

CHAPTER I : GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Maharashtra 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)

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
I	Revenue raised by the State Government					
	• Tax revenue	25,162.16	30,605.75	33,540.24	40,099.24	47,528.41
	• Non-tax revenue ¹	2,964.76 (3,548.94)	3,505.22 (4,118.83)	5,167.92 (5,935.05)	6,706.50 (7,518.25)	16,935.25 (16,947.97)
	Total	28,126.92 (28,711.10)	34,110.97 (34,724.58)	38,708.16 (39,475.29)	46,805.74 (47,617.49)	64,463.66 (64,476.38)
II	Receipts from the Government of India					
	• State's share of divisible Union taxes	3,389.49	3,595.03	4,982.00	6,022.76	7,597.22
	• Grants-in-aid	2,269.93	2,693.72	3,981.00	8,555.13	7,509.55
	Total	5,659.42	6,288.75	8,963.00	14,577.89	15,106.77
III	Total receipts of the State	33,786.34 (34,370.52)	40,399.72 (41,013.33)	47,671.16 (48,438.29)	61,383.63 (62,195.38)	79,570.43 (79,583.15)
IV	Percentage of I to III	83	84	81	76	81

The above table indicates that during the year 2007-08, the revenue raised by the State Government was 81 per cent of the total revenue receipts (Rs. 79,570.43 crore) against 76 per cent in the preceding year. The balance 19 per cent of receipts during 2007-08 was from the Government of India.

¹ Lottery receipts included in non-tax revenue are net of expenditure on prize winning tickets. Figures in brackets indicate gross receipts.

Note: For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Maharashtra for the year 2007-08. Figures under the heads '0020 - corporation tax, 0021 - taxes on income other than corporation tax, 0028 - other taxes on income and expenditure, 0032 - wealth tax, 0037 - customs, 0038 - Union excise duties, 0044 - service tax and 0045 - other taxes and duties on commodities and services' - share of net proceeds assigned to the State booked in the Finance Accounts under tax revenue have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

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

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+)/ decrease (-) in 2007-08 over 2006-07
1.	Sales tax						
	• State sales tax etc.	12,795.01	16,399.62	17,358.56	21,583.06	24,368.22	(+) 12.90
	• Central sales tax	2,530.95	2,417.10	2,318.18	2,547.66	2,384.58	(-) 6.40
2.	State excise	2,324.42	2,218.87	2,823.85	3,300.70	3,963.05	(+) 20.07
3.	Stamp duty and registration fees	3,354.06	4,116.49	5,265.86	6,415.72	8,549.57	(+) 33.26
4.	Taxes and duties on electricity	629.72	1,673.76	1,660.87	1,577.19	2,687.87	(+) 70.42
5.	Taxes on vehicles	1,205.97	1,177.14	1,309.11	1,841.06	2,143.11	(+) 16.41
6.	Taxes on goods and passengers	231.91	427.75	504.63	224.48	388.27	(+) 72.96
7.	Other taxes on income and expenditure-taxes on professions, trades, callings and employments	1,018.77	1,076.57	1,157.70	1,246.72	1,488.26	(+) 19.37
8.	Other taxes and duties on commodities and services	710.86	737.73	712.40	878.31	1,043.17	(+) 18.77
9.	Land revenue	360.49	360.72	428.97	484.17	512.22	(+) 5.79
10.	Service tax	--	--	0.11	0.17	0.09	(-) 47.06
	Total	25,162.16	30,605.75	33,540.24	40,099.24	47,528.41	

The reasons for the significant variations in the receipts during 2007-08 over those of the previous year were as follows:

Sales tax: The increase was mainly due to increase in revenue of 12 per cent under value added tax (VAT) and other receipts.

State excise: The increase was mainly due to more receipts under country liquor, malt liquor, foreign liquor and spirits, denatured spirit and medicated wines, fines and confiscations which increased by 18 per cent, 42 per cent, 31 per cent, 143 per cent and 17 per cent respectively.

Stamp duty and registration fees: The increase was due to more receipts on impressing of documents, other items and sale of other non-judicial stamps, which increased by 33.26 *per cent* over the previous year.

Taxes and duties on electricity: The increase was due to more receipts under taxes on consumption and sale of electricity, fees under the Indian Electricity Rules and other receipts which increased by 70 *per cent*, 15 *per cent* and 333 *per cent* respectively.

Taxes on goods and passengers: The increase was due to more receipts from tax on goods and passengers carried by road or inland water ways which increased by 74 *per cent* over the previous year.

Other taxes and duties on commodities and services: The increase was mainly due to more receipts under the heads entertainment tax, betting tax and luxury tax which increased by 25 *per cent*, 26 *per cent* and 79 *per cent* respectively over the previous year.

The other departments did not inform (November 2008) the reasons for variation despite being requested (August 2008).

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

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+)/decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	356.91	737.46	1,737.24	2,503.92	1,170.17	(-) 53.27
2.	Dairy development	774.73	676.10	612.25	611.87	453.60	(-) 25.87
3.	Other non-tax receipts	547.93	584.56	614.21	696.03	953.87	(+) 37.04
4.	Forestry and wild life	86.33	88.62	92.02	121.37	195.73	(+) 61.27
5.	Non-ferrous mining and metallurgical industries	475.50	574.80	698.00	819.44	1,091.19	(+) 33.16
6.	Miscellaneous general ² services (including lottery receipts)	113.65	117.17	390.69	801.64	11,509.38	(+) 1,335.73
7.	Power	1.32	5.16	174.61	133.83	344.07	(+) 157.09

² Net of expenditure on prize winning lottery tickets.

8.	Major and medium irrigation	230.69	335.68	372.39	444.93	626.41	(+) 40.79
9.	Medical and public health	91.53	107.98	126.92	159.20	170.69	(+) 7.22
10.	Co-operation	60.06	48.86	55.76	64.46	67.72	(+) 5.06
11.	Public works	65.26	64.29	88.82	154.09	101.91	(-) 33.86
12.	Police	102.75	96.63	106.60	101.84	140.20	(+) 37.67
13.	Other administrative services	58.10	67.91	98.41	93.88	110.31	(+) 17.50
Total		2,964.76	3,505.22	5,167.92	6,706.50	16,935.25	

The significant increases in receipts during 2007-08 over those of the previous year were mainly due to the following:

Interest receipts: The decrease was due to less interest receipts from public sector and other undertakings.

Dairy Development: The decrease was due to collection of less receipts from milk schemes in Akola, Nagpur, Gondia and Greater Mumbai.

Forestry and wild life: Increase was due to more receipts from the sale of timber and other forest produce, receipts from social and farm forestries and other receipts which increased by 63 per cent, 36 per cent and 17 per cent respectively.

Non-ferrous mining and metallurgical industries: The increase was due to collection of more receipts under mineral concession fees, rents and royalties and service fees which increased by 35 per cent and 31 per cent respectively.

Miscellaneous General Services: The increase was mainly due to transfer of credit balances from Public Accounts to Consolidated Fund of the State due to closure of Reserve Funds and Debt and Interest Relief on repayment of Consolidated Central Government Loans.

Power: The increase was mainly due to more collection under "Purna Hydro Electric Works".

Major and Medium Irrigation: The increase was mainly due to more receipts from the projects - Ujani, Bhima, Manjra, Hatnur, Nimna Terna, Radhanagri and medium irrigation commercial.

Public works: The decrease was mainly due to less receipts from hire charges of machinery and equipment and other receipts which decreased by 31 per cent and 48 per cent respectively.

Police: The increase was mainly due to more receipts under "Police supplied to other parties, fees, fines and forfeitures" which increased by 150 per cent and 97 per cent respectively over the previous year.

The other departments did not inform (November 2008) the reasons for variations despite being requested (August 2008).

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and the 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)

Sl. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
1.	Sales tax and other taxes³	27,465.00	26,752.80	(-) 712.20	(-) 2.59
2.	State excise	3,500.00	3,963.05	(+) 463.05	(+) 13.23
3.	Stamp duty and registration fees	7,200.00	8,549.57	(+) 1,349.57	(+) 18.74
4.	Taxes and duties on electricity	1,781.54	2,687.87	(+) 906.33	(+) 50.87
5.	Taxes on vehicles	2,070.00	2,143.11	(+) 73.11	(+) 3.53
6.	Taxes on goods and passengers	594.00	388.27	(-) 205.73	(-) 34.63
7.	Other taxes on income and expenditure - taxes on professions, trades, callings and employments	1,297.65	1,488.26	(+) 190.61	(+) 14.69
8.	Other taxes and duties on commodities and services	1,274.60	1,043.17	(-) 231.43	(-) 18.16
9.	Land revenue	690.00	512.22	(-) 177.78	(-) 25.77
10.	Interest receipts	1,027.02	1,170.17	(+) 143.15	(+) 13.94
11.	Dairy development	577.29	453.60	(-) 123.69	(-) 21.43
12.	Other non-tax receipts	653.70	953.87	(+) 300.17	(+) 45.92
13.	Forestry and wild life	222.91	195.73	(-) 27.18	(-) 12.19
14.	Non-ferrous mining and metallurgical industries	873.65	1,091.19	(+) 217.54	(+) 24.90
15.	Miscellaneous general services				
	• Lottery receipts ⁴	103.12	15.48	(-) 87.64	(-) 84.99
	• Other receipts	149.75	11,493.90	(+) 11,344.15	(+) 7,575.39
16.	Power	96.46	344.07	(+) 247.61	(+) 256.70
17.	Major and medium irrigation	620.00	626.41	(+) 6.41	(+) 1.03
18.	Medical and public health	148.72	170.69	(+) 21.97	(+) 14.77
19.	Co-operation	60.48	67.72	(+) 7.24	(+) 11.97
20.	Public works	85.78	101.91	(+) 16.13	(+) 18.80

³ Other taxes totalling Rs. 5,948 crore, included tax on sale of motor spirits and lubricants, surcharge on sales tax and tax on purchase of sugarcane.

⁴ Net of expenditure on prize winning tickets.

21.	Police	133.05	140.20	(+) 7.15	(+) 5.37
22.	Other administrative services	101.85	110.31	(+) 8.46	(+) 8.31
23.	Service tax	--	0.09	0.09	--
Total		50,726.57	64,463.66		

The reasons for variations between the budget estimates and actuals as reported by the concerned departments were as follows:

Taxes and duties on electricity: The increase is due to more receipts under the heads - taxes on consumption and sale of electricity, fees under the Indian Electricity Rules and other receipts.

Taxes on goods and passengers: The decrease was due to less collection of taxes on goods and passengers and entry of goods into local area.

Land revenue: The decrease was due to less receipts under the heads receipts from management of *ex-Zamindari* estates, sale of Government estates and other receipts.

Dairy Development: The decrease was mainly due to less receipts from milk schemes in Akola, Gondia, Mumbai and Nagpur.

Non-ferrous mining and metallurgical industries: The increase was mainly due to more receipts under the head - services and service fees and other receipts.

Lottery receipts: The decrease was due to non-implementation of the anticipated revision in the lottery structure.

Other receipts (Miscellaneous General Services): The increase was due to transfer of credit balances from Public Accounts to Consolidated Funds due to closure of Reserve fund and Debt and Interest Relief on repayment of Consolidated Central Government loans.

Power: Increase was due to receipts of lease money from Maharashtra State Electricity Board for hydro-power projects and receipts from Pench Hydro Electric Project.

1.3 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessments of sales tax, profession tax, entry tax and luxury tax for the year 2007-08 and the corresponding figures for the preceding two years as furnished by the department, was as under:

(Rupees in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Finance Department							
Sales tax	2005-06	20,771.12	342.81	23.89	1,661.76	19,476.06	107
	2006-07	25,259.71	389.34	25.67	1,799.49	23,875.23	106
	2007-08 ⁵	28,903.67	324.84	43.02	2,709.67	26,561.86	109
Profession tax	2005-06	1,123.26	27.66	Nil	0.20	1,150.72	98
	2006-07	1,203.04	38.66	2.40	0.35	1,243.75	97
	2007-08 ⁵	1,454.49	24.22	5.17	1.28	1,482.60	98
Entry tax	2005-06	8.81	2.87	0.03	0.01	11.70	75
	2006-07	3.66	2.25	Nil	Nil	5.91	62
	2007-08 ⁵	4.43	2.84	0.35	Nil	7.62	58
Luxury tax	2005-06	113.47	0.47	0.05	0.02	113.97	100
	2006-07	192.96	0.88	0.26	Nil	194.10	99
	2007-08 ⁵	246.25	42.56	19.45	Nil	308.26	80

The above table shows that collection of revenue at the pre-assessment stage ranged between 58 and 109 *per cent* during 2005-06 to 2007-08. Under sales tax, the collection of revenue at pre-assessment stage to the net collection ranged between 106 to 109 *per cent* for the period 2005-06 to 2007-08. This indicates that the sales tax collection is mainly through voluntary compliances. During this period, the amount collected at pre-assessment stage was more than the amount due to the Government resulting in refunds aggregating to Rs. 6,170.92 crore. Revenue collected after pre-assessment stage was quite low.

1.4 Cost of collection

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

⁵ Figures as furnished by the department are at variance with the Finance Accounts.

(Rupees in crore)

Sl. No.	Head of revenue	Year	Gross collection ⁶	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2006-07
1.	Sales tax	2005-06	19,676.74	135.92	0.69	0.82
		2006-07	24,130.72	139.19	0.58	
		2007-08	26,752.80	155.53	0.58	
2.	State excise	2005-06	2,823.85	31.98	1.14	3.30
		2006-07	3,300.70	42.22	1.28	
		2007-08	3,963.05	39.45	1.00	
3.	Motor vehicles taxes	2005-06	1,309.11	38.91	2.97	2.47
		2006-07	1,841.06	41.06	2.23	
		2007-08	2,143.11	46.52	2.17	
4.	Stamp duty and registration fees	2005-06	5,265.86	96.25	1.83	2.33
		2006-07	6,415.72	60.73	0.95	
		2007-08	8,549.57	59.82	0.70	

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. 24,444.32 crore, of which Rs. 5,991.25 crore were outstanding for more than five years, as mentioned below :

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than five years as on 31 March 2008	Remarks
1.	Sales tax etc.	24,430.05	5,984.39	Stay orders were granted by the appellate authorities for Rs. 9,814.88 crore; recovery proceedings for Rs. 3,901.67 crore were not initiated as the time limit was not over; write-off proposals were in progress for Rs. 31.53 crore and the remaining amount was in different stages of recovery.
2.	State excise	6.23	3.76	Recoveries amounting to Rs. 2.51 crore were pending in the courts. Rs. 1.84 crore was in the process of recovery under the Land Revenue Act. The remaining Rs. 1.88 crore was recoverable at the departmental level.
3.	Sale of jail articles	8.04	3.10	Suitable instructions regarding recovery of revenue arrears have already been issued to subordinate office. Efforts were being made for speedy recovery.
Total		24,444.32	5,991.25	

⁶ Figures as per the Finance Accounts.

1.6 Arrears in assessment

The details of cases pending assessment for the years 2005-06, 2006-07 and 2007-08, cases due for assessment during the years, cases disposed of during the years and the number of cases pending at the end of these years as furnished by the Sales Tax Department in respect of sales tax, motor spirit tax, profession tax, purchase tax on sugarcane, entry tax, lease tax, luxury tax and tax on works contracts were as under:

Name of tax	Year	Opening balance	New cases due for assessment	Total assessments due	Disposal			Balance at the end of the year	Percentage of column 9 to 5
					Cases not to be assessed ⁷	Cases disposed	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Finance Department									
Sales tax	2005-06	22,81,914	14,81,169	37,63,083	--	2,47,176	2,47,176	35,15,907	93
	2006-07	35,15,907	Nil ⁸	35,15,907	16,74,602	9,21,801	25,96,403	9,19,504	26
	2007-08	9,19,504	Nil ⁸	9,19,504	2,86,634	95,755	3,82,389	5,37,115	58
Motor spirit tax	2005-06	7,451	1,357	8,808	--	475	475	8,333	95
	2006-07	8,333	Nil ⁸	8,333	223	500	723	7,610	91
	2007-08	7,610	Nil ⁸	7,610	531	303	834	6,776	89
Profession tax	2005-06	6,58,736	2,20,750	8,79,486	--	1,72,393	1,72,393	7,07,093	80
	2006-07	7,07,093	2,28,437	9,35,530	--	3,08,041	3,08,041	6,27,489	67
	2007-08	6,27,489	1,07,363	7,34,852	--	1,09,044	1,09,044	6,25,808	85
Purchase tax on sugarcane	2005-06	1,000	162	1,162	--	58	58	1,104	95
	2006-07	1,104	93	1,197	--	488	488	709	59
	2007-08	709	3	712	--	68	68	644	90
Entry tax	2005-06	22	68	90	--	51	51	39	43
	2006-07	39	528	567	--	201	201	366	65
	2007-08	366	496	862	--	809	809	53	6
Lease tax	2005-06	5,668	1,398	7,066	--	606	606	6,460	91
	2006-07	6,460	Nil ⁸	6,460	189	720	909	5,551	86
	2007-08	5,551	Nil ⁸	5,551	475	322	797	4,754	86
Luxury tax	2005-06	7,051	1,888	8,939	--	1,456	1,456	7,483	84
	2006-07	7,483	1,019	8,502	--	1,212	1,212	7,290	86
	2007-08	7,290	388	7,678	--	1,535	1,535	6,143	80
Tax on works contracts	2005-06	1,43,174	38,236	1,81,410	--	8,438	8,438	1,72,972	95
	2006-07	1,72,972	Nil ⁸	1,72,972	3,570	13,540	17,110	1,55,862	90
	2007-08	1,55,862	Nil ⁸	1,55,862	9,501	5,146	14,647	1,41,215	91
Total	2005-06	31,05,016	17,45,028	48,50,044	--	4,30,653	4,30,653	44,19,391	
	2006-07	44,19,391	2,30,077	46,49,468	16,78,584	12,46,503	29,25,087	17,24,381	
	2007-08	17,24,381	1,08,250	18,32,631	2,97,141	2,12,982	5,10,123	13,22,508	

⁷ These cases were not to be assessed according to the Government Resolution dated 5 January 2007.

⁸ No cases were identified for assessment by the department after the implementation of VAT.

The department informed (October 2008) that the huge pendency in assessments was due to diversion of manpower for implementation of VAT Act.

1.7 Evasion of tax

The details of cases of evasion of tax detected by the Sales Tax Department, cases finalised and the demands for additional tax raised as reported by the department is mentioned below :

(Rupees in crore)

Name of tax	Cases pending as on 31 March 2007	Cases detected during 2007-08	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised		No. of cases pending as on 31 March 2008
				No. of cases	Amount of demand	
Sales tax	2,434	662	3,096	661	79.94	2,435

1.8 Write-off and waiver of revenue

During the year 2007-08, demands for Rs. 10.92 lakh in 598 cases and Rs. 7.08 lakh in 25 cases, relating to sales tax and State excise were written off by the departments as irrecoverable due to the following reasons:

(Rupees in lakh)

Sl. No.	Reasons	Sales tax		State excise	
		No. of cases	Amount	No. of cases	Amount
1.	Whereabouts of defaulters not known	195	8.21	7	4.83
2.	Defaulters no longer alive	-	-	9	0.81
3.	Defaulters not having any property	-	-	3	0.56
4.	Defaulters adjudged insolvent	403	2.71	2	0.30
5.	Other reasons	-	-	--	--
6.	Remission of penalty	-	-	4	0.58
Total		598	10.92	25	7.08

1.9 Refunds

The number of refund cases pending at the beginning of the year 2007-08, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2007-08, as reported by the departments were as under:

(Rupees in crore)

Sl. No.	Particulars	Sales tax and works contracts		Taxes and duties on electricity		State excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	5,781	151.11 ⁹	26	4.00	87	1.66 ⁹
2.	Claims received during the year	21,229	3,062.78	221	13.61	15	0.09
3.	Refunds made during the year	22,433	2,710.95	154	11.84	24	0.09
4.	Balance outstanding at the end of the year	4,577	502.94	93	5.77	78	1.66

1.10 Results of audit

Test check of the records relating to sales tax, land revenue, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax receipts, forest receipts and other non-tax receipts conducted during 2007-08 revealed underassessments/short levy/loss of revenue amounting to Rs. 1,006.26 crore in 59,100 cases. During the course of the year, the departments accepted underassessments of Rs. 46.65 crore in 28,715 cases pointed out in 2007-08 and earlier years and recovered Rs. 37.86 crore. No replies have been received in respect of the remaining cases (November 2008).

This report contains 36 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalty etc., involving Rs. 818.90 crore. The departments/Government accepted audit observations involving Rs. 167.44 crore, of which Rs. 34.07 crore have been recovered alongwith an interest of Rs. 4.48 lakh upto November 2008. No replies have been received in the other cases (November 2008).

1.11 Response of the Government to audit observations

The Principal Accountant General (Audit)-I, Mumbai (AsG) and the Accountant General (Audit)-II, Nagpur (AsG) arrange to conduct periodical inspections of the various offices of the Government departments to test check transactions of the tax and non-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 copies to the next higher authorities. The Government of Maharashtra, Finance Department's circular dated 10 July 1967 provides for response by the executive to the IRs issued by the Accountants General (AsG), within one month, after ensuring action in compliance of the observations made during audit inspections. Serious irregularities are also brought to the notice of the heads of departments by the offices of the AsG. Half yearly reports are sent to the Secretaries of the concerned departments in respect of the pending IRs to facilitate the monitoring of audit observations.

⁹ Reconciled position furnished by the department.

Inspection reports issued upto 31 December 2007, pertaining to offices under the Finance, Home, Revenue and Forests, Industries, Energy and Labour, Housing, Urban Development, Food, Civil Supplies and Consumer Protection, Public Works, Agriculture and Co-operation, Education and Employment, Public Health and Irrigation Department disclosed that 10,037 observations relating to 4,566 IRs involving Rs. 1,009.19 crore, remained outstanding at the end of June 2008. Of these, 1,634 IRs containing 3,164 observations involving Rs. 397 crore had not been settled for more than four years. The year-wise position of the outstanding IRs and paragraphs is detailed in the Annexure-I.

In respect of 1,853 paragraphs relating to 635 IRs involving Rs. 37.19 crore, issued upto December 2007, even the first replies, which were required to be received from the heads of offices within one month, had not been received.

A review of the IRs which were pending due to non-receipt of replies from various departments, revealed that the heads of the offices and the heads of the departments (Secretaries) had failed to send replies to a large number of IRs/paragraphs, indicating that proper action was not being taken to rectify the defects, omissions and irregularities pointed out in the IRs issued by the AsG. The Secretaries of the departments, who were informed of the position through half yearly reports, did not ensure prompt and timely action. Such inaction could result in the perpetuation of serious financial irregularities and loss of revenue to the Government, despite these having been pointed out in audit.

The details of outstanding IRs were reported to the Government in August 2008; their reply had not been received (November 2008).

1.12 Departmental audit committee meetings

In order to expedite the settlement of the outstanding audit observations contained in the IRs, departmental audit committees are constituted by the Government. These committees are chaired by the Joint Secretary/Deputy Secretary of the administrative department concerned and attended, among others, by the concerned officers of the State Government and offices of the AsG.

In order to expedite clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly and ensure that final action is taken in respect of all the audit observations outstanding for more than a year, leading to their settlement. During the year 2007-08, six meetings by the Finance Department, five meetings by the Home Department, six meetings by the Revenue and Forest Department (Relief and Rehabilitation), one meeting by the Industry, Energy and Labour Department, out of eight Government departments concerned, were convened. Meetings were not held by Urban Development, Housing, Public Works, Irrigation and Agriculture and Co-operation departments. This indicated that the Government departments did not make effective use of the machinery created for settling outstanding audit observations.

1.13 Response of the departments to draft audit paragraphs

The Finance Department issued directions to all the departments in July 1967 to send their responses to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs were forwarded by the respective AsG to the Secretaries of the concerned departments through demi-official letters, drawing their attention to the audit findings and requesting them to send their response within the prescribed time. The fact of non-receipt of replies from the Government was invariably indicated at the end of each paragraph included in the Audit Report.

Draft paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2008 were forwarded to the Secretaries of the respective departments between April and August 2008 through demi-official letters. Replies to most of the paragraphs have not been received. Such paragraphs (clubbed into 36 paragraphs) have been included in this report.

1.14 Follow-up on Audit Reports - summarised position

According to the instructions issued by the Finance Department, all the departments were required to furnish explanatory memoranda, vetted by Audit, to the Maharashtra Legislative Secretariat, in respect of paragraphs included in the Audit Reports, within one month of their being laid on the table of the House.

A review of the outstanding explanatory memoranda on paragraphs included in the Reports of the Comptroller and Auditor General of India (Revenue Receipts) which were still to be discussed by the Public Accounts Committee, (PAC), disclosed that as on 30 August 2008, the departments had not submitted remedial explanatory memoranda on 49 paragraphs for the years from 1997-98 to 2005-06 (excluding 1999-2000)¹⁰ as detailed below:

Sl. No.	Name of the department	1997-98	1998-99	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Total
1.	Revenue and forests	4	2	--	5	1	6	5	3	26
2.	Finance	--	--	--	--	--	1	--	--	1
3.	Home	1	--	--	1	--	1	--	2	5
4.	Urban development	--	--	1	2	1	1	2	--	7
5.	Industries, energy and labour	--	--	--	1	--	--	--	--	1
6.	Relief and rehabilitation	--	3	--	1	1	--	--	1	6
7.	Public Works	--	1	--	--	--	--	--	--	1
8.	Medical and Public Health	--	--	--	--	--	1	--	--	1
9.	Co-operation	--	--	--	--	--	1	--	--	1
Total		5	6	1	10	3	11	7	6	49

¹⁰ 1999-2000 – Explanatory memoranda were received and the Audit Report discussed.

With a view to ensure accountability of the executive in respect of all the issues dealt with in the Audit Reports, the PAC lays down in each case, the period within which action taken notes (ATNs) on its recommendations should be sent.

The PAC discussed 204 selected paragraphs pertaining to the Audit Reports for the years from 1986-87 to 2002-03 and its recommendations on 82 paragraphs were incorporated in their 27th Report (1994-95), 9th Report (1995-96), 12th, 13th, 14th and 18th Reports (1996-97), 21st Report (1997-98), 5th Report (2000-01), 12th Report (2002-03), 5th Report (2006-07) and 6th Report (2007-08). However, ATNs had not been received in respect of 46 recommendations of the PAC from the departments concerned as mentioned in the following table:

Year	Name of the department					Total
	Home	Finance	Revenue and Forest	Industries, Energy and Labour	Relief and Rehabilitation	
1986-87	--	--	1	--	--	1
1987-88	--	1	--	--	--	1
1988-89	--	1	--	--	--	1
1989-90	1	2	4	--	--	7
1990-91	7	4	2	--	--	13
1991-92	1	--	--	1	1	3
1992-93	1	--	1	1	--	3
1993-94	3	1	2	--	--	6
1995-96	--	--	1	--	--	1
1996-97	--	--	--	--	1	1
1997-98	--	1	3	--	--	4
1998-99	--	1	4	--	--	5
Total	13	11	18	2	2	46

1.15 Compliance with the earlier Audit Reports

During the period from 2001-02 and 2006-07, the departments/Government accepted audit observations involving Rs. 2,406.87 crore, out of which an amount of Rs. 838.74 crore had been recovered till 31 March 2008 as mentioned below:

(Rupees in crore)

Year of Audit Report	Money value	Accepted money value	Recovery made
2001-02	493.85	206.13	98.96
2002-03	1,999.22	553.98	92.89
2003-04	1,246.50	693.77	590.06
2004-05	555.47	333.92	31.00

2005-06	1,332.03	123.15	19.02
2006-07	854.63	495.92	6.81
Total	6,481.70	2,406.87	838.74

Despite the matter being taken up a number of times with the concerned Secretaries, the position relating to recovery of dues as pointed out by audit, remains highly unsatisfactory.

1.16 Amendment to Act/Rules

During the year 2006-07, the Government had amended Act/Rules addressing the concerns raised by audit through audit reports. These changes are briefly mentioned in the following table:

Reference of Audit Report (AR) paragraph	Issue raised in audit	Amendment to Act/Rules etc.
Paragraphs 4.4.2 and 4.4.16 of AR 2004-05 (RR)	4.4.2 - Recommendation : Government may consider the following steps to improve the effectiveness of the system in vogue for allotment of lands.	
	<ul style="list-style-type: none"> • Adopt ready reckoner for valuation of land. 	The application of ready reckoner rates was made compulsory for determining lease rent/occupancy price in respect of the Government land allotted on leasehold/ occupancy rights vide Government Resolution (GR) dated 29 May 2006 issued by the Revenue and Forest Department, Government of Maharashtra.
	<ul style="list-style-type: none"> • Introduce a mechanism to track changes in the allottees, ensure that registers regarding allotment of Government lands are maintained in prescribed formats and introduce a control register for each collectorate to ensure recovery of Government dues promptly. 	The detailed procedure has been prescribed to keep track of change in the allottees and maintain register of allotment of land and control register at each Collectorate to recover the Government dues promptly vide GR dated 3 August 2006 issued by the Revenue and Forest Department, Government of Maharashtra.
Paragraphs 3.2.8.1 and 3.2.8.2 of AR 2006-07 (RR)	3.2.8.1 : The registering authorities by ignoring the conditions put forth in the notifications had allowed unintended extra concession in 16 instruments which led to short levy of stamp duty of Rs. 20.71 crore.	Inspector General of Registration, Pune instructed the Registering Authorities that the concession in stamp duty shall be available to specified leasing and financial institutions only on the basis of instruments evidencing the lease of the space/premises to Information Technology (IT) or IT enabled services

	<p>3.2.8.2 : The Registering Authority granted concession of stamp duty in 14 instruments without verification of evidence of lease of space/premises in IT park to IT or ITES units as of May 2007. Irregular availing of concession of Rs. 12.27 crore in payment of stamp duty was pointed out.</p>	<p>(ITES) units vide circular No.K.5/Cons.SD/1326/06 dated 30.08.2006.</p>
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