

## CHAPTER-I : GENERAL

### 1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Karnataka during the year 2003-2004, 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 given below:

	(Rupees in crore)				
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
<b>I. Revenue raised by the State Government</b>					
(a) Tax revenue	7744.36	9042.68	9853.27	10439.71	12570.21
(b) Non-tax revenue	1611.29	1659.97	1093.42	1277.67	2958.37
<b>Total</b>	<b>9355.65</b>	<b>10702.65</b>	<b>10946.69</b>	<b>11717.38</b>	<b>15528.58</b>
<b>II. Receipts from the Government of India</b>					
(a) State's share of divisible Union taxes	2132.78	2573.83	2623.38	2786.20	3244.73 <sup>Y</sup>
(b) Grants-in-aid	1418.02	1546.24	1751.18	1665.18	1986.57
<b>Total</b>	<b>3550.80</b>	<b>4120.07</b>	<b>4374.56</b>	<b>4451.38</b>	<b>5231.30</b>
<b>III. Total receipts of the State</b>	12906.45	14822.72	15321.25	16168.76	20759.88
<b>IV. Percentage of I to III</b>	72	72	71	72	75

The total receipts of the State during 2003-2004 increased by Rs.4591.12 crore over the previous year (28 *per cent*). This was brought about by increases of Rs.2130.50 crore in tax revenue (20 *per cent*), Rs.1680.70 crore in non-tax revenue (132 *per cent*), Rs.458.53 crore in State's share of divisible Union taxes (16 *per cent*) and Rs.321.39 crore in grants-in-aid from Government of India (19 *per cent*).

<sup>Y</sup> For details see statement No.11 – Detailed Accounts of revenue by Minor Head of the Finance Accounts of the Government of Karnataka for the year 2003-2004. Figures of “tax share net proceeds assigned to States” booked in the Finance Accounts under A-Tax Revenue have been excluded from revenue raised by the state and included in the state's share of divisible union taxes in the statement.

The Non-Plan grants received from the Government of India during the year 2003-2004 amounted to Rs.529.85 crore. They comprised grants under Proviso to Article 275(1) of the Constitution (Rs.24.82 crore), grants from Central Road Fund (Rs.57.11 crore), grants towards contribution to Calamity Relief Fund (Rs.381.21 crore) and others (Rs.66.71 crore).

**1.1.1** The details of tax revenue raised during the year 2003-2004, along with the figures for the preceding four years, are given below:

Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Percentage of increase (+) / decrease (-) in 2003-2004 over 2002-2003	
	(Rupees in crore)						
1. Taxes on sales, trade, etc. Of which - (a) State sales tax (b) Central sales tax	4683.23 4132.48 550.75	5386.33 4614.20 772.13	5269.43 4590.08 679.35	5473.54 4658.74 814.80	6648.95 5744.15 904.80	(+)	21
2. State excise	1215.20	1523.13	1976.94	2094.19	2333.96	(+)	11
3. Stamps and registration fees	565.79	638.12	855.04	1115.35	1355.69	(+)	22
4. Taxes on vehicles	448.82	501.82	712.37	675.70	800.07	(+)	18
5. Taxes on goods and passengers (Tax on entry of goods into local areas)	337.60	473.02	498.11	516.53	673.46	(+)	30
6. Taxes and duties on electricity	155.58	162.10	171.30	172.14	272.92	(+)	59
7. Other taxes on income and expenditure (Taxes on professions, trades, callings and employment)	132.78	151.57	167.24	180.20	245.37	(+)	36
8. Other taxes and duties on commodities and services (Entertainment tax, Betting tax, Luxury tax, Education cess, Health cess, Forest development tax)	131.83	139.95	150.67	151.13	170.65	(+)	13
9. Land revenue	38.73	43.16	49.54	59.61	67.84	(+)	14
10. Taxes on agricultural income	34.80	23.48	2.63	1.32	1.30	(-)	2
Total	7744.36	9042.68	9853.27	10439.71	12570.21	(+)	20

Details of major variations are mentioned below:

- ***Taxes on sales, trade, etc.*** : Increase is attributed to additional resources mobilisation, normal growth, collection of old arrears and effective enforcement.
- ***Taxes and duties on electricity*** : Increase is attributed to levy of ad valorem tax and imposition of electricity tax on captive generation set with effect from 16.10.2003.
- ***Other taxes on income and expenditure (Professions tax)*** : Increase is attributed to increase in tax base.
- ***Taxes on goods and passengers (Entry tax)*** : Increase is attributed to additional resource mobilisation and normal growth.

Reasons for variations in respect of other heads though called for in July 2004 have not been received (January 2005).

**1.1.2** The details of major non-tax revenue realised during the year 2003-2004, along with the figures for the preceding four years, are given below:

Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Percentage of increase (+)/ decrease (-) in 2003-2004 over 2002-2003	
	(Rupees in crore)						
1. Non-ferrous mining and metallurgical industries	116.30	136.87	147.13	157.55	222.15	(+)	41
2. Forestry and wild life	94.87	108.25	100.90	101.52	180.65	(+)	78
3. Housing	7.85	9.23	10.50	67.08	38.14	(-)	43
4. Medical and public health	30.79	28.65	59.18	56.38	31.78	(-)	44
5. Other administrative services	43.26	51.30	28.14	45.27	91.81	(+)	103
6. Education, sports, art and culture	21.32	39.77	31.77	43.32	30.07	(-)	31
7. Contributions and recoveries towards pensions and other retirement benefits	16.40	29.32	28.38	34.68	51.39	(+)	48
8. Interest receipts	801.67	721.18	141.92	34.36	111.34	(+)	224
9. Co-operation	14.76	13.86	16.35	27.47	25.92	(-)	6
10. Power	46.92	43.33	36.73	27.25	28.39	(+)	4
11. Police	13.91	19.82	14.41	21.11	31.55	(+)	49

Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Percentage of increase (+)/ decrease (-) in 2003-2004 over 2002-2003
	(Rupees in crore)					
12. Major and medium irrigation	15.76	18.46	20.56	20.93	11.81	(-) 44
13. Crop husbandry	11.02	13.95	19.88	18.98	13.59	(-) 28
14. Roads and bridges	11.24	16.13	19.29	17.92	33.80	(+) 89
15. Village and small industries	22.40	23.95	21.90	17.25	17.66	(+) 2
16. Dividends and profits	6.24	2.75	5.14	14.93	16.90	(+) 13
17. Public works	13.19	11.37	14.53	11.10	12.12	(+) 9
18. Miscellaneous general services	61.27	70.70	74.38	231.42	1589.75	(+) 587
19. Other general economic services	172.26	206.86	223.91	259.03	293.85	(+) 13
20. Others	89.86	94.22	78.42	70.12	125.70	(+) 79
Total	1611.29	1659.97	1093.42	1277.67	2958.37	(+) 132

Details of major variations are mentioned below:

- **Miscellaneous general services** : Increases occurred mainly under 'State lotteries', 'unclaimed deposits'. Department attributed increase under 'State lotteries' to introduction of new schemes under conventional lottery and increase in revenue from 'Online lottery'. Revenue from 'Online lottery' which was started from 14.08.2002 is for the part of the year for 2002-2003, whereas the revenue for 2003-2004 is for whole year.
- **Interest receipts** : Increases occurred mainly under 'Interest from public sector and other undertakings', 'Interest realised on investment of cash balances' and 'other receipts'.
- **Non-ferrous mining and metallurgical industries**: Increase in revenue is attributed to payment of royalty by M/s Hutti Gold Mines Ltd., and increase in quarry leases.

Reasons for variations in respect of other heads though called for in July 2004 have not been received (January 2005).

## 1.2 Follow-up on White Paper, Medium Term Fiscal Plan, etc.

### Critical issues in State finances

In order to focus on the current fiscal situation in Karnataka, to identify the main causes of its deterioration and to outline the corrective measures needed to arrest the trend, the State Government presented a White Paper in March 2000. The factors identified by it as causing slow growth of revenues included –

- Stagnancy in revenue receipts including decline in non-tax revenues.
- Uneconomic pricing of public services and implicit subsidies including low irrigation rates.
- Poor financial performance of public enterprises.
- Losses from power sector.
- Finances of public transport system.
- Financing urban services.

The Medium Term Fiscal Plan (MTFP) 2003 drawn up pursuant to the White Paper aimed at transformation of Revenue Deficit of three *per cent* of Gross State Domestic Product (GSDP) (2001-2002) to Revenue Deficit of 1.63 *per cent*. The assumptions/projections made in the MTFP in regard to 2003-2004 and the actual realisations there against were as under:

Sl. No.	Item	MTFP 2003 Assumptions/ Projections for 2003-2004	Actuals for 2003-2004	Variations Excess (+)/ Shortfall (-)
1	Revenue Receipts (Rs. in crore)			
(a)	State's Own Revenues			
(i)	Tax Revenues (Percentage of GSDP)	12588 (9.63)	12570.21 (9.62)	(-) 17.79
(ii)	Non-tax Revenues (Percentage of GSDP)	1713 (1.31)	2958.37 (2.26)	(+) 1245.37
(b)	Resources from the GOI (Percentage of GSDP)	5544 (4.24)	5231.30 (4.00)	(-) 312.70
2.	Revenue Deficit (Rs. in crore) (Percentage of GSDP)	2135 (1.63)	524.83 (0.40)	(-) 1610.17
3	Buoyancies of State taxes (Ratio)			
(a)	Commercial taxes	1.1	2.10	(+) 1.00
(b)	State excise	1	1.12	(+) 0.12
(c)	Taxes on motor vehicles	1	1.80	(+) 0.80
(d)	Stamps and registration fees	1.005	2.103	(+) 1.098

Sl. No.	Item	MTFP 2003 Assumptions/ Projections for 2003-2004	Actuals for 2003-2004	Variations Excess (+)/ Shortfall (-)
4	Incentive-linked grant from GOI (Rs. in crore)	60.80	Nil*	(-) 60.80
5	Other GOI grants (Rs. in crore)			
(a)	Calamity Relief Fund (EFC projections)	64.74	381.21	(+) 316.47
(b)	Special Problems (EFC projections)	60.93	24.82	(-) 36.11
(c)	Block State Plans (Growth of 12 per cent)	12	38.80	(+) 26.80
(d)	Growth rate of Centrally Sponsored Schemes grants (percentage)	5	(-) 1.59	(-) 6.59
(e)	Growth rate of Central Plan Schemes grants (percentage)	5	(-) 7.27	(-) 12.27

\* Incentive grant of Rs.60.80 crore received during 2004-05

**Note:** GSDP at current prices is taken as Rs.130678 crore.

Reasons for variations though called for from Government/concerned Departments have not been received (January 2005).

### Recovery of user charges

The White Paper (March 2000) indicated uneconomic pricing of public services and implicit subsidies as one of the causes for slow growth of revenues of the State.

In the MTFP 2003, Government's objective was stated to be to ensure full recovery of operating costs for non-meritorious economic services. The projections made in the MTFP, the actual realisation and the shortfall in respect of the selected services were as under:

Sl. No.	Item	MTFP 2003 Assumptions/ Projections for 2003-2004	Actuals for 2003-2004	Variations Excess (+)/ Shortfall (-)
1	Cost recovery (as a percentage of revenue expenditure)			
(a)	Secondary education	3.38	2.17	(-) 1.21
(b)	Technical education	12.20	9.38	(-) 2.82
(c)	Health	1.01	4.03	(+) 3.02

Sl. No.	Item	MTFP 2003 Assumptions/ Projections for 2003-2004	Actuals for 2003-2004	Variations Excess (+)/ Shortfall (-)
(d)	Rural water supply	0.53	0.19	(-) 0.34
(e)	Irrigation	55.00	18.69	(-) 36.31
(f)	Minor irrigation	8.00	4.79	(-) 3.21
(g)	Housing	45.92	22.46	(-) 23.46

Reasons for variations though called for from Government/concerned Departments have not been received (January 2005).

### 1.3 Variations between budget estimates and actual receipts

**1.3.1** The variations between budget estimates and actuals of revenue receipts for the year 2003-2004 in respect of the principal heads of tax and non-tax revenue 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.	6700.81	6648.95	(-) 51.86	(-) 1
Of which-				
(a) State sales tax	1622.16	5744.15	(-) 72.42	(-) 1
Trade tax (VAT)	4194.41			
(b) Central sales tax	884.24	904.80	(+) 20.56	(+) 2
2. State excise	2303.84	2333.96	(+) 30.12	(+) 1
3. Stamps and registration fees	1354.00	1355.69	(+) 1.69	-
4. Taxes on vehicles	880.39	800.07	(-) 80.32	(-) 9
5. Taxes on goods and passengers (Tax on entry of goods into local areas)	540.76	673.46	(+) 132.70	(+) 25
6. Other taxes on income and expenditure (Taxes on professions, trades, callings and employment)	217.64	245.37	(+) 27.73	(+) 13
7. Taxes and duties on electricity	306.12	272.92	(-) 33.20	(-) 11

(Rupees in crore)

Head of Revenue	Budget Estimates	Actual receipts	Variation Excess (+)/ Shortfall (-)	Percentage of variation
8. Other taxes and duties on commodities and services (Entertainment tax, Betting tax, Luxury tax, Education cess, Health cess, Forest development tax)	186.63	170.65	(-) 15.98	(-) 9
9. Land revenue	69.89	67.84	(-) 2.05	(-) 3
10. Taxes on agricultural income	28.31	1.30	(-) 27.01	(-) 95
<b>(B) Non-tax revenue</b>				
1. Non-ferrous mining and metallurgical industries	183.65	222.15	(+) 38.50	(+) 21
2. Forestry and wild life	125.93	180.65	(+) 54.72	(+) 43
3. Housing	53.79	38.14	(-) 15.65	(-) 29
4. Medical and public health	49.66	31.78	(-) 17.88	(-) 36
5. Other administrative services	37.17	91.81	(+) 54.64	(+) 147
6. Education, sports, art and culture	47.56	30.07	(-) 17.49	(-) 37
7. Contributions and recoveries towards pensions and other retirement benefits	22.09	51.39	(+) 29.30	(+) 133
8. Interest receipts	37.87	111.34	(+) 73.47	(+) 194
9. Co-operation	25.36	25.92	(+) 0.56	(+) 2
10. Power	0.43	28.39	(+) 27.96	(+) 6502
11. Police	22.13	31.55	(+) 9.42	(+) 43
12. Major and medium irrigation	36.00	11.81	(-) 24.19	(-) 67
13. Crop husbandry	21.49	13.59	(-) 7.90	(-) 37
14. Roads and bridges	32.00	33.80	(+) 1.80	(+) 6
15. Village and small industries	17.31	17.66	(+) 0.35	(+) 2
16. Dividends and profits	3.22	16.90	(+) 13.68	(+) 425
17. Public works	8.68	12.12	(+) 3.44	(+) 40
18. Miscellaneous general services	729.00	1589.75	(+) 860.75	(+) 118
19. Other general economic services	138.35	293.85	(+) 155.50	(+) 112



Details for major variations are mentioned below:

- ***Taxes on Agricultural income:*** Decrease is attributed to deferment of taxes and loss declared by assessees.
- ***Non-ferrous mining and metallurgical industries:*** Increase is attributed to payment of arrears by M/s Hutti Gold Mines Ltd., demand for iron ore in China and increase in quarry leases.
- ***Interest Receipts:*** Increase occurred mainly under 'interest from Public Sector and other Undertakings'.
- ***Power:*** Increase occurred mainly on account of receipt of royalty from Karnataka Power Corporation Limited.
- ***Dividends and Profits:*** Increase occurred mainly under dividends from Public Undertakings.
- ***Miscellaneous General Services:*** Increase occurred mainly under receipts from conventional lottery.

Reasons for variations in respect of other heads though called for from Government/ concerned Departments in July 2004 have not been received (January 2005).

**1.3.2** The variations between budget estimates and actuals of grants-in-aid from Government of India are given below:

Sl. No.	Nature of grant	Budget Estimates	Actual receipts	Variation Excess (+)/ Shortfall (-)	Percentage of variation
		(Rupees in crore)			
1	Non-Plan Grants	300.05	529.85	(+) 229.80	(+) 77
2	Grants for State Plan Schemes	1318.93	795.58	(-) 523.35	(-) 40
3	Grants for Central Plan Schemes	89.44	41.95	(-) 47.49	(-) 53

Sl. No.	Nature of grant	Budget Estimates	Actual receipts	Variation Excess (+)/ Shortfall (-)	Percentage of variation
		(Rupees in crore)			
4	Grants for Centrally Sponsored Plan Schemes	790.29	619.19	(-) 171.10	(-) 22
Total		2498.71	1986.57	(-) 512.14	(-) 20

Reasons for variations though called for from Government have not been received (January 2005).

#### 1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2001-2002, 2002-2003 and 2003-2004 along with the relevant all-India average percentage of *expenditure on collection* to gross collection for 2002-2003 were as follows:

(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 2002-2003
1. Taxes on sales, trade, etc.	2001-2002	5328.28	57.04	1.07	1.18
	2002-2003	5538.18	56.04	1.01	
	2003-2004	6861.15	59.09	0.86	
2. Taxes on vehicles	2001-2002	713.02	17.95	2.52	2.86
	2002-2003	676.26	17.38	2.57	
	2003-2004	831.26	19.40	2.33	

## 1.5 Collection of sales tax per assessee

Year	Number of assessees	Sales tax revenue	Revenue per assessee
		(Rupees in lakh)	
1999-2000	276210	530547	1.92
2000-2001	291021	627993	2.16
2001-2002	301954	630448	2.09
2002-2003	316462	657712	2.08
2003-2004	321398	696524	2.17

It could be seen from the above that the revenue per assessee during 2003-2004 increased over the previous year.

## 1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs.3104.34 crore of which Rs.780.91 crore were outstanding for more than 5 years as detailed in the following table:

(Rupees in crore)			
Head of revenue	Amount of arrears as on 31 March 2004	Arrears outstanding for more than five years as on 31 March 2004	Remarks
1. Taxes on sales, trade, etc., Entry tax, Entertainment tax, Agricultural income-tax, Professions tax, Luxury tax	3086.68 #	780.91	Out of the total arrears of Rs.3086.68 crore, Rs.871.36 crore had been stayed by the Courts, Rs.164.45 crore had been covered by recovery certificates, Rs.44.15 crore were proposed to be written off and the balance of Rs.2006.72 crore was under other stages of recovery.
2. Taxes and duties on electricity	17.66	NF	Out of the total arrears of Rs.17.66 crore, Rs.15.23 crore relates to Government undertakings and Rs.2.43 crore relate to others.
<b>Total</b>	<b>3104.34</b>	<b>780.91</b>	

# Provisional

NF - Not furnished

In respect of other major heads, details of arrears of revenue though called for in July 2004, have not been received (January 2005).

## 1.7 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2003-2004, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2003-2004 as furnished by the Commercial Taxes Department in respect of sales tax, entry tax, entertainment tax, luxury tax, agricultural income tax and professions tax are as follows:

Head of revenue	Opening balance	New cases due for assessment during 2003-2004	Total assessments due	Cases disposed of during 2003-2004	Balance at the end of the year	Percentage of column 6 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Sales tax	367462	365805	733267	321519	411748	56
2 .Entry tax	48121	44285	92406	40842	51564	56
3 .Entertainment tax	62632 <sup>9</sup>	51010	113642	47197	66445	58
4 .Luxury tax	1495	1819	3314	1413	1901	57
5. Agricultural income-tax	2448	1609	4057	3026	1031	25
6. Professions tax	112614	17043	129657	19772	109885	85
<b>Total</b>	<b>594772</b>	<b>481571</b>	<b>1076343</b>	<b>433769</b>	<b>642574</b>	<b>60</b>

The pendency in finalisation of assessments ranged between 25 *per cent* and 85 *per cent* under various heads of revenue, thus, resulting in delay in realisation of corresponding revenue in these cases. It could be seen from the above table that the disposal rate under professions tax assessments was very poor and was only 15 *per cent*.

<sup>9</sup> Differs from the closing balance of 61766 reported by the Department for 2002-2003

## **1.8 Write-off and waiver of revenue**

During the year 2003-2004 demands for Rs.90.57 lakh in 12 cases were written off by the Commercial Taxes Department as irrecoverable. Reasons for the write-off of these demands were reported by the Department as whereabouts of defaulters not known, defaulters no longer alive and defaulters not having any property.

## **1.9 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, entertainment tax, professions tax, betting tax, electricity tax, forest, energy, sericulture and other departmental offices conducted during the year 2003-2004 revealed under-assessments, non-levy/short levy of taxes, loss of revenue, failure to raise demands, etc. involving Rs.654.92 crore in 1679 cases. During the course of the year 2003-2004, the concerned departments accepted under-assessments, short demands, etc. aggregating Rs.65.58 crore in 1723 cases of which 1548 cases (Rs.30.47 crore) were pointed out in audit in earlier years. A sum of Rs.14.17 crore relating to 1219 audit observations was recovered at the instance of audit.

This Report contains 25 Paragraphs including one Review involving financial effect of Rs.393.46 crore. The Departments have accepted audit observations involving Rs.64.03 crore, of which Rs.6.16 crore had been recovered up to January 2005. Audit observations with a total revenue effect of Rs.11.49 crore in 82 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 (January 2005).

## **1.10 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 Heads of Departments 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 3567 inspection reports issued up to end of December 2003, containing 6914 audit observations involving Rs.904.56 crore were to be settled at the end of June 2004, as indicated below, along with the corresponding figures for the two preceding years:

	<b>At the end of</b>		
	<b>June 2002</b>	<b>June 2003</b>	<b>June 2004</b>
Number of outstanding inspection reports	3693	3625	<b>3567</b>
Number of outstanding audit observations	8079	7722	<b>6914</b>
Amount involved (Rupees in crore)	688.89	692.90	<b>904.56</b>

Out of the 3567 inspection reports pending settlement, first replies have not been received (June 2004) for 403 inspection reports containing 1102 audit observations involving Rs.118.12 crore. The pendency of these reports was reported to Government during July-November 2004. The receipt-wise details of inspection reports and audit observations outstanding as on 30 June 2004 and the amount involved are indicated below:

<b>(Rupees in crore)</b>				
<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, Entertainment tax, Luxury tax, Professions tax and Betting tax	1279	3013	71.54

(Rupees in crore)

Department	Nature of receipts	Number of outstanding inspection reports	Number of outstanding audit observations	Amount of receipts involved
	(b) Agricultural income-tax	37	140	5.68
	(c) State excise	750	1161	336.21
2. Energy	Electricity duty	10	18	49.44
3. Revenue	(a) Land revenue	473	862	58.86
	(b) Stamps and registration fees	336	492	47.19
4. Home and Transport	Taxes on motor vehicles	265	486	61.54
5. Forest, Ecology and Environment	Forest receipts	259	389	195.70
6. Commerce and Industries	(a) Sericulture industries receipts	62	81	7.16
	(b) Mineral receipts	62	199	60.39
7. Public Works	Public works receipts	34	73	10.85
<b>Total</b>		<b>3567</b>	<b>6914</b>	<b>904.56</b>

### 1.11 Ad-hoc Committee Meetings

Government issued (March 1968) instructions to constitute 'Ad-hoc Committees' in the Secretariat of 10 Departments to expedite the clearance of audit observations contained in the Inspection Reports. These Committees are to be headed by the Secretaries of the concerned Administrative Departments and attended by the designated officers of the State Government and a nominee of the Accountant General. These Committees are to meet periodically and in any case, at least once in a quarter.

Ad-hoc Committees had been constituted for only four Departments viz., Commerce and Industries, Forest, Ecology and Environment, Home and Transport and Revenue. Details of meetings held and paragraphs settled during the year 2003-2004 is as under:

Department	No. of meetings held	No. of paragraphs settled
Forest, Ecology and Environment	5	69
Home and Transport	4	29

<b>Department</b>	<b>No. of meetings held</b>	<b>No. of paragraphs settled</b>
Revenue	1	-
Commerce and Industries	1	-

Thus, due attention was not being given to the procedure prescribed.

### **1.12 Response of the Departments to Draft Audit Paragraphs**

Draft Paragraphs/Reviews proposed for inclusion in the Audit Report are forwarded by the Accountant General (Audit) to Secretaries of the concerned Departments through demi-official letters. According to the instructions issued (April 1952) by Government, 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 Government is invariably indicated at the end of each such paragraph included in the Audit Report.

52 draft paragraphs/review proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2004 were forwarded to the Secretaries to Government and copies endorsed to Heads of Departments during April-June 2004. Replies were due latest by the end of August 2004.

Replies to none of the 52 draft paragraphs/review were received within the prescribed period of six weeks. However, Departmental Audit Committees at the level of Principal Secretary/Secretary and Apex Committee at the level of Chief Secretary to Government of Karnataka were constituted and the draft paragraphs proposed were discussed. Replies to the draft paragraphs except four have been received and considered in finalisation of the Report (January 2005). After deletion/clubbing of some paragraphs/reviews, the Report contains 25 paragraphs including one review.

### **1.13 Follow-up on Audit Reports**

According to the Rules of Procedure (Internal Working) of the Committee on Public Accounts (PAC) (as modified in September 1999), within four months (three months up to March 1994) of an Audit Report being laid on the Table of the Legislature, the Departments of Government are to prepare and send to the



Karnataka Legislative Assembly Secretariat detailed explanations (Departmental Notes) on the audit paragraphs. The Rules further require that before such submission, the Departmental Notes are to be got vetted by the Accountant General.

A review of the position obtaining in this regard revealed that as of January 2005, seven Departments had not furnished the Departmental Notes in respect of 99 Paragraphs included in Audit Reports for the years 1990-91 to 2001-2002 due between March 1993 and July 2003, for vetting, the delay ranging from over one year to over 11 years, as detailed below:

Sl. No.	Department	Year of Audit Report	Dates of presentation to the Legislature	Last date by which Departmental Notes were due	Number of Paragraphs for which Departmental Notes are still due	Delay (months)
1	Revenue	1990-91, 1992-93 to 1999-2000 and 2001-2002	December 1992 to March 2003	March 1993 to July 2003	51	139 to 15
2	Finance	1996-97 and 1998-99 to 2001-2002	May 1998 to March 2003	September 1998 to July 2003	41	73 to 15
3	Commerce and Industries	1996-97 and 2000-2001	May 1998 and March 2002	September 1998 to July 2002	2	73 to 27
4	Urban Development	1998-99	March 2000	July 2000	1	63
5	Energy	1993-94 and 2001-2002	March 1995 and March 2003	July 1995 and July 2003	2	111 to 15
6	Health and Family Welfare	1997-98	March 1999	July 1999	1	63
7	Home and Transport	1996-97	May 1998	September 1998	1	73
	<b>Total</b>	<b>1990-91 and 1992-93 to 2001-2002</b>	<b>December 1992 to March 2003</b>	<b>March 1993 to July 2003</b>	<b>99</b>	<b>139 to 15</b>

This indicated that there was laxity in ensuring accountability of the Executive.



