

## CHAPTER 1 General

### 1.1 Trend of revenue receipts

The total receipts of the Government of Karnataka during the year 2001-2002 were Rs.15321.25 crore, as against Rs.14822.72 crore during the previous year. The details of tax and non-tax revenue raised, the *State's share of Union taxes and duties* and *grants-in-aid* received from the Government of India during the year, along with the corresponding figures for the preceding two years, are given below:

	(Rupees in crore)		
	1999-2000	2000-2001	2001-2002
<b>I. Revenue raised by the State Government</b>			
(a) Tax revenue	7744.36	9042.68	9853.27
(b) Non-tax revenue	1611.29	1659.97	1093.42
Total	9355.65	10702.65	10946.69
<b>II. Receipts from Government of India</b>			
(a) State's share of Union taxes and duties <sup>⊗</sup>	2132.78	2573.83	2623.38
(b) Grants-in-aid	1418.02	1546.24	1751.18
Total	3550.80	4120.07	4374.56
<b>III. Total receipts of State Government (I + II)</b>	12906.45	14822.72	15321.25
<b>IV. Percentage of I to III</b>	72	72	71

<sup>⊗</sup> For details, 'Statement No.11 - Detailed Account of Revenue Receipts and Capital Receipts by Minor Heads' in the Finance Accounts of the Government of Karnataka for the year 2001-2002 may please be referred to. Figures relating to 'Share of net proceeds assigned to States' under the heads of account 0020 - Corporation Tax (from 2000-2001), 0021 - Taxes on Income other than Corporation Tax, 0028 - Other Taxes on Income and Expenditure (from 2000-2001), 0032 - Taxes on Wealth (from 2000-2001), 0037 - Customs (from 2000-2001), 0038 - Union Excise Duties (from 2000-2001), 0044 - Service Tax (from 2000-2001), 0045 - Other Taxes and Duties on Commodities and Services (from 2000-2001) booked in the Finance Accounts under 'A - Tax Revenue' have been excluded from 'Revenue raised by the State Government' and included in the 'State's share of Union taxes and duties' in this statement.

(i) The details of tax revenue raised during the year 2001-2002, along with the corresponding figures for the preceding two years, are given below:

(Rupees in crore)

Head of Revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+) / decrease (-) in 2001-2002 over 2000-2001
1. Taxes on sales, trade, etc.	4683.23	5386.33	5269.43	(-) 2
2. State excise	1215.20	1523.13	1976.94	(+) 30
3. Stamps and registration fees	565.79	638.12	855.04	(+) 34
4. Taxes on vehicles	448.82	501.82	712.37	(+) 42
5. Taxes on goods and passengers	337.60	473.02	498.11	(+) 5
6. Taxes and duties on electricity	155.58	162.10	171.30	(+) 6
7. Other taxes on income and expenditure	132.78	151.57	167.24	(+) 10
8. Other taxes and duties on commodities and services	131.83	139.95	150.67	(+) 8
9. Land revenue	38.73	43.16	49.54	(+) 15
10. Taxes on agricultural income	34.80	23.48	2.63	(-) 89
<b>Total</b>	<b>7744.36</b>	<b>9042.68</b>	<b>9853.27</b>	<b>(+) 9</b>

**Taxes on sales, trade, etc.:** The Commissioner of Commercial Taxes attributed the decrease to merger of tax on liquors and rectified spirit with State Excise from February 2001.

**State excise:** Increases were reported in respect of country spirits, malt liquor, foreign liquors and spirits, commercial and denatured spirits and medicated wines, fines and confiscation. However, reasons for their increase have not been communicated by the Excise Commissioner.

**Stamps and registration fees:** Increases occurred in respect of sale of judicial and non-judicial stamps partly off-set by reduction in transfer of net proceeds to local bodies on duty levied by them on transfer of property. Increase was due to increase in number of documents registered during 2001-2002.

**Taxes on vehicles:** The Commissioner for Transport attributed the increase to enhancement of tax on certain categories of vehicles and growth in number of vehicles registered.

**Other taxes on income and expenditure:** The Commissioner of Commercial Taxes attributed the increase to the increasing trend.

**Land revenue :** Increases occurred in respect of land revenue/ tax, and rates and cesses on land. Reasons for the increases have not been communicated by the Revenue Department.

**Taxes on agricultural income:** The Commissioner of Commercial Taxes attributed the decrease to sanction of deferment scheme due to fall in sale prices of coffee, tea and rubber as also increase in cost of cultivation.

Reasons for variations in receipts in respect of other heads of revenue called for (April 2002) from concerned Government Departments have not been received (December 2002).

(ii) The details of non-tax revenue realised during the year 2001-2002, along with the corresponding figures for the preceding two years, are given below:

(Rupees in crore)

Head of Revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+) / decrease (-) in 2001-2002 over 2000-2001
1. Interest receipts	801.67	721.18	141.92	(-) 80
2. Police	13.91	19.82	14.41	(-) 27
3. Public works	13.19	11.37	14.53	(+) 28
4. Other administrative services	43.26	51.30	28.14	(-) 45
5. Contributions and recoveries towards pensions and other retirement benefits	16.40	29.32	28.38	(-) 3
6. Miscellaneous general services	61.27	70.70	74.38	(+) 5
7. Education, sports, art and culture	21.32	39.77	31.77	(-) 20
8. Medical and public health	30.79	28.65	59.18	(+) 107
9. Social security and welfare	34.86	31.40	29.02	(-) 8
10. Crop husbandry	11.02	13.95	19.88	(+) 43
11. Forestry and wild life	94.87	108.25	100.90	(-) 7

(Rupees in crore)

Head of Revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+) / decrease (-) in 2001-2002 over 2000-2001
12. Co-operation	14.76	13.86	16.35	(+) 18
13. Major and medium irrigation	15.76	18.46	20.56	(+) 11
14. Power	46.92	43.33	36.73	(-) 15
15. Village and small industries	22.40	23.95	21.90	(-) 9
16. Non-ferrous mining and metallurgical industries	116.30	136.87	147.13	(+) 8
17. Roads and bridges	11.24	16.13	19.29	(+) 20
18. Other general economic services	172.26	206.86	223.91	(+) 8
19. Others	69.09	74.80	65.04	(-) 13
<b>Total</b>	<b>1611.29</b>	<b>1659.97</b>	<b>1093.42</b>	(-) <b>34</b>

**Interest receipts :** Decrease was mainly under Interest on Irrigation Works (Commercial). Reasons for the variations have not been communicated by the Finance Department.

**Police :** Decrease mainly occurred in respect of 'Police supplied to other Governments/other parties and Other receipts'. Reasons for the variations have not been communicated by the Director General and Inspector General of Police.

**Other administrative services :** Decrease was mainly due to there being no contributions towards issue of voter identity cards from Government of India as against Rs.24.03 crore received during the year 2000-2001 partly offset by increase (Rs.3.50 crore) in realisation of fines and forfeiture by the Judiciary Department.

**Education, sports, art and culture :** Decrease was attributed to fee concession extended to specific category of students in respect of 'Secondary Education'.

**Medical and public health :** Increase mainly occurred in respect of 'Receipts from Employees State Insurance Scheme'. Reasons for the variations have not been communicated by the Director of Health and Family Welfare Services.

**Crop husbandry :** Increase mainly occurred in respect of 'Receipts from commercial crops' partly off-set by reduction in 'Other receipts'. Reasons for the variations have not been communicated by the Director of Agriculture.

**Co-operation :** Increase was attributed to collection of more audit fees by way of compulsory audit of all the co-operative institutions registered under the Co-operative Societies Act.

**Major and medium irrigation :** Increase mainly occurred in respect of 'Other receipts'. Reasons for the variations have not been communicated by the Irrigation Department.

**Power :** Decrease was mainly due to less receipts from 'Karnataka Power Corporation Limited' on account of reduction in transmission from hydel stations due to poor monsoon in the year.

**Roads and bridges :** Increase mainly occurred in respect of 'Other receipts'. Reasons for the variations have not been communicated by the Public Works Department.

Reasons for variations in receipts in respect of other heads of revenue called for (April 2002) from the concerned Government Departments have not been received (December 2002).

## 1.2 Variations between budget estimates and actual receipts

The major variations between budget estimates of revenue and actual receipts under the principal heads of revenue for the year 2001-2002 are given below:

(Rupees in crore)

Head of Revenue	Budget Estimates	Actual receipts	Variation Excess (+)/ Shortfall (-)	Percentage of variation
<b>(A) Tax revenue</b>				
1. Taxes on sales, trade, etc.	6020.57	5269.43	(-) 751.14	(-) 12
2. State excise	2086.20	1976.94	(-) 109.26	(-) 5
3. Stamps and registration fees	937.02	855.04	(-) 81.98	(-) 9
4. Taxes on vehicles	694.89	712.37	(+) 17.48	(+) 3
5. Taxes on goods and passengers	464.88	498.11	(+) 33.23	(+) 7
6. Taxes and duties on electricity	194.62	171.30	(-) 23.32	(-) 12

(Rupees in crore)

Head of Revenue	Budget Estimates	Actual receipts	Variation Excess (+)/ Shortfall (-)	Percentage of variation
7. Other taxes on income and expenditure	157.11	167.24	(+) 10.13	(+) 6
8. Other taxes and duties on commodities and services	202.09	150.67	(-) 51.42	(-) 25
9. Land revenue	57.78	49.54	(-) 8.24	(-) 14
10. Taxes on agricultural income	35.94	2.63	(-) 33.31	(-) 93
<b>(B) Non-tax revenue</b>				
1. Interest receipts	211.51	141.92	(-) 69.59	(-) 33
2. Police	28.62	14.41	(-) 14.21	(-) 50
3. Public works	15.44	14.53	(-) 0.91	(-) 6
4. Other administrative services	42.38	28.14	(-) 14.24	(-) 34
5. Contributions and recoveries towards pensions and other retirement benefits	20.48	28.38	(+) 7.90	(+) 39
6. Miscellaneous general services	75.79	74.38	(-) 1.41	(-) 2
7. Education, sports, art and culture	33.13	31.77	(-) 1.36	(-) 4
8. Medical and public health	61.04	59.18	(-) 1.86	(-) 3
9. Social security and welfare	45.92	29.02	(-) 16.90	(-) 37
10. Crop husbandry	13.64	19.88	(+) 6.24	(+) 46
11. Forestry and wild life	120.56	100.90	(-) 19.66	(-) 16
12. Co-operation	22.19	16.35	(-) 5.84	(-) 26
13. Major and medium irrigation	56.00	20.56	(-) 35.44	(-) 63
14. Power	42.51	36.73	(-) 5.78	(-) 14
15. Village and small industries	34.55	21.90	(-) 12.65	(-) 37
16. Non-ferrous mining and metallurgical industries	164.04	147.13	(-) 16.91	(-) 10
17. Roads and bridges	15.87	19.29	(+) 3.42	(+) 22
18. Other general economic services	175.85	223.91	(+) 48.06	(+) 27

**Taxes on sales, trade, etc.:** The Commissioner of Commercial Taxes attributed the decreasing trend to recession in overall economy and fall in growth and inflation in manufacturing sectors.

**State excise :** The Excise Commissioner attributed the shortfall to Neera and drought problems, fall in collection of old arrears, fall in price of commercial crops, etc.

**Stamps and registration fees:** Decrease was attributed to exemption of full stamp duty on mortgage deeds executed to avail loans by farmers and new industrial units and downward revision of estimated market value.

**Taxes and duties on electricity :** The Chief Electrical Inspector attributed the variation to the consequential effect of short supply of electricity by the Karnataka Power Transmission Corporation Limited and hence less consumption by the consumers.

**Other taxes and duties on commodities and services:** Decreases occurred in respect of Entertainments Tax, Betting Tax and Forest Development Tax partly offset by increases under Luxury Tax and Health Cess. Reasons for the variations have not been communicated by the concerned Government Departments.

**Land revenue:** Decrease occurred in respect of 'Other receipts' partly offset by increases under land revenue/ tax, rates and cesses on land and receipts from Survey and Settlement Operations. Reasons for the variations have not been communicated by the Revenue Department.

**Taxes on agricultural income:** The Commissioner of Commercial Taxes attributed the decrease to sanction of deferment scheme due to fall in sale prices of coffee, tea and rubber as also increase in cost of cultivation.

**Interest receipts:** Decrease was mainly due to less receipts in respect of Public Sector and other Undertakings. Reasons for the variations have not been communicated by the Finance Department.

**Other administrative services :** Decrease was mainly due to non-receipt of contribution towards issue of voter identity cards and lesser receipts on other accounts from Government of India (Rs.9.64 crore) as also decrease in recovery of expenditure on land acquisition on behalf of others partly offset by increase (Rs.6.26 crore) in realisation of fines and forfeiture by the Judiciary Department.

**Contributions and recoveries towards pension and other retirement benefits:** Increase mainly occurred in respect of 'Other receipts'. Reasons for the variations have not been communicated by the concerned Department.

***Social security and welfare:*** Decrease mainly occurred in respect of 'Other receipts'. Reasons for the variations have not been communicated by the Social Welfare Department.

***Police :*** Decrease mainly occurred in respect of 'Other receipts'. Reasons for the variations have not been communicated by the Director General and Inspector General of Police.

***Forestry and wild life:*** The Principal Chief Conservator of Forests attributed the decrease to Government's ban on felling of green trees in the forest area and the revenue realised was by way of auction sale of only dead and fallen trees and partly off-set by increase (Rs.5.77 crore) in revenue towards compensatory afforestation.

***Crop husbandry:*** Increase mainly occurred in respect of 'Receipts from Commercial Crops'. Reasons for the variations have not been communicated by the Horticulture Department.

***Co-operation:*** Decrease mainly occurred in respect of 'Other receipts'. Reasons for the variations have not been communicated by the Department.

***Major and medium irrigation:*** Decrease mainly occurred in respect of revenue from 'Major Irrigation-Commercial'. Reasons for the variations have not been communicated by the Department.

***Power:*** Decrease was mainly due to less receipts from 'Karnataka Power Corporation Limited' on account of reduction in transmission from hydel stations due to poor monsoon in the year.

***Village and small industries:*** Decrease was mainly due to shortfall in receipts from 'Sericulture Industries'. Reasons for the variations have not been communicated by the Department.

***Non-ferrous mining and metallurgical industries:*** Shortfall was attributed to non-payment of royalty by Bharath Gold Mines Limited, Hutti Gold Mines Limited and Mysore Minerals Limited, declining trend in granite exports and non-renewal of leases in forest area.

***Roads and bridges:*** Increase mainly occurred in respect of 'Other receipts'. Reasons for the variations have not been communicated by the Public Works Department.



**Other general economic services:** Increase mainly occurred in respect of 'Other receipts'. Reasons for the variations have not been communicated by the concerned Departments.

Reasons for variations in other cases called for (April 2002) from the concerned Government Departments have not been received (December 2002).

### 1.3 Cost of collection

The gross collection under *Taxes on sales, trade, etc.* and *Taxes on vehicles*, expenditure incurred for their collection and the percentage of such expenditure to gross collections during the years 1999-2000, 2000-2001 and 2001-2002 along with the relevant all-India average percentage of *expenditure on collection* to gross collection, are given below:

**(Rupees in crore)**

Head of Revenue	Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All-India average percentage for the year
1. Taxes on sales, trade, etc.	1999-2000	4710.88	49.58	1.05	1.31
	2000-2001	5413.98	49.37	0.91	
	2001-2002	5328.28	57.04	1.07	
2. Taxes on vehicles	1999-2000	449.41	16.39	3.65	3.48
	2000-2001	502.28	15.54	3.09	
	2001-2002	713.02	17.95	2.52	

## 1.4 Arrears of revenue

As on 31 March 2002, arrears in collection under principal heads of revenue, as reported by the Departments, were as under:

(Rupees in crore)

Head of revenue	Amount of arrears as on 31 March 2002	Arrears outstanding for more than five years	Stage of pendency of action
1. Taxes on sales, trade, etc., Entry tax, Entertainments tax, Agricultural income-tax, Professions tax, Luxury tax	2009.83 <sup>#</sup>	NF	Out of the total arrears of Rs.2009.83 crore, Rs. 380.53 crore had been stayed by the Courts, Rs. 68.63 crore had been covered by recovery certificates, Rs.17.29 crore were proposed to be written off and the balance of Rs.1543.38 crore was under various stages.
2. State excise	470.34	445.93	Out of the total arrears of Rs.470.34 crore, Rs.0.07 crore had been stayed by the Courts, Rs.146.70 crore had been covered by recovery certificates and the balance of Rs.323.57 crore was held up due to other reasons.
3. Stamps and registration fees	139.25	NF	NF
4. Taxes and duties on electricity	6.57	NF	NF
5. Land revenue (Mysore Division only)	1.19	NF	NF
6. Industries	0.25	NF	NF
7. Labour and Employment	0.40	NF	NF
8. Co-operation	5.82	NF	NF

<sup>#</sup> Provisional

NF - Not furnished

Details of arrears of revenue in respect of other Departments called for (April 2002) have not been received (December 2002).

## 1.5 Arrears in assessments

The details of assessments relating to sales tax, taxes on goods and passengers, entertainments tax, luxury tax, professions tax and agricultural income-tax

pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and cases pending finalisation at the end of each year during 1999-2000, 2000-2001 and 2001-2002 as furnished by the Commercial Taxes Department, are given below:

Year	Opening balance	Cases which became due for assessment during the year	Total	Cases disposed of during the year	Cases pending at the end of the year	Percentage of column (5) to (4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1999-2000	722079	646396	1368475	619834	748641	45
2000-2001	748641	682371	1431012	691051	739961	48
2001-2002	739961	583166	1323127	713716	609411	54

This would show that the Department was able to complete only 45 to 54 per cent of the assessments due for completion during these three years. The cases disposed of during the year 2001-2002 (713716) include 418187 cases where the returns furnished by the dealers were subjected only to summary assessment or were covered under 'One Time Acceptance of Returns' Scheme. 141394 assessments related to periods prior to 1997-98 and hence were pending for over five years. The delay in finalisation of assessments resulted in delay in realisation of revenue involved in these cases.

## 1.6 Arrears in appeals

According to the information furnished by the Departments, the number of appeals filed under sales tax, entry tax, entertainments tax, luxury tax, professions tax, agricultural income-tax and state excise, number of appeals disposed of and number of cases pending with the appellate authorities at the end of 2001-2002 were as under:

Head of revenue	Opening balance	Number of appeals filed during the year	Total	Number of appeals disposed of during the year	Balance at the close of the year	Percentage of cases disposed of to total number of cases
1. Taxes on sales, trade, etc.	8432	3513	11945	5281	6664	44
2. Entry tax	1475	641	2116	914	1202	43
3. Entertainments tax	132	161	293	269	24	92
4. Luxury tax	70	42	112	61	51	54
5. Professions tax	26	8	34	14	20	41

Head of revenue	Opening balance	Number of appeals filed during the year	Total	Number of appeals disposed of during the year	Balance at the close of the year	Percentage of cases disposed of to total number of cases
6.Agricultural income-tax	390	273	663	316	347	48
7.State excise	Nil	2	2	Nil	2	Nil

## 1.7 Remissions and write-off of revenue

The Commercial Taxes Department reported that arrears of revenue of Rs. 3.57 lakh in four cases relating to periods between 1959-60 and 1993-94 were written off during the year 2001-2002. It also reported remissions of revenue of Rs.1.18 crore in 97 cases during the year under Kara Samadhana Schemes.

## 1.8 Refunds

Position of cases of refunds during the year 2001-2002, as reported by the Departments, is indicated below:

(Rupees in lakh)

Department		Claims for refund outstanding as on 1 April 2001	Claims received during the year	Refunds made during the year	Balance outstanding as on 31 March 2002
Commercial Taxes	Number of cases	192	99	180	111
	Amount	NF	NF	84.72	NF
State Excise	Number of cases	307	354	364	297
	Amount	493.10	406.99	412.99	487.10
Stamps and Registration	Number of cases	NF	NF	209	NF
	Amount	NF	NF	40.56	NF

**(Rupees in lakh)**

Department		Claims for refund outstanding as on 1 April 2001	Claims received during the year	Refunds made during the year	Balance outstanding as on 31 March 2002
Mines and Geology	Number of cases	NF	NF	NF	NF
	Amount	NF	NF	19.99	NF

NF – Not furnished

## 1.9 Frauds and evasions

Details of frauds and evasions, as reported by the Departments, were as under:

**(Rupees in lakh)**

	Commercial Taxes Department #		Motor Vehicles Department		Co-operation Department	
	Number of cases	Additional demand raised	Number of cases	Additional demand raised	Number of cases	Additional demand raised
A. (i) Cases pending as on 1 April 2001	198	-	12913		10	0.70
(ii) Cases detected during the year 2001-2002	1435	-	18651		-	-
B. Cases in which investigations/assessments were completed during the year 2001-2002	1405	2718.48	18377	25.98	-	-
C. Cases pending as on 31 March 2002	228	-	13187		10	0.70

# Information is incomplete

Similar information called for (April 2002) from other Departments has not been received (December 2002).

## **1.10 Internal audit**

### **Commercial Taxes Department**

Internal audit wing has been functioning since October 1970. Out of 397 offices in the Department, 326 were due for audit during the year 2001-2002 of which only 127 were audited.

### **State Excise Department**

Internal audit wing has been functioning since April 1990. It is headed by a Deputy Commissioner of Excise (Audit and Inspection) who is assisted by an Internal Audit Officer, 2 Assistant Audit Officers and 2 Senior Auditors. Out of 335 offices in the Department, 100 were due for audit during the year 2001-2002 of which 99 were audited.

### **Motor Vehicles Department**

Internal audit wing has been functioning since 1960. Out of 58 offices in the Department, 38 were due for audit during the year 2001-2002 of which only 13 were audited.

### **Department of Mines and Geology**

Internal audit wing has been functioning since 1985. Out of 25 offices in the Department and due for audit during the year 2001-2002, only three were audited.

### **Agriculture Department**

Internal audit wing has been functioning since inception. Out of 332 offices in the Department, 68 were due for audit during the year 2001-2002 of which only 14 were audited.

### **Department of Industries and Commerce**

Internal audit wing has been functioning since inception. Out of 202 offices in the Department, 184 were due for audit during the year 2001-2002 of which only 18 were audited.

The details of observations made by internal audit and their clearance up to the end of 2001-2002, as reported by the Departments, are given below:

**(Rupees in lakh)**

Department	Observations relating to the year	Observations pending settlement/ made during the year		Observations settled during 2001-2002		Observations pending as at the end of 2001-2002	
		Number	Amount	Number	Amount	Number	Amount
Commercial Taxes	Up to 2000-2001	11955	5902.62	4026	1525.70	7929	4376.92
	2001-2002	1185	1097.72	166	12.81	1019	1084.91
	<b>Total</b>	<b>13140</b>	<b>7000.34</b>	<b>4192</b>	<b>1538.51</b>	<b>8948</b>	<b>5461.83</b>
State Excise	Up to 2000-2001	691	4824.61	174	2624.26	517	2200.35
	2001-2002	89	93.97	-	-	89	93.97
	<b>Total</b>	<b>780</b>	<b>4918.58</b>	<b>174</b>	<b>2624.26</b>	<b>606</b>	<b>2294.32</b>
Motor Vehicles	Up to 2000-2001	4291	480.25	2062	143.61	2229	336.64
	2001-2002	24	7.09	24	5.72	-	1.37
	<b>Total</b>	<b>4315</b>	<b>487.34</b>	<b>2086</b>	<b>149.33</b>	<b>2229</b>	<b>338.01</b>
Mines and Geology	Up to 2000-2001	66	10726.32	3	0.06	63	10726.26
	2001-2002	-	-	-	-	-	-
	<b>Total</b>	<b>66</b>	<b>10726.32</b>	<b>3</b>	<b>0.06</b>	<b>63</b>	<b>10726.26</b>
Agriculture	Up to 2000-2001	75	2.22	32	1.38	43	0.84
	2001-2002	92	14.06	-	-	92	14.06
	<b>Total</b>	<b>167</b>	<b>16.28</b>	<b>32</b>	<b>1.38</b>	<b>135</b>	<b>14.90</b>
Industries and Commerce	Up to 2000-2001	749	346.17	40	54.75	709	291.42
	2001-2002	-	-	-	-	-	-
	<b>Total</b>	<b>749</b>	<b>346.17</b>	<b>40</b>	<b>54.75</b>	<b>709</b>	<b>291.42</b>

## 1.11 Outstanding inspection reports and audit observations

Accountant General (Audit) (AG) conducts periodical inspections of Government Departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IR). When important irregularities detected during the inspections are not settled on the spot, these IRs are issued to the Heads of Offices inspected with a copy to the next higher authorities. The Hand book of instructions for speedy settlement of audit observations (Finance Department) provides for prompt response by the Executive to the IRs issued by the AG to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during the inspections. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of Head of Department by the Office of AG. A half-yearly report of pending IRs is sent to the Secretary of the Department in respect of pending IRs to facilitate monitoring of the audit observations in the pending IRs.

However, the time schedule prescribed by Government had seldom been adhered to, with the result that 3693 inspection reports issued up to end of December 2001, containing 8079 audit observations involving Rs.688.89 crore were to be settled at the end of June 2002, as indicated below, along with the corresponding figures for the two preceding years.

	<b>At the end of</b>		
	<b>June 2000</b>	<b>June 2001</b>	<b>June 2002</b>
Number of outstanding inspection reports	3608	3804	3693
Number of outstanding audit observations	8947	8554	8079
Amount involved (Rupees in crore)	504.92	681.41	688.89

Out of the 3693 inspection reports pending settlement, first replies have not been received (June 2002) for 442 inspection reports containing 1205 audit observations involving Rs.67.28 crore. The pendency of these reports was reported to Government during July-October 2002. The receipt-wise details of inspection reports and audit observations outstanding as on 30 June 2002 and the amount involved are indicated below:

**(Rupees in crore)**

<b>Department</b>	<b>Nature of receipts</b>	<b>Number of outstanding inspection reports</b>	<b>Number of outstanding audit observations</b>	<b>Amount of receipts involved</b>
1. Finance	(a) Taxes on sales, trade, etc., Entry tax, Entertainments tax, Luxury tax, Professions tax and Betting tax	1507	4136	124.37
	(b) Agricultural income-tax	32	145	5.36
	(c) State excise	635	1056	187.25
2. Energy	Electricity duty	9	14	60.37
3. Revenue	(a) Land revenue	452	834	85.71
	(b) Stamps and registration fees	458	801	46.03
4. Home and Transport	Taxes on motor vehicles	234	460	57.23
5. Forest, Ecology and Environment	Forest receipts	245	388	94.88
6. Commerce and Industries	(a) Sericulture industries receipts	52	64	6.38
	(b) Mineral receipts	41	120	18.44
7. Public Works	Public works receipts	28	61	2.87
<b>Total</b>		<b>3693</b>	<b>8079</b>	<b>688.89</b>



## **1.12 Results of audit**

Test check of records of sales tax, state excise, taxes on motor vehicles, agricultural income-tax, land revenue, stamps and registration fees, entry tax, entertainments tax, professions tax, betting tax, electricity tax, forest, energy, sericulture and other departmental offices conducted during the year 2001-2002 revealed under-assessments, non-levy/short levy of taxes, loss of revenue, failure to raise demands, etc. involving Rs.306.83 crore in 1732 cases. During the course of the year 2001-2002, the concerned departments accepted under-assessments, short demands, etc. aggregating Rs. 21.17 crore in 1200 cases of which 1191 cases (Rs. 20.95 crore) were pointed out in audit in earlier years. A sum of Rs.21.17 crore relating to 1200 audit observations was recovered at the instance of audit.

This Report contains 32 Paragraphs including one Review involving financial effect of Rs.190.79 crore. The Departments have accepted audit observations involving Rs.16.84 crore, of which Rs.4.43 crore had been recovered up to December 2002. Audit observations with a total revenue effect of Rs.154.92 crore in 23 cases have not been accepted by the Departments, but their contentions have been found to be at variance with the facts or legal position and these have been appropriately commented upon in the relevant Paragraphs. No reply has been received in the remaining cases (December 2002).

