auditor General of India's Audit Report 1999-2000 that minimum price of land for levy of stamp duty and registration fees had not been fixed by the department despite lapse of eight years. The Public Accounts Committee in its 62nd report (2008) recommended that the department should take up the matter with the Government and impress upon them the urgency of fixing the minimum price of land, which, by its absence is causing loss of revenue to the exchequer. In exercise of the powers conferred under Rule 4(4) (b) of the Goa Stamp (Determination of true market value of property) Rules 2003, the department notified (June 2003) an interim statement of taluka-wise minimum land rates (base value) depending upon the settlement zone and area involved and called for objections and suggestions to the said rates. The department received 69 suggestions and objections from the public and a cabinet note was prepared for approval of the minimum price of land but was deferred twice between August 2003 and September 2004 for which no specific reason was available on records. Subsequently (between April 2005 and January 2006), it was decided that the categorisation of land be linked to the 'Regional Plan 2011'. However, as the 'Regional Plan 2011' was not finalised, the adoption of minimum rate was again kept in abeyance. The matter was referred to cabinet in February 2008. The cabinet decided that the department should examine the details and refer the matter to the next cabinet meeting. The department has not yet taken a decision whether the draft rates already notified should first be adopted or a district level committee be appointed for finalisation of the final land rate.

Audit scrutiny at various Sub-Registrars' offices between August 2006 and May 2008 revealed that in 35 instruments of sale deed of land executed between 2004 and 2008, the consideration of the land was fixed at much below the interim rates published by the Department in June, 2003, resulting in undervaluation of land and resultant short levy of stamp duty and registration fee amounting to Rs 1.77 crore. As the cost of land has further increased the exact current revenue foregone due to undervaluation of land could not be quantified.

After the matter was brought to notice, the Government stated (July 2008) that the matter is under consideration of the Government and has decided to appoint officials for preparation of annual statement of rates of land and the file is under submission for examining and vetting of Law Department.