

## PREFACE

This Report for the year ended 31 March 2010 has been prepared for submission to the Governor under Article 151 (2) of the Constitution.

The audit of Revenue Receipts of the State Government is conducted under Section 16 of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising Commercial Tax/Value Added Tax, Stamp Duty & Registration Fee, State Excise, Motor Vehicle Taxes, Land Revenue, Mining and Forest Receipts of the State.

The cases mentioned in this Report include those that came to notice in the course of test audit of records during the year 2009-10 as well as those which had been noticed in earlier years but could not be included in the previous reports.

## OVERVIEW

This Report contains 19 paragraphs including two reviews relating to underassessment/short levy/loss of revenue etc. involving ₹ 99.21 crore. Some of the major findings are mentioned below.

### I. General

The total receipts of the State during the year 2009-10 amounted to ₹ 18,153.65 crore of which the revenue raised by the State Government was ₹ 10,166.25 crore and receipts from the Government of India were ₹ 7,987.40 crore. The revenue raised constituted 56 *per cent* of the total receipts of the State.

**(Paragraph 1.1.1)**

At the end of June 2010, 7,462 audit observations involving ₹ 3,313.41 crore relating to 1,990 inspection reports issued upto December 2009 remained outstanding.

**(Paragraph 1.2.1)**

Test check of the records of the Departments of Commercial tax, Stamp duty and Registration fee, Electricity and safety, State excise, Entertainment, Transport, Land revenue and other non-tax revenue etc. conducted during the year 2009-10 revealed underassessment/short levy/loss of revenue etc. aggregating ₹ 189.79 crore in 7,437 cases. During the course of the year 2009-10, the Departments concerned accepted underassessments and other deficiencies of ₹ 56.54 crore in 5,421 cases. Of these, the Department recovered ₹ 5.04 crore in 535 cases during the year 2009-10.

**(Paragraph 1.5.1)**

### II. Commercial Tax

Short levy of tax of ₹ 2.05 crore due to incorrect application of rate of tax.

**(Paragraph 2.15.1 and 2.15.2)**

Non-levy of tax of ₹ 1.11 crore due to incorrect exemption.

**(Paragraph 2.16.1 to 2.16.3)**

Non-realisation of tax of ₹ 11.43 lakh due to incorrect deduction from taxable turnover.

**(Paragraph 2.17)**

Non-realisation of revenue of ₹ 4.56 lakh due to non-levy of entry tax and penalty.

**(Paragraph 2.18)**

Short levy of tax of ₹ 4.37 lakh due to application of concessional rates on invalid declarations.

**(Paragraph 2.19)**

### **III. Stamp duty and registration fee**

Revenue unrealised due to inordinate delay in disposal of referred cases and realisation of demand.

**(Paragraph 3.9)**

### **IV. Taxes on Vehicles**

A review on “**Levy and collection of taxes on Motor Vehicles**” revealed the following:

- The arrears of revenue as on 31<sup>st</sup> March 2010 amounted to ₹ 8.57 crore of which ₹ 1.77 crore were outstanding for more than five years. In 2009-10, there was huge accumulation of arrears with a sharp increase of 114 *per cent*.

**(Paragraph 4.4)**

- The Transport Department did not have any Departmental manual. In the absence of manual, various checks and balances to be exercised by the various functionaries of the Department for registration of vehicles, levy of taxes, etc. could not be ensured.

**(Paragraph 4.8.4)**

- Improper maintenance of cash book and inadequacy in the internal control system led to fraud, misappropriation and embezzlement of Government revenue besides manipulation of challans.

**(Paragraph 4.8.5 & 4.8.6)**

- Non-fixation of rate of tax for sleeper buses led to non-levy of tax.

**(Paragraph 4.8.8)**

- Non-maintenance of records and lack of monitoring mechanism led to delay in encashment of bank drafts of ₹ 36.15 lakh.

**(Paragraph 4.8.9)**

- Failure on the part of the Department to take action against the defaulting vehicle owners resulted in non-levy of tax of ₹ 5.04 crore. Besides penalty for delay in payment of tax was also leviable.

**(Paragraph 4.8.11)**

- Non-verification of fitness of the vehicles which are due, led to non-recovery of fitness fee apart from endangering the lives of the passengers.

**(Paragraph 4.8.12)**

- Collection of taxes without taking into account the actual distance resulted in short levy of vehicle tax of ₹ 15.73 lakh. Besides penalty was also leviable as per provisions.

**(Paragraph 4.8.14)**

- Irregular Exemption of ₹ 5.73 lakh of vehicle tax on purchase of tractor/trolley for agriculture purpose.

**(Paragraph 4.8.16)**

## V. Land Revenue

Non-levy of interest of ₹ 39.70 lakh on delayed payment of one year of premium and land rent by the South Eastern Coal Fields Limited (SECL) Raigarh.

**(Paragraph 5.8)**

Non-levy of development and environmental cess of ₹ 5.95 lakh on the royalty of ₹ 59.51 lakh.

**(Paragraph 5.10)**

## VI. State Excise

Non-levy of penalty of ₹ 3.68 crore for failure to maintain the minimum stock of spirit in warehouses.

**(Paragraph 6.10)**

Non-levy of duty of ₹ 47.52 lakh on excess wastage in transportation.

**(Paragraph 6.11)**

## VII. Forest Receipts

A review on “**Assessment and collection of Forest Receipts**” revealed the following:

- The practice of depositing CT/VAT into forest receipts was in contravention to the fundamental accounting principles. This practice not only overstated the receipts of Forest Department by ₹ 114.64 crore in last five years but also understated the receipts of Commercial Tax Department.

**(Paragraph 7.4.6.2)**

- The arrears of revenue as on 31<sup>st</sup> March 2010 amounted to ₹ 2.396 crore of which ₹ 0.194 crore were outstanding for more than five years and had not been recovered.

**(Paragraph 7.4.6.3)**

- Non-maintenance of depot sale register, improper maintenance of cash book and issue of work order prior to realisation of revenue led to embezzlement of Government revenue of ₹ 2.18 lakh as well as non-realisation of interest of ₹ 1.71 lakh thereon.

**(Paragraph 7.4.7.1)**

- Deficiencies in the system of auction and inordinate delay in disposal of forest produce resulted in non-realisation of revenue due to deterioration of the forest produce.

**(Paragraph 7.4.8)**

- Delay in preparation of Working Plan in two test checked divisions resulted in non-realisation of revenue besides adversely affecting the growth and regeneration of the forest.

**(Paragraph 7.4.9)**

- Non-recovery of transit fee on the extraction and transport of minerals extracted from forest lands led to non-realisation of transit fee amounting ₹ 76.90 crore.

**(Paragraph 7.4.12)**

- Non-adherence to the Working Plan of the Department/Divisions resulted in loss of revenue as well as reduction in control over the production. Work plans prepared were not realistic or the Departmental Machinery had not taken necessary efforts to execute the work plans.

**(Paragraph 7.4.13)**

- There was loss of revenue due to variation in the estimated and actual yield of forest produces.

**(Paragraph 7.4.14)**

- There were deficiencies in transportation of forest produce due to delay by the transport contractors, no action taken against defaulting contractors, less receipt of forest produce in depots and shortages found in physical verification of the produce.

**(Paragraph 7.4.15)**

- Lack of Internal Audit Wing resulted in weak Internal Controls in the Department.

**(Paragraph 7.4.17)**

## **VIII. Geology and Mining**

Short realisation of royalty and interest of ₹ 1.05 crore.

**(Paragraph 8.10)**

Short levy/recovery of Stamp duty and Registration fee of ₹ 39.89 lakh on mining lease deeds.

**(Paragraph 8.11)**

Non-realisation of dead rent and interest of ₹ 4.29 lakh.

**(Paragraph 8.12)**

## CHAPTER-I: GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Chhattisgarh during the year 2009-10, the State's share of net proceeds of divisible Union taxes and duties assigned to States 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:

(₹ in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	<b>Revenue raised by the State Government</b>					
	• Tax revenue	4,051.91	5,045.70	5,618.10	6,593.72	7,123.25
	• Non-tax revenue	1,229.53	1,451.34	2,020.45	2,202.21	3,043.00
	<b>Total</b>	<b>5,281.44</b>	<b>6,497.04</b>	<b>7,638.55</b>	<b>8,795.93</b>	<b>10,166.25</b>
2.	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	2,507.82	3,198.80	4,034.98	4,257.91	4,380.66 <sup>1</sup>
	• Grants-in-aid	1,049.23	1,757.40	2,205.12	2,608.92	3,606.74
	<b>Total</b>	<b>3,557.05</b>	<b>4,956.20</b>	<b>6,240.10</b>	<b>6,866.83</b>	<b>7,987.40</b>
3.	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>8,838.49</b>	<b>11,453.24</b>	<b>13,878.65</b>	<b>15,662.76</b>	<b>18,153.65</b>
4.	<b>Percentage of 1 to 3</b>	<b>60</b>	<b>57</b>	<b>55</b>	<b>56</b>	<b>56</b>

The above table indicates that the total revenue raised by the State Government increased by 16 *per cent* as compared to the increase of 15 *per cent* during the previous year. However, the share of revenue raised by the State Government to the total revenue of the State during 2009-10 remained at 56 *per cent* as was in the previous year. The balance 44 *per cent* of receipts during 2009-10 was from the Government of India.

<sup>1</sup> For details, refer "tax revenue" of statement 11, detailed account of revenue by minor heads of the Finance Account of the Government of Chhattisgarh, 2009-10. The amount under the minor head 901 - share of net proceeds assigned to the state booked under the major heads 0020 - Corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0038 - Union excise duty, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services under 'A-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.

1.1.2 The following table presents the details of the tax revenue raised during the period 2005-06 to 2009-10:

(₹ in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/(-) decrease in 2009-10 over 2008-09
1.	• Commercial tax	1,602.85	2,140.71	2,502.70	2,946.78	3,031.16	(+) 2.86
	• Central sales tax	486.35	702.33	521.00	664.16	681.00	(+) 2.54
2.	State excise	634.50	706.81	843.10	964.10	1,187.72	(+) 23.19
3.	Stamp duty and Registration fee	312.80	389.51	462.72	495.59	583.13	(+) 17.66
4.	Taxes and duties on electricity	362.31	469.12	394.86	415.10	416.91	(+) 0.44
5.	Taxes on vehicles	205.97	253.05	276.94	313.78	351.88	(+) 12.14
6.	Taxes on goods and passengers	395.33	301.81	510.72	420.71	696.10	(+) 65.46
7.	Other taxes on income and expenditure taxes on professions, trades, callings and employments including hotel receipts tax	20.65	16.23	11.54	7.67	8.81	(+) 14.86
8.	Other taxes and duties on commodities and services	4.26	5.27	6.40	6.33	6.86	(+) 8.37
9.	Land revenue	26.89	60.86	88.12	359.50	159.68	(-) 55.58
	<b>Total</b>	<b>4,051.91</b>	<b>5,045.70</b>	<b>5,618.10</b>	<b>6,593.72</b>	<b>7,123.25</b>	<b>(+) 8.03</b>

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

**Commercial tax and Central sales tax:** The increase (2.86 and 2.54 *per cent*) was due to increase in sale of petrol, diesel, cement, vehicles, medicines etc. under commercial tax and increase in transactions under Central Sales tax.

**State excise:** The increase (23.19 *per cent*) was due to increase in processing fees, duties and increase in consumption of liquor.

**Stamp duty and registration fee:** The increase (17.66 *per cent*) was due to increase in price of commercial properties and value of mining lease in Raipur and Bastar.

**Taxes on vehicles:** The increase (12.14 *per cent*) was due to increase in registration of new vehicles, driving licenses, fitness and permit etc.

**Land revenue:** The decrease (55.58 *per cent*) was due to declaring some districts as drought affected.

The other Departments did not inform (October 2010) the reasons for variation, despite being requested (August 2010).

**1.1.3** The following table presents the details of the non-tax revenue raised during the period from 2005-06 to 2009-10.

(₹ in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/decrease (-) in 2009-10 over 2008-09
1.	Geology and mining	721.12	813.42	1,031.55	1,243.24	1,660.87	(+) 33.59
2.	Forestry and wild life	203.17	205.79	258.07	322.29	345.85	(+) 7.31
3	Interest receipt	97.67	186.04	205.61	237.40	220.70	(-) 7.03
4.	Major and medium irrigation	38.98	104.96	97.62	126.03	105.37	(-) 16.39
5.	Other non-tax receipts	106.41	74.32	96.44	135.18	537.82	(+) 297.85
6.	Medical and public health	3.07	19.33	7.62	1.67	35.67	(+) 2,035.93
7.	Other administrative services	14.23	13.10	10.59	11.49	13.03	(+) 13.40
8.	Police	10.21	12.11	12.31	8.22	6.69	(-) 18.61
9.	Public works	13.94	9.31	11.67	13.59	14.61	(+) 7.51
10.	Miscellaneous general services	14.91	8.62	281.84	95.58	96.97	(+) 1.45
11.	Co-operation	5.82	4.34	7.13	7.52	5.42	(-) 27.93
<b>Total</b>		<b>1,229.53</b>	<b>1,451.34</b>	<b>2,020.45</b>	<b>2,202.21</b>	<b>3,043.00</b>	<b>(+) 38.18</b>

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

**Geology and mining:** The increase (33.59 per cent) was due to increase in royalty rates and receipt of penalty.

**Forestry and wild life:** The increase (7.31 per cent) was due to increase in sale of timber and bamboos under state trading.

**Major and medium irrigation:** The decrease (16.39 per cent) was due to declaring some districts as drought affected and non-payment of water charges by local bodies.

The other Departments did not inform (October 2010) the reasons for variations, despite being requested (August 2010).

## 1.2 Response of the Departments/Government towards audit

- Annotated replies of the audit observations are to be submitted by the Government Departments to the office of the Accountant General (Audit) within one month from the date of issue of Local Audit Reports (Inspection Reports).



- In case the annotated replies of the audit observations are satisfactory and the documents in support of the replies are duly attested by the competent authority, the para is settled after verification of the documents.
- The audit observations are also settled during audit committee meetings, if the reply of Department is satisfactory.
- The observations which are subjudice remain pending till the decision of the court.
- At the time of next audit, rest of the audit observations are reviewed by the audit party at length and after verification of the record, they are recommended for settlement.

### **1.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government**

The Accountant General (Audit), Chhattisgarh (AG) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

Inspection reports issued upto December 2009 disclosed that 7,462 paragraphs involving ₹ 3,313.41 crore relating to 1,990 IRs remained outstanding at the end of June 2010 as mentioned below alongwith the corresponding figures for the preceding two years.

	June 2008	June 2009	June 2010
Number of outstanding IRs	1,875	1,955	1,990
Number of outstanding audit observations	7,059	7,266	7,462
Amount involved (₹ in crore)	2,711.75	2,847.14	3,313.41

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amount involved are mentioned in the following table:

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money involved (₹ in crore)
1.	Finance	Taxes/VAT on sales, trade etc	344	2,234	311.18
		Electricity duty	8	25	115.88
		Entertainment tax	56	72	1.78
2.	Stamp and Registration	Stamp and registration fees	228	559	27.33
3.	Revenue	Land Revenue	475	1,270	350.14
4.	Transport	Taxes on motor vehicles	101	681	79.09
5.	Excise	State Excise	102	289	264.25
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	114	387	468.13
7.	Other tax Departments	Other receipts	286	1,041	651.03
8.	Forest (Revenue)	Forest receipts	276	904	1,044.60
<b>Total</b>			<b>1,990</b>	<b>7,462</b>	<b>3,313.41</b>

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 87 IRs issued upto March, 2010. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

**It is recommended that the Government needs to take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.**

### 1.2.2 Departmental Audit Committee meetings

The Government has set up audit committees (during various periods) to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2009-10 and the paragraphs settled are mentioned in the following table:

(₹ in crore)

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Non-ferrous mining and metallurgical industries	01	13	2.01
Forestry	01	22	2.54
Taxes on vehicles	02	41	9.92
Public Works	01	03	1.35
<b>Total</b>	<b>05</b>	<b>79</b>	<b>15.82</b>

Despite repeated reminders (September 2009, December 2009, January 2010 and June 2010) for conducting audit committee meetings, Registration Department did not take any initiative to organise a single meeting.

**It is recommended that more ACMs may be taken to reduce outstanding paras.**

### 1.2.3 Non-production of records to Audit for scrutiny

The programme of local audit of Commercial Tax is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Department to enable them to keep the relevant records ready for audit scrutiny.

During 2009-10, commercial tax assessment records relating to eight offices were not made available to audit as mentioned below:

Sl. No.	Name of office	Year in which it was audited	Number of assessment cases not audited	Number of cases in which revenue involved could be ascertained	Revenue involved
1.	Commercial Tax Officer, Circle-III, Raipur	4/2004 to 3/2009	3	N.A	N.A
2.	Assistant Commissioner, Raipur (Shri Uday Shankar)	4/2004 to 3/2009	22	N.A	N.A
3.	Assistant Commissioner, Raipur(Shri K.R.Jhariya)	4/2005 to 3/2009	12	N.A	N.A
4.	Assistant Commissioner, Raipur (Smt. Uma Singh)	4/2005 to 3/2009	7	N.A	N.A
5.	ACCT, Raigarh	4/2006 to 3/2009	5	N.A	N.A
6.	ACCT, Korba	4/2007 to 3/2009	6	N.A	N.A
7.	CTO, Manendragarh	4/2001 to 3/2009	6	N.A	N.A
8.	ACCT-I	4/2006 to 3/2009	23	N.A	N.A
	<b>Total</b>		<b>84</b>		

During 2009-10, records of Forest Department relating to one office were not made available to audit as mentioned in the following table:

Sl. No.	Name of office	Year in which it was audited	Number of assessment cases not audited	Number of cases in which revenue involved could be ascertained	Revenue involved
1.	Divisional Forest Officer, East Raipur	2009-10	3	N.A	N.A

#### **1.2.4 Response of the Departments to the draft audit paragraphs**

As per standing instructions of the Finance Department, all Departments are to send their response to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within three weeks of their receipt. The draft paragraphs are forwarded to the Secretaries of the Department concerned through demi-official letters requesting them to send their response within three weeks. 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.

Twenty two draft paragraphs (clubbed into 19 paragraphs) proposed to be included in the report of the Comptroller and Auditor General of India (Revenue receipts) for the year ended 31 March 2010 were forwarded to the Secretaries of the respective Departments between March 2010 and July 2010. Out of 22 draft paragraphs, the Departments have accepted the audit observations in respect of 19 paragraphs.

#### **1.2.5 Follow up on Audit Reports - summarised position**

According to the instructions issued by the Finance Department, all Departments were required to furnish explanatory memoranda, vetted by audit, to the Chhattisgarh *Vidhan Sabha* Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House.

As on March 2010, six Departments had not furnished the Departmental notes in respect of ten paragraphs included in the Audit Reports for the years between 2004-05 and 2007-08 for vetting and the period of delay ranged from 11 to 45 months as mentioned in the following table:

Sl. No.	Name of the Department	Year of 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 in months at the end of March, 2010
1.	Land revenue	2004-05 2007-08	23.3.06 20.2.09	23.6.06 20.5.09	1 1	45 11
2.	Geology and mining	2006-07	8.7.08	8.10.08	1	18
3.	Water resources	2006-07 2007-08	8.7.08 20.2.09	8.10.08 20.5.09	1 1	18 11
4.	Motor vehicle tax	2006-07 2007-08	8.7.08 20.2.09	8.10.08 20.05.09	1 2	18 11
5.	Co-operative	2007-08	20.2.09	20.05.09	1	11
6.	Forest receipt	2006-07	8.7.08	8.10.08	1	18
<b>Total</b>					<b>10</b>	

With a view to ensure accountability of the executive, the Public Accounts Committee (PAC) lays down in each case, the period within which Action Taken Notes (ATN) on its recommendations should be sent. The PAC discussed 159 selected paragraphs pertaining to the Audit Reports for the years 1998-99 to 2007-08 and gave its recommendations on 28 paragraphs. However, ATNs have not been received in respect of 28 recommendations of the PAC from the Departments concerned as mentioned in the following table:

Year	Name of the Department						Total
	Commercial tax/State Excise	Co-operative	Urban development/Registration	Motor vehicle/Land revenue	Water resource / Mining	Food civil supplies /Public Works Department	
1998-99	--/2	1	--/4	2/1	2/--	1/--	13
1999-2000	--/--	--	--/--	--/--	--/3	--/--	03
2000-01	--/1	--	--/6	4/--	1/--	--/--	12
2001-02	--	--	--	--	--	--	--
2002-03	--	--	--	--	--	--	--
<b>Total</b>	<b>--/3</b>	<b>1</b>	<b>--/10</b>	<b>6/1</b>	<b>3/3</b>	<b>1/--</b>	<b>28</b>

### 1.2.6 Compliance with the earlier Audit Reports

In the Audit Reports of 2004-05 to 2008-09 cases of under assessment, non/short levy of taxes, loss of revenue, failure to raise demands etc. were indicated involving ₹ 894.04 crore. The Departments accepted observations of the Audit Reports involving ₹ 505.40 crore of which ₹ 8.46 crore only had been recovered till March, 2010 as mentioned in the following table:

(₹ in crore)

Sl. No.	Year of the Audit Report	Total money value	Amount accepted	Recovery made upto March 2010
1.	2004-05	46.00	1.05	1.43
2.	2005-06	253.10	2.22	1.88
3.	2006-07	15.99	2.92	1.35
4.	2007-08	92.87	52.88	3.34
5.	2008-09	486.08	446.33	0.46
<b>Total</b>		<b>894.04</b>	<b>505.40</b>	<b>8.46</b>

**The Government needs to take effective steps to recover the outstanding amount.**

### 1.3 Analysis of the mechanism for dealing with the issues raised by audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last 9 years in respect of **one Department** is evaluated and included in each Audit Report.

The succeeding paragraphs 1.3.1 to 1.3.2.2 discuss the performance of the Registration Department to deal with the cases detected in the course of local audit conducted during the last 9 years and also the cases included in the Audit Reports for the years 2001-02 to 2009-10.

#### 1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 9 years, paragraphs included in these reports and their status as on 31 March 2010 are mentioned in the following table:

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)
2001-02	170	408	1,504.55	29	97	567.19	14	51	63.87	185	454	2,007.87
2002-03	185	454	2,007.87	20	20	90.34	--	--	--	205	474	2,098.21
2003-04	205	474	2,098.21	30	100	144.56	16	41	56.15	219	533	2,186.62
2004-05	219	533	2,186.62	9	34	579.49	11	42	53.19	217	525	2,712.92
2005-06	217	525	2,712.92	26	91	314.30	32	84	1,226.95	211	532	1,800.27
2006-07	211	532	1,800.27	13	40	129.46	7	20	55.94	217	552	1,837.79
2007-08	217	552	1,873.79	26	103	747.88	5	40	168.80	238	615	2,452.87
2008-09	238	615	2,452.87	28	76	480.47	18	81	255.22	248	610	2,678.12
2009-10	248	610	2,678.12	11	29	138.06	13	31	134.55	246	608	2,681.63

(IRs related to the year 2000-01 were not taken into consideration as the period relates to Madhya Pradesh Government)

It was proposed (September 2009) to conduct Departmental audit committee meetings in regular intervals to settle outstanding old paras. Despite repeated requests (December 2009, January and June 2010), the Registration Department did not respond to hold meetings.

### 1.3.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

#### 1.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last nine years, those accepted by the Department and the amount recovered are mentioned in the following table:

Year of AR	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	(₹ in lakh)
						Cumulative position of recovery of accepted cases
2000-01	2	9	--	--	--	--
2001-02	3	174	--	--	--	--
2002-03	2	9	2	9	0.46	0.46
2003-04	2	1,230	2	1,230	--	0.46
2004-05	7	84	4	78	1.63	2.69
2005-06	3	34	3	34	10.15	12.24
2006-07	5	297	5	297	123.72	135.96
2007-08	--	--	--	--	--	--
2008-09	4	161	4	161	--	--
<b>Total</b>	<b>28</b>	<b>1,998</b>	<b>20</b>	<b>1,809</b>	<b>135.96</b>	<b>151.81</b>

28 paras (Money Value ₹ 1,998 lakh) had been included in the Audit Reports for the period 2000-01 to 2008-09, of which 20 paras (Money Value ₹ 1,809 lakh) were accepted by the Department, whereas only ₹ 135.96 lakh (7.51 per

cent) was realised during the year (2008-09) in the accepted cases, which works out to nearly seven *per cent* of the total money value of the paragraphs. The Government needs to take effective steps to recover outstanding revenue.

Information regarding mechanism existing in the Department if any, to monitor the recovery in the accepted cases have been called for (October 2010) from the Department but the same is still awaited.

### 1.3.2.2 Action taken on the recommendations accepted by the departments/Government

The draft performance reviews conducted by the AG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the Department's/Government's views are included while finalising the reviews for the Audit Reports.

The following paragraphs discuss the issues highlighted in the reviews on the Registration Department featured in the last nine Audit Reports including the recommendations and action taken by the Department on the recommendations accepted by it as well as the Government.

Year of AR	Name of the review	Number of recommendations	Details of the recommendations accepted	Status
2006-07	Levy and collection of stamp duty and registration fee	10	4.2.7 Absence of database of revenue forgone	Informatory
			4.2.8 Remission of stamp duty on instruments of industrial units ₹ 48.12 lakh (47 cases)	An amount of ₹ 1.15 lakh recovered in 8 cases.
			4.2.9 Concession/remission of stamp duty on instruments of mortgage deed on agricultural purposes ₹ 25.98 lakh (194 cases)	An amount of ₹ 0.28 lakh recovered in 3 cases.
			4.2.10 Failure to levy stamp duty on the market value of the immovable properties ₹ 178.89 (355 cases)	An amount of ₹ 16.82 lakh recovered.
			4.2.11 Non-levy of stamp duty on sale of industrial property ₹ 2.10 lakh (1 case)	An amount of ₹ 2.10 lakh is pending for recovery.
			4.2.12 Inspections	Department replied that inspection is being undertaken.
			4.2.13 Internal Audit	Department replied that two internal audit



			officers are posted.
		4.2.14 Short levy of stamp duty and registration fee due to misclassification of instruments ₹ 38.46 lakh (48 cases)	Verification is being done in 36 cases.
		4.2.15 Delay in disposal of referred cases and realisation of demand ₹ 574.63 lakh (932 cases)	An amount of ₹ 104.46 lakh recovered.
		4.2.16 Short levy due to non-inclusion for consideration of lease deeds ₹ 4.81 lakh (26 cases)	An amount of ₹ 1.09 lakh recovered in 6 cases.

671 instruments were mentioned in all the recommendations of the review excluding para No. 4.2.15 in which short levy of stamp duty and registration fee of ₹ 2.98 crore was depicted. In these instruments, the amount of ₹ 0.19 crore (6.48 per cent) have been realised which is nominal.

Besides the above, the recommendation cited at para 4.2.15 of the review in which it was depicted that 932 cases involving stamp duty of ₹ 5.75 crore pertaining to the year 2002-03 to 2006-07 were pending with the District Registrars (DRs) Bilaspur, Durg and Raipur for determination of correct market value of the properties mentioned in the cases. The sum of ₹ 1.04 crore (18.17 per cent) have been realised in the pending cases which is nominal.

**In order to avoid loss of revenue, Government may consider framing suitable time frame for disposal of the pending cases.**

Information regarding, the system if any, in the Department to monitor the action taken/to be taken on the assurance given by Department/Government on the recommendations in the review have been called for (October 2010) from the Department and the same is still awaited.

## 1.4 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and tax administration i.e. budget speech, white paper on state finances, reports of the Finance Commission (state and central), recommendations of the taxation reforms committee; statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years etc.

During the year 2009-10, the audit universe comprised of 485 auditable units, of which 94 units were planned and 116 units audited during the year which is 23.92 per cent of the total auditable units.

Besides, the compliance audit mentioned above, two performance reviews were also taken up to examine the efficacy of the tax administration of these receipts.

## **1.5 Results of audit**

### **1.5.1 Position of local audit conducted during the year**

Test check of the records of 116 units of commercial tax, land revenue, state excise, motor vehicles tax, stamps and registration fees and other non-tax receipts conducted during the year 2009-10 revealed underassessment/short levy/loss of revenue aggregating to ₹ 189.79 crore in 7,437 cases. During the course of the year, the departments concerned accepted underassessments and other deficiencies of ₹ 56.54 crore involved in 5,421 cases. The departments collected ₹ 5.04 crore in 535 cases during 2009-10.

### **1.5.2 This Report**

This report contains 17 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) and two performance reviews on “**Levy and collection of Motor Vehicle taxes**” and “**Assessment and collection of Forest Receipts**” relating to short/non-levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 99.21 crore. The departments/Government have accepted audit observations involving ₹ 20.89 crore out of which ₹ 10.31 crore had been recovered. The replies in the remaining cases have not been received (November 2010). These are discussed in succeeding chapters II to VIII.

## CHAPTER II : COMMERCIAL TAX

### 2.1 Tax administration

The Chhattisgarh Commercial Tax Department is responsible for levy and collection of Value Added tax (VAT), Central Sales tax (CST), Entry tax (ET), Professional tax (PT) and Luxury tax (LT) in the State through assessment of cases of dealers. Commercial Tax Department contributes major part of the revenue for the State. The Department implements the under mentioned Acts and Rules made thereunder:

- Central Sales Tax, 1956;
- Chhattisgarh Value Added Tax Act 2005;
- Chhattisgarh Commercial Tax Act, 1994;
- Chhattisgarh Professional tax Act 1995;
- Chhattisgarh Luxury tax Act 1988; and
- Entry Tax Act 1976.

The Commercial Taxes Department (CTD) is under the administrative control of Finance Department and is headed by the Commissioner of Commercial Taxes (CCT). He is assisted by four Additional Commissioners (Addl. CCTs), 12 Deputy Commissioners (DCs), 26 Assistant Commissioners (ACs), 69 Commercial Tax Officers (CTOs), 118 Assistant Commercial Tax Officers (ACTOs) and 168 Commercial Tax Inspectors (CTIs).

### 2.2 Analysis of budget preparation

The Budget estimates, as per the Chhattisgarh Budgetary manual, are prepared after taking into account the revenue realised during the previous year and the expected revenue increase in the current year. The Department sends the budget proposal to the Finance Department for approval. The budget, after discussion, is approved by the Finance Department.

### 2.3 Trend of Revenue Receipts

Actual receipts from Commercial Taxes during the years 2005-06 to 2009-10 along with the total tax receipts during the period is exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	1,745.81	2,089.20	(+) 343.39	(+) 19.67	4,051.91	51.56
2006-07	2,903.20	2,843.04	(-) 59.96	(-) 2.07	5,045.70	56.34
2007-08	3,200.00	3,023.70	(-) 176.30	(-) 5.51	5,618.10	53.82
2008-09	3,470.00	3,610.94	(+) 140.94	(+) 4.06	6,593.72	54.76
2009-10	3,447.12	3,712.16	(+) 265.04	(+) 7.69	7,123.25	52.11

(Source: Finance Accounts of the State)

The contribution of Commercial Tax receipts to the tax revenue of the state during the last five years ranged between 51.56 to 56.34 *per cent*. It may be seen from the above table that the actual receipts during the above period except in 2006-07 and 2007-08, exceeded the budget estimates and the same ranged between four *per cent* and 20 *per cent*. As regards 2006-07 and 2007-08, the shortfall in the receipts was two *per cent* and six *per cent* respectively. The reasons for shortfall in receipts though called for from the Department have not been received. The higher achievements of revenue receipts in 2008-09 and 2009-10 were mainly due to increase in the number of registered dealers, due to implementation of VAT since 1 April 2006.

## 2.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 amounted to ₹ 438.57 crore of which ₹ 131.45 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10:-

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears
2005-06	131.45	136.85	121.18	147.12
2006-07	147.12	215.79	206.38	156.53
2007-08	156.53	424.99	398.19	183.33
2008-09	183.33	171.26	160.20	194.39
2009-10	194.39	927.38	683.20	438.57

(Source: Departmental figures).

The Department should take effective steps to recover the arrears by issuing revenue recovery certificates.

## 2.5 Assessee Profile

Year	Number of dealers registered	Large Tax Payers	Small Tax Payers	Number of dealers required to file returns	Number of returns received	Action taken by the department
2009-10	69,837	5,795	64,042	56,239	40,577	Advance Tax Notices issued to the dealers for collection of taxes due and action taken to recover the due amount.

## 2.6 Cost of VAT per assessee

(₹ in crore)

Year	Number of Assessee	VAT Revenue	Revenue/Assessee
2005-06	54,278	2,504.94	0.0462
2006-07	57,353	3,161.72	0.0551
2007-08	59,499	3,545.77	0.0596
2008-09	63,446	4,044.39	0.0637
2009-10	69,727	4469.77	0.0641

(Source: Departmental figures)

The above table indicates that after implementation of Chhattisgarh VAT Act (April 2006), the revenue per Assessee increased considerably and there was constant increase in collection of VAT from 2006-07 to 2009-10.

## 2.7 Arrears in assessment

The number of pending cases at the beginning of the year 2009-10, becoming due during the year, disposed of during the year and pending at the end of the year 2009-10 as furnished by the Departments are mentioned in the following table:

Name of tax	Opening balance (2009-10)	Addition during the year	Total number of assessment cases due	Cases disposed during the year	Cases pending at the end of the year	Percentage of clearance (column 5 to 4)
1	2	3	4	5	6	7
Value Added tax	20,878	79,923	1,00,801	77,053	23,748	76.44
Professional tax	517	27,923	28,440	25,261	3,179	88.82
Entry tax	36,398	9,343	45,741	37,446	8,295	81.87
Luxury tax	4	143	147	108	39	73.47
Tax on works contract	19	293	312	209	103	66.99
<b>Total</b>	<b>57,816</b>	<b>1,17,625</b>	<b>1,75,441</b>	<b>1,40,077</b>	<b>35,364</b>	<b>79.84</b>

The above table indicates that at the end of the year, 23.56 per cent of VAT cases were pending for assessment. The Government may initiate timely actions for expeditious disposal of these pending cases. 204 and 89 cases were selected respectively for tax audit and completed during the year 2006-07 and 2007-08.

## 2.8 Cost of collection

The expenditure incurred on collection of receipt and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure to gross collection of preceding years is indicated in the following table:

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of expenditure to gross collection of preceding year
Taxes/VAT on Sale, trade etc	2007-08	3023.70	14.24	0.47	0.82
	2008-09	3610.94	16.38	0.45	0.83
	2009-10	3712.16	25.71	0.69	0.88

It may be seen from the table that though the percentage of expenditure incurred was lower in comparison to the all India percentage, but the same was increased by 57 per cent in 2009-10 as compared to 2008-09.

## 2.9 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes on sales, trade etc. during the year 2009-10 and corresponding figures for the preceding five years as furnished by the Finance (Commercial Taxes) Department is mentioned below:

(₹ in crore)

Heads of revenue	Year	Amount collected at the pre-assessment stage	Amount collected after regular assessment	Penalty for delay in payment of taxes and duties	Amount refunded	Net collection as per department	Percentage of collection (column 3 to 7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Taxes/VAT on sales, trade etc.	2004-05	1,321.62	26.47	8.17	9.09	1,347.17	98.10
	2005-06	1,621.44	52.48	10.81	10.72	1,674.01	96.86
	2006-07	2,038.49	104.41	20.77	22.96	2,140.71	95.22
	2007-08	2,379.83	126.97	10.44	14.55	2,502.69	95.09
	2008-09	2,925.54	52.77	8.12	18.35	2,968.08	98.57
	2009-10	2,388.16	190.93	87.35	57.33	2,609.11	91.53

(Source: Departmental figures)

It may be seen from the table that net collection of taxes during the year 2009-10 decreased as compared to 2004-05.

## 2.10 Impact of audit

**2.10.1: Position of IRs :** During the last five years, audit through its Audit Reports had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, incorrect computation etc. with revenue implication of ₹ 1.17 crore in 846 cases. Of these, the Department/Government had accepted audit observations in 193 cases involving ₹ 0.70 crore. No recovery has been made by the Department in any of these cases. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	10	185	0.14	68	0.04	-	-
2005-06	17	263	0.20	2	0.003	-	-
2006-07	10	176	0.18	97	0.11	-	-
2007-08	04	37	0.03	16	0.07	-	-
2008-09	20	185	0.62	10	0.48	-	-
<b>Total</b>		<b>846</b>	<b>1.17</b>	<b>193</b>	<b>0.70</b>	-	-

The above table indicates that during the last five years no recovery was effected by the Department. The Department had also not taken any initiative for clearance of the cases pointed out by audit.

**2.10.2 : Position of Audit Reports :** In the Audit Report 2004-05 to 2008-09, cases of under assessment, non/short levy tax were indicated involving ₹ 60.35 crore. The Department accepted observations of ₹ 48.33 crore of which ₹ 0.08crore had been recovered till March 2010 as shown in the following table:

(₹ in crore)

Sl. No.	Year of the audit report	Total money value	Amount accepted	Recovery made up to March 2010
1.	2004-05	2.94	0.28	-
2.	2005-06	5.10	-	-
3.	2006-07	2.11	0.24	0.08
4.	2007-08	0.74	0.32	-
5.	2008-09	49.46	47.49	-
<b>Total</b>		<b>60.35</b>	<b>48.33</b>	<b>0.08</b>

The above table indicates that during the year 2006-07, only ₹ 0.08 crore was recovered by the Department. The Department had not taken any initiative to recover the amount as pointed out in Audit Reports.

## 2.11 Internal audit

Internal Audit Wing (IAW) is organised by the Commissioner, Commercial Tax Department. Internal Audit is conducted in accordance with the plans. While conducting internal audit, no major comments of the IAW has been received but corrective actions were taken by the Department. The Government may instruct to IAW to issue the inspection reports and obtain the compliance in time.

## 2.12 Results of audit

Test check of the records of 32 units relating to Commercial Tax Department revealed underassessment, non/short levy of tax/interest/penalty, application of incorrect rate of tax etc. amounting ₹ 35.93 crore in 295 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Incorrect deduction/exemption on strength doubtful forms	77	10.80
2.	Incorrect grant of exemption/deduction	65	8.90
3.	Non-tax levy of tax and penalty	58	6.78
4.	Incorrect determination of taxable turnover	21	3.35
5.	Application of incorrect rate of tax	34	1.36
6.	Other irregularities	40	4.74
<b>Total</b>		<b>295</b>	<b>35.93</b>

During the year, the Department accepted underassessment of ₹ 0.30 crore in 10 cases.

After issue of draft paragraph, the Department had recovered ₹ 0.98 lakh in full in one case.

A few illustrative cases involving ₹ 3.36 crore are mentioned in the following paragraphs.



### 2.13 Audit observations

*We scrutinised assessment records of sales tax/value added tax (VAT) in Commercial Taxes Department and found several cases of non-observance of provisions of the Acts/Rules, non/short levy of tax/penalty/interest, incorrect application of rate of tax, incorrect deduction from taxable turnover, incorrect exemption and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are only illustrative and are based on a test check carried out by us. Such omissions on the part of assessing authorities (AA) are pointed out in audit each year, but not only do the irregularities persist but these also remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of the internal audit to ensure that such omissions are detected and rectified.*

### 2.14 Non-observance of the provisions of the Acts/Rules

*The Chhattisgarh Commercial Tax Act 1994 provides for:*

- (i) levy of tax/interest/penalty at the prescribed rate; and*
- (ii) allowing exemption of turnover subject to fulfilment of the prescribed conditions.*

*We noticed that the AAs while finalising the assessment did not observe some of the provisions which resulted in non/short realisation of revenue as mentioned in succeeding paragraphs.*

### 2.15 Incorrect application of rate of tax

According to notification No. A-5-14-97-ST-V (78) dated 29.9.1997 as amended w.e.f. 1.7.2004 issued by Chhattisgarh Government under Entry Tax Act, if a dealer acquires or obtains Iron ore otherwise than by way of purchase and utilises it under Section 4A of Entry Tax Act 1976, then entry tax is leviable at the rate of three *per cent*.

**2.15.1** We found in the test check of the records of the Assistant Commissioner (AC) Commercial Tax, Korba (November 2009) that a dealer<sup>1</sup> who was a manufacturer of sponge iron, billets, rolled products, assessed in June 2007 and June 2008 for the periods April 2005 to March 2006 and April 2006 to March 2007 respectively, had received iron ore worth ₹ 43.60 crore and ₹ 46.74 crore through stock transfer for the period 2005-06 and 2006-07

respectively. The Assessing officer levied entry tax at the rate of one *per cent* though as per the above notification entry tax at three *per cent* was leviable. This resulted in short levy of tax of ₹ 1.81 crore.

After we pointed out the case, the Department accepted the objection and stated that the case would be reopened and action will be taken.

<sup>1</sup> M/s Prakash Industries Champa.

We brought the matter to the notice of the Government (May 2010); their reply has not been received (November 2010).

According to entry no. 41 of Schedule II of part III of the Chhattisgarh Commercial Tax Act, 1994, hair oil is taxable at the rate of 17.25 *per cent* (including surcharge). As per the judgement of Hon'ble Supreme Court in the case of Annapurna Carbon Industries Vs State of Andhra Pradesh (1976) 37 STC 378, it is its general or predominant use that determines the category in which an article will fall.

**2.15.2** We found in the test check of the records of the Assistant Commissioner, Raipur (June 2009) that a dealer engaged in sale of coconut oil, mustard oil and spices etc. assessed in July 2008, sold coconut oil of ₹ 1.57 crore during 2005-06. The tax was levied at the rate of two *per cent* by the Assessing Officer treating it as edible oil while it was taxable at the rate of 17.25 *per cent* being used as hair oil. This resulted in short levy of tax of ₹ 23.97 lakh

After we pointed out the case, the Department accepted the objection and stated that action would be taken.

We brought the matter to the notice of the Government (February 2010); their reply has not been received (November 2010).

## **2.16 Non-levy of tax due to incorrect exemption**

According to the notification dated 13.04.2000 issued by the Chhattisgarh Government under Commercial Tax Act, when a registered dealer sells scrap of Iron and steel, Pig iron, cast iron and/or steel semis and defectives, rejects cuttings etc. to another such dealer against A-3 declaration for use by him in manufacture of steel semis, wire rods, ingots etc, he will be exempted from Sales tax. 'Sponge iron' was not included in above notification.

**2.16.1** We found in the test check of the records of the Assistant Commissioner, Commercial Tax, Raipur (June 2009) that three dealers engaged in manufacture and sale of sponge iron for the period 2004-05 and 2005-06 assessed in January 2008 and January 2009 were allowed exemption of ₹ 21.78 crore on sponge iron on A-3 declaration. As the sponge iron was not included in the above notification, the above sale was taxable at the rate of four *per cent*. This has resulted in non-levy of tax of ₹ 87.14 lakh.

After the case was pointed out, the Department replied (October 2010) that the case has been reopened under section 28(1) and is under process.

We brought the matter to the notice of the Government (February 2010); their reply has not been received (November 2010).

As per section 13(16) of the Chhattisgarh Commercial Tax Act, 1994 Goods manufactured by a unit eligible for exemption from payment of tax are not covered in the definition of tax paid goods. Therefore, such goods even if used as raw material or incidental goods are not eligible for set off. Further as per the judgement of the Supreme Court, "Crude oil purchased by a dealer and converted to refined oil, does not retain its character after processing and is therefore liable to be taxed".

**2.16.2** We found in the test check of records of Assistant Commissioner, Commercial Tax (ACCT), Raipur (November 2008) that a dealer<sup>2</sup> engaged in refining of crude soya oil and sale of refined oil was assessed in January 2008 for the period 2004-05. The dealer sold refined soya oil for ₹ 8.31 crore during the period of assessment and was allowed tax exemption of ₹ 16.63 lakh on sale of refined oil. As crude oil does not retain its character after refining, it is irregular to exempt it from taxation as per the judgement above. This irregular exemption allowed to the dealer resulted in non-levy of tax of ₹ 16.63 lakh.

After we pointed out the case, the Department accepted the objection and stated that necessary action would be taken.

We brought the matter to the notice of the Government (February 2010); their reply has not been received (November 2010).

According to Section 9 of the Chhattisgarh Commercial Tax Act, 1994 read with Schedule-II, commercial tax on *safed musli* (as kirana goods) is leviable at 4.6 per cent (including surcharge of 15 per cent).

**2.16.3** We found in the test check of the records of the Commercial Tax Officer (CTO) Circle-III, Raipur (April 2009) that a dealer was assessed in January 2007 for the period April 2003 to March 2004. As per assessment order the dealer was in business of sale and purchase of PVC pipe and allowed exemption of sale of tax free 'Abhrak' amounting to ₹ 1.63 crore.

The assessee had shown the sales of tax free *safed musli* and seeds amounting to ₹ 1.57 crore and ₹ 0.06 crore respectively as against the business of sale and purchase of PVC pipes declared by him in his return. As *safed musli* is included in the list of kirana goods, the tax of ₹ 7.22 lakh on ₹ 1.57 crore at the rate of 4.6 per cent was leviable. Thus, failure of the Assessing officer to verify the business at the time of assessment led to non-levy of tax of ₹ 7.22 lakh on sales of ₹ 1.57 crore.

After we pointed out the case (April 2009), the Department accepted the objection and stated that demand notice has been issued to the dealer.

<sup>2</sup> M/s M.P. Oil & fats Ltd.

We brought the matter to the notice of the Government (February 2010); their reply has not been received (November 2010).

### 2.17 Incorrect deduction from taxable turnover

According to the Chhattisgarh Commercial Tax Rules, 1995, every registered dealer is required to furnish a copy of goods account, purchase list, computation sheet and documents relating to deductions shown in return along with the last return for the year.

We found in the test check of the records of the Assistant Commissioner, Circle-I, Durg (October 2008) that a dealer engaged in clearing and forwarding of medicines for the period April 2003 to March 2004 and assessed in January 2006 availed deduction on purchase returns of ₹ 82.21 lakh and deduction of life saving drugs of ₹ 42.08 lakh for which no

supporting documents were attached with the case. Thus, the deduction granted to the dealer was incorrect in view of the rules *ibid* and tax at the rate of 9.2 *per cent* (including surcharge on medicine) should have been levied. Non-levy of tax has resulted in non-realisation of revenue of ₹ 11.43 lakh.

After the case was pointed out (October 2008), the Department replied (October 2010) that the case has been reopened and is under process.

We brought the matter to the notice of the Government (February 2010); their reply has not been received (November 2010).

### 2.18 Non-levy of entry tax and penalty

According to Section 3 of the Chhattisgarh Entry Tax Act 1976, entry tax is leviable on goods entering into local area for sale, use or consumption as raw material or incidental goods for packing material at the rate specified in schedule. Being a Schedule II item, entry tax on machineries and parts thereof is leviable at the rate of one *per cent*. Further as per Section 13 of Chhattisgarh Entry Tax Act, Vanijyik Kar Adhinyam and the rules made and orders and notifications issued thereunder shall *mutatis mutandis* apply to a dealer or person in respect of the entry tax leviable and payable under this act. As per Section 69 of Chhattisgarh Commercial Tax (CGCT) Act, in addition to the tax payable, penalty which shall not be less than three times but shall not exceed five times is payable for the amount of tax evaded.

We found in the test check of the records of the Assistant Commissioner, Commercial Tax, Bilaspur Circle I (April 2009) that a dealer engaged in the beneficiation of coal and sale thereof was assessed in April 2005 for the period 2001-02 and had purchased machinery and spare parts valuing ₹ 1.14 crore from other state for use but did not show it in purchase list as

revealed from Form 59 A. The purchased goods attract entry tax of ₹ 1.14 lakh and penalty of ₹ 3.42 lakh but no demand was raised by the Department for its recovery. This resulted in non-realisation of revenue of ₹ 4.56 lakh.

After we pointed out the case, the Department accepted the objection and intimated that the case has been reopened under section 28(1).

We brought the matter to the notice of the Government (November 2009); their reply has not been received (November 2010).

## 2.19 Short levy of tax due to application of concessional rates on invalid declarations

According to Chhattisgarh Commercial Tax Act, 1994 and rules made thereunder, sale of goods enlisted in Schedule-II of the Act by a registered dealer to another registered dealer for use by him in the manufacture or processing of goods for sale is taxable at concessional rate of four *per cent* subject to the production of declaration as specified. Otherwise, it is taxable at full rate as mentioned in Schedule-II of the Act.

We found in the test check of the records of the Assistant Commissioner-I, Bilaspur (April 2009) that the dealer<sup>3</sup> engaged in sale of explosives for the period 2002-03 and assessed in February 2006, availed concessional rate of tax on the sale of ₹ 93.46 lakh on the basis of declarations on Form 33. In the declarations the invoice dates were prior to the dates of purchase order ranging from one to seven months on the sale value of ₹ 47.50 lakh. The tax was levied at concessional rate of 4.6 *per cent* which resulted in short levy of tax of ₹ 4.37 lakh.

After we pointed out the case, the Department accepted (October 2010) the objection and stated that the case has been reopened and is under process.

We brought the matter to the notice of the Government (February 2010); their reply has not been received (November 2010).

<sup>3</sup> M/s Tamilnadu Industrial Explosives Ltd.

## CHAPTER-III : STAMP DUTY & REGISTRATION FEE

### 3.1 Tax administration

The Registration Department collects revenue for the Government in the form of stamp duty and registration fee which are the major sources of revenue for the Government. Stamp duty is leviable on the execution of instruments and registration fee is payable at the prescribed rates. Evasion of stamp duty and registration fee are commonly resorted through undervaluation of properties, non-presentation of documents in the office of the registration authority and non/short payment of stamp duty by the executants on the documents submitted before the registering authority. Department follows the undermentioned Acts and Rules for collection of stamp duty and registration fees:

- Indian Stamp Act (IS Act) 1899;
- Registration Act (IR Act ) 1908;
- Chhattisgarh Prevention of undervaluation of Instruments Rules 1975; and
- Chhattisgarh Market Value Guideline Rules 2000.

The levy and collection of Stamp Duty and Registration Fee is administered by the Registration Department headed by the Inspector General of Registration cum Superintendent of Stamps (IGR) who is assisted by Deputy (IGR), District Registrar cum collector of stamps (DR) and Sub Registrar (SR).

### 3.2 Analysis of budget preparation

The budget estimate is prepared as per the Chhattisgarh Budgetary Manual. The revenue receipts are obtained from the units and consolidated in the Department. After taking into account the number of registered cases and the revenue collected during the previous year, the proposal is sent to the Finance Department for approval. After scrutiny of revenue collection and increase in number of registered cases, the Finance Department approves the budget.

### 3.3 Trend of Revenue Receipts

Actual receipts from Registration Department during the years 2005-06 to 2009-10 alongwith the total tax receipts during the period is exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	225.01	312.80	(+) 87.79	(+) 39.02	4051.91	7.71
2006-07	379.90	389.51	(+) 9.61	(+) 2.53	5045.70	7.72
2007-08	471.47	462.72	(-) 8.75	(-) 1.86	5618.10	8.24
2008-09	520.00	495.59	(-) 24.41	(-) 4.69	6593.72	7.52
2009-10	515.00	583.13	(+) 68.13	(+) 13.23	7123.25	8.19

The contribution of receipts from stamp duty and registration fee to the total tax revenue of the State during the last five years ranged between 7.52 to 8.24 *per cent*. It may be observed from the above table that the actual receipts during the above period exceeded the budget estimates except in 2007-08 and 2008-09 where the percentage of shortfall was nearly two and five *per cent* respectively. The shortfall in revenue receipts in these years were mainly due to two *per cent* exemption on stamp duty on the sale deeds made by the women including 0.5 *per cent* exemption provided in the cases of transfer deeds.

### 3.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 amounted to ₹ 4.69 crore of which ₹ 1.23 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10:

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears
2005-06	1.73	1.38	0.25	2.86
2006-07	2.86	0.26	0.25	2.87
2007-08	2.87	0.60	0.42	3.05
2008-09	3.05	1.02	0.39	3.68
2009-10	3.68	2.00	0.99	4.69

The Government may take immediate steps for realisation of arrears of revenue, which are showing an increasing trend.

### 3.5 Cost of collection

The gross collection in respect of Stamp duty and Registration receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the

relevant all India average percentage of expenditure on collection to gross collection of the preceding years is as indicated in the following table:

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for expenditure on collection in the preceding year
Stamp duty and Registration fee- MH 0030	2007-08	462.72	10.83	2.34	2.33
	2008-09	495.59	11.69	2.36	2.09
	2009-10	583.13	13.97	2.40	2.77

It may be seen from the table that though the percentage of cost of collection in the State is lower than the all India percentage for the year 2009-10 but the same is increasing. The Registration Department stated that the cost of collection was higher due to payment of 20 *per cent* interim relief to the staff as per the recommendation of the Sixth pay commission.

### 3.6 Impact of audit

**3.6.1: Position of IRs :** During the last five years, audit through its Audit Reports had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, incorrect computation etc. with revenue implication of ₹ 18.09 crore in 1576 cases. Of these, the Department/Government had accepted audit observations in 949 cases involving ₹ 11.82 crore and had since recovered ₹ 5.85 lakh. The details are shown in the following table:

(₹ in lakh)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	7	73	545.20	73	545.20	6	0.59
2005-06	27	221	318.63	221	318.63	6	0.73
2006-07	14	132	182.33	131	182.33	3	0.32
2007-08	30	515	100.31	511	97.86	4	2.45
2008-09	20	635	663	13	38	7	1.76
<b>Total</b>	<b>98</b>	<b>1576</b>	<b>1809.47</b>	<b>949</b>	<b>1182.02</b>	<b>26</b>	<b>5.85</b>

The above table indicates that during the last five years, only 0.5 *per cent* recovery has been made in the accepted cases. The Department had not taken any initiative for clearance of the cases pointed out by audit.



**3.6.2: Position of Audit Reports :** In the Audit Reports 2004-05 to 2008-09, cases of under assessment, exemption from stamp duty, theft were indicated involving ₹ 12.72 crore.

The Department accepted observations of ₹ 1.50 crore of which ₹ 1.36 crore had been recovered till March 2010 as shown in the following table:

(₹ in crore)

Sl. No.	Year of the Audit	Total money value	Amount Accepted	Recovery made March 2010
1.	2004-05	2.09	0.16	0.01
2.	2005-06	0.34	0.17	0.10
3.	2006-07	8.69	0.03	1.23
4.	2007-08	-	-	-
5.	2008-09	1.60	1.14	0.02
<b>Total</b>		<b>12.72</b>	<b>1.50</b>	<b>1.36</b>

The Department should take steps to recover balance amount as pointed in Audit Reports.

### **3.7 Internal audit**

Internal Audit Wing (IAW) of an organisation is a vital component of the internal control mechanism and is generally defined as control of all controls. It enables the organisation to assure itself that the prescribed systems are functioning reasonably well. The IAW attached to the office of the IGR have one Assistant Internal Audit Officer. The IAW is required to inspect the offices of the District Registrars and Sub Registrars once in a year and once in two years respectively. During the year 2009-10, the IAW had planned audit of 12 Sub Registrar Offices of which only five units were audited. The low percentage of the inspection of units indicates that the Department does not have proper planning for the inspection of units.

**The Government may ensure that IAW conducts the number of inspection of units required and ensure time bound action by the registering authorities on the observations of the IAW so as to ensure collection of revenue as per rules and also to safeguard revenue and avoid recurrence of mistakes in future.**

### 3.8 Results of audit

Test check of the records of 11 units relating to Registration Department revealed underassessment of stamp duty, misclassification of instruments etc. amounting to ₹ 2.93 crore in 326 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Inordinate delay in disposal of cases.	107	2.54
2.	Loss of revenue due to undervaluation, misclassification of instruments and under assessment of stamp duty	47	0.31
3.	Other irregularities	172	0.08
<b>Total</b>		<b>326</b>	<b>2.93</b>

During the year, the Department accepted under assessment of ₹ 2.82 crore in 298 cases. The Department recovered ₹ 0.10 crore in 81 cases pointed out by audit in earlier years.

One illustrative case is mentioned in the following paragraph.

### 3.9 Inordinate delay in disposal of referred cases and realisation of demand

The Indian Stamp Act requires the market value of property to be specified in any deed for its conveyance. This value is the basis for determining the stamp duty and registration fee is accordingly leviable. As per Inspector General Registration and Superintendent of Stamps instructions of September 2003, if Sub Registrar believes that market value of the property has not been truly set forth in the document, then such cases are to be referred to the Collector of Stamps and are to be finalised by the collector within a period of 90 days.

We found in the test check of the records of three<sup>1</sup> Sub Registrars between May 2008 and December 2009 that 94 documents were referred to Collector of Stamps for determination of correct market value of properties during the period October 2005 to March 2009. Out of these, 51 cases were still pending with the Collector of Stamps for determination of correct market value and the pending cases involved unrealised revenue of ₹ 2.17 crore.

After we pointed out these cases (May 2008-December 2009), the Government replied (October 2010) that action is in process.

The reply furnished by the Department is not acceptable as the instructions issued by the Inspector General of Registration stipulate for determining the correct market value of the properties within 90 days and no reasons were furnished for non-disposal of these cases even after lapse of considerable time ranging between one to five years.

---

<sup>1</sup> Raigarh, Raipur and Rajnandgaon.

## CHAPTER-IV: TAXES ON VEHICLES

### 4.1 Tax administration

Transport Department is one of the major revenue collecting Departments of the State. Share of taxes on motor vehicles ranged between 4.75 to 5.08 *per cent* on the total tax revenue of the State during 2005-06 to 2009-10. “Motor vehicle taxes” are levied and collected in the State under the provisions of the *Chhattisgarh Motoryan Karadhan Adhiniyam, 1991(Act)* as amended from time to time and rules made thereunder. Besides trade tax, licence fees, other fees such as registration fees, fitness fees and permit fees etc. are levied under the provisions of the Motor Vehicles Act, 1988 and rules made thereunder by the Central and the State Governments. In case of non-payment of tax in time, penalty and interest at the prescribed rates are also leviable.

Motor vehicle taxes in respect of non-transport vehicles are realised in lumpsum as lifetime tax, whereas tax and additional tax from transport vehicles are realised quarterly/monthly at the rates specified in the Act.

### 4.2 Organisational setup

The Department is under the administrative control of the Transport Commissioner (TC), who is assisted by one Additional TC, one Joint TC, one Assistant TC and one Deputy Director, Finance (DDF) at headquarter. Besides, there are three Regional Transport Officers (RTO), three Additional Regional Transport Officers (ARTO) and 10 District Transport Officers (DTO) under the administrative control of TC. In addition to this, 15 check posts and two sub check posts with nine flying squads are under the supervisory control of RTOs/ARTOs/DTOs concerned.

### 4.3 Trend of revenue

Budget is prepared as per the Chhattisgarh Budgetary Manual. The Transport Commissioner after obtaining the receipt from the units, consolidate the budget estimates and finally sends to the Finance Department for approval. After scrutinising, Finance Department approves the budget.

The position of the target and achievement of motor vehicle taxes for the period from 2005-06 to 2009-10 are furnished below:

(₹ in crore)

Year	Target as per budget	Actual (as per Finance Accounts)	Variations shortfall (-)/ surplus (+)	Percentage of variation (Col. 2 to 3)
2005-06	203.20	205.97	(+) 2.77	(+) 1.36
2006-07	250.00	253.05	(+) 3.05	(+) 1.22
2007-08	297.00	276.94	(-) 20.06	(-) 6.75
2008-09	315.50	313.78	(-) 1.72	(-) 0.55
2009-10	351.47	351.88	(+) 0.41	(+) 0.12

It may be seen from the table that the shortfall in the target was 6.75 *per cent* in 2007-08 and less than one *per cent* in 2008-09.

During the exit conference, the Department replied that due to higher targets fixed by the Finance Department, the achievement could not be ensured during the year 2007-08 and 2008-09.

#### 4.4 Arrears of revenue

The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10.

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears	Percentage Increase in arrears
2005-06	1.77	206.42	204.72	3.47	96.05
2006-07	3.47	253.73	253.05	4.15	19.60
2007-08	4.15	276.77	277.00	3.92	(-) 5.54
2008-09	3.92	313.89	313.80	4.01	2.30
2009-10	4.01	356.41	351.85	8.57	113.72

It may be seen from the above that the arrears of revenue as on 31<sup>st</sup> March 2010 amounted to ₹ 8.57 crore of which ₹ 1.77 crore were outstanding for more than five years. In 2009-10, there was huge accumulation of arrears with a sharp increase of 114 *per cent*. The Department stated that the reason for increase in the arrears of revenue was due to shortage of field staff.

**The Government may issue necessary instructions for realisation of the arrears in a time bound manner.**

#### 4.5 Cost of collection

The gross collection in respect of Motor Vehicle Tax, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection of the preceding years is as indicated in the table below:

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for expenditure on collection in the preceding year
Taxes on vehicle	2007-08	276.94	5.30	1.91	2.47
	2008-09	313.78	13.12	4.18	2.58
	2009-10	351.00	10.00	2.85	2.93

It may be seen from the table that though the percentage of cost of collection in the State is marginally lower than the all India percentage except the year 2008-09, the same is increasing.

## 4.6 Impact of audit

**4.6.1 : Position of IRs :** During the last five years, audit through its Audit Reports had pointed out non-realisation of vehicle tax and penalty, non-levy of vehicle tax and loss of revenue amounting to ₹ 34.79 crore in 4311 cases. Of these, the Department/Government had accepted audit observations in 2661 cases involving ₹ 20.01 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	4	-	2.63	-	2.63	-	-
2005-06	6	852	2.99	852	2.99	142	0.37
2006-07	2	15	3.10	12	2.89	-	-
2007-08	7	1686	14.18	1051	7.61	-	-
2008-09	8	1758	11.89	746	3.89	-	-
<b>Total</b>		<b>4311</b>	<b>34.79</b>	<b>2661</b>	<b>20.01</b>	<b>142</b>	<b>0.37</b>

The above table indicates that during the last five years very less recovery was effected by the Department. The Department had also not taken any initiative for clearance of the cases pointed out by audit.

**4.6.2 : Position of Audit Reports :** In the Audit Report 2004-05 to 2008-09, the cases of non/short levy of tax, penalty were indicated involving ₹ 17.05 crore. The Department accepted observations of ₹ 5.32 crore of which ₹ 0.51 crore had been recovered till March 2010 as shown in the following table.

(₹ in crore)

Year of Audit Report	Total money value	Amount accepted	Recovery made up to March 2010
2004-05	3.5	0.30	0.39
2005-06	2.11	-	-
2006-07	1.27	1.27	-
2007-08	6.69	3.58	-
2008-09	3.48	0.17	0.12
<b>Total</b>	<b>17.05</b>	<b>5.32</b>	<b>0.51</b>

The above table indicates that the recovery of ₹ 0.51 crore had been recovered in the year 2004-05 and 2008-09. The Department had not taken any initiative to recover the objected amount in the year 2005-06 to 2007-08.

#### 4.7 Results of audit

Test check of the records of the Transport Department conducted during the year 2009-10 indicated non-realisation of vehicle tax and penalty, non-levy of vehicle tax and loss of revenue amounting to ₹ 6.85 crore in 345 cases, which can broadly be classified under the following categories:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	<b>Levy and collection of Taxes on Motor Vehicles - (A review)</b>	1	5.96
2.	Non/short realisation of vehicle tax	185	0.72
3.	Other irregularities	159	0.17
<b>Total</b>		<b>345</b>	<b>6.85</b>

During the year 2009-10, the Department accepted non-levy of taxes on vehicles, loss of revenue and other deficiencies amounting ₹ 0.89 crore in 344 cases. The Department recovered ₹ 4.61 lakh in 49 cases pointed out by audit in earlier years.

The performance review on “**Levy and collection of Taxes on Motor Vehicles**” involving financial effect of ₹ 5.96 crore highlighting important audit findings are mentioned in the succeeding paragraphs.

## 4.8 Levy and collection of taxes on Motor Vehicles

### Highlights

- The arrears of revenue as on 31<sup>st</sup> March 2010 amounted to ₹ 8.57 crore of which ₹ 1.77 crore were outstanding for more than five years. In 2009-10, there was huge accumulation of arrears with a sharp increase of 114 per cent.

**(Paragraph 4.4)**

- The Transport Department did not have any Departmental manual. In the absence of manual, various checks and balances to be exercised by the various functionaries of the Department for registration of vehicles, levy of taxes, etc. could not be ensured

**(Paragraph 4.8.4)**

- Improper maintenance of cash book and inadequacy in the internal control system led to fraud, misappropriation and embezzlement of Government revenue besides manipulation of challans.

**(Paragraph 4.8.5 & 4.8.6)**

- Non-fixation of rate of tax for sleeper buses led to non-levy of tax.

**(Paragraph 4.8.8)**

- Non-maintenance of records and lack of monitoring mechanism led to delay in encashment of bank drafts of ₹ 36.15 lakh.

**(Paragraph 4.8.9)**

- Failure on the part of the Department to take action against the defaulting vehicle owners resulted in non-levy of tax of ₹ 5.04 crore. Besides penalty for delay in payment of tax was also leviable.

**(Paragraph 4.8.11)**

- Non-verification of fitness of the vehicles which are due, led to non-recovery of fitness fee apart from endangering the lives of the passengers.

**(Paragraph 4.8.12)**

- Collection of taxes without taking into account the actual distance resulted in short levy of vehicle tax of ₹ 15.73 lakh. Besides penalty was also leviable as per provisions.

**(Paragraph 4.8.14)**

- Irregular Exemption of ₹ 5.73 lakh of vehicle tax on purchase of tractor/trolley for agriculture purpose.

**(Paragraph 4.8.16)**



#### 4.8.1 Audit objectives

The review is conducted with a view to ascertain, whether

- the taxes, additional taxes, fees and penalties assessed and collected are in conformity with the provisions of the Act/Rules;
- an adequate and effective system exists for ensuring timely collection of taxes and remittance of the same into the treasuries/banks;
- an internal control system exists and is working efficiently to ensure timely assessment and realisation of taxes and fees; and
- the computerised applications such as *VAHAN* and *SARATHI* working in the Department are adequate, complete, and accurate and are also delivering the desired output.

#### 4.8.2 Audit scope and methodology

The review was conducted between March 2010 and July 2010 covering 11 out of 16 RTOs/ARTOs/DTOs, five out of 17 check posts and five out of nine flying squads<sup>1</sup>. The coverage of the above units constituted 50 *per cent* of the total units (42). These units are selected on the basis of their high and low revenue collection and through simple random sampling method. The audit methodology included scrutiny of cases of levy of taxes and fees of the selected units during the year 2005-06 to 2009-10. Besides, cases detected in local audit during the period and not included in the previous years audit reports are also included in the review.

#### 4.8.3 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records for audit. The audit methodology and scope of audit scrutiny was discussed with the Principal Secretary cum Transport Commissioner, Chhattisgarh in an entry conference held on 3 March 2010. The review was forwarded to the State Government on 13 August 2010. The exit conference was held on 14 October 2010 with the Principal Secretary cum Transport Commissioner, Chhattisgarh to discuss the major audit findings.

The Department gave their response and assured to further examine the audit observations and recommendations. The replies of the Department have been appropriately incorporated in the respective paragraphs.

---

<sup>1</sup> Ambikapur, Bilaspur, Dhamtari, Durg, Jagdalpur, Jashpur, Korba, Mahasamund, Raigarh, Raipur and Rajnandgaon.

## Audit findings

The review revealed a number of system and compliance deficiencies which are discussed in the subsequent paragraphs.

## System deficiencies

### 4.8.4 Non-preparation of Departmental manual

The Transport Department did not have any Departmental manual setting out the functions and responsibilities of the staff of all categories in accordance with instruction issued by the Government/Department. In the absence of manual, various checks and balances to be exercised by the various functionaries of the Department for registration of vehicles, levy of taxes, etc. could not be ensured and this facilitated manipulation of figures, submission of fake challans, misappropriation and embezzlement of Government money.

While agreeing with the observation of audit, the Department assured during exit conference (October 2010) that manual will be prepared as recommended by audit.

### 4.8.5 Fraud committed by manipulating challans

As per the provision of the Act, motor vehicle taxes are to be paid by the vehicle owners through challans deposited in treasury/banks. After payment, a copy of challan is to be submitted to the RTO/ARTO/DTO in support of payment of the tax and registration of vehicles are to be done on receipt of the copy of the challan.

**4.8.5.1 During scrutiny of the records of the ARTO, Ambikapur for the period 4/2008 to 3/2010 we found that some vehicle owners manipulated the figure in the challans after payment and these manipulated challans were accepted by the ARTO, Ambikapur without verification with the bank scroll/treasury records. These cases were subsequently detected by the ARTO and cases were lodged with the police against the vehicle owners.**

Similar manipulations were also noticed by audit in 34 cases (Appendix 4.1) and no action was initiated by the ARTO Ambikapur. In these cases the vehicle owner paid motor vehicle tax amounting ₹ 14,657 as against the actual amount of ₹ 5.93 lakh and through manipulation, the payments were shown as ₹ 5.93 lakh.

Thus, non-verification of the challans with reference to the bank scroll/ Consolidated Treasury Receipts (CTR) led to short receipt of tax of ₹ 5.78 lakh.

**4.8.5.2 During test check of challans for payment of motor vehicle tax in ARTO, Durg, we observed that as per the challans, motor vehicle tax of ₹ 2475 was deposited on 28 April 2010 for vehicle No.CG-07/C-9491.On**

verification of the receipt scroll of State Bank of India by audit, we noticed that the above amount was shown as deposited on the same date for another vehicle No.CG-07/C-1968. In further scrutiny we also found the similar discrepancies in the following cases:

Sl. No.	Challan number	Vehicle number	Amount (in ₹)
1.	187/22.03.10	CG-04/JA-4592	20,253
2.	26/06.03.10	CG-07/C-4955	3,750
3.	108/08.03.10	CG-07/C-2237	5,325

We further observed from the records of the Flying Squad that out of the above, ₹ 20,253 and ₹ 3,750 were actually deposited on 21 May 2010 with the Flying Squad.

It reveals from the above that fake challans were accepted by the ARTO, Durg without verifying the correctness of the payment and this resulted in loss of ₹ 31,803.

While agreeing with observations of audit, the Department assured in the exit conference (October 2010) that stringent action would be taken in all the cases and further stated that necessary instructions in this regard have been issued to all concerned to avoid such occurrences in future.

#### 4.8.6 Misappropriation of Government revenue

As per Rule 53 (1) of the Chhattisgarh Treasury code and rule 3 and 4 of the Finance code, Government money should be remitted into treasury as soon as it is received.

During test check of the records of the selected units, we found the following misappropriation of Government revenue.

**4.8.6.1** In DTO, Korba we noticed that tax amounting to ₹ 37,000 received on 2 July 2009 vide receipt No. 22 (₹ 17,000) and No. 23 (₹ 20,000) of the receipt book No. 168786 were not deposited in the Government account till the date of audit. It was further noticed that no Cash Book was also found maintained since April, 2008. Thus, non remittance of Government money resulted in misappropriation of ₹ 37,000.

After we pointed out the case, the DTO, Korba replied that the showcause notice was issued to the concerned officials and amount has since been deposited by them.

**4.8.6.2** Further, during test check of records of DTO, Korba we found that the receipts amounting ₹ 23.13 lakh received between February, 2009 to October, 2009 are remitted into Government accounts on 9 March 2010 i.e. after delay ranging between five to 386 days (*Appendix 4.2*).

After these cases were pointed out, the DTO, Korba, replied that remittances will be made in time in future.

The reply is an assurance for the future but the Department should fix responsibility against these officials for temporary misappropriation of Cash. Further, the above case of misappropriation was made possible mainly because of non-maintenance of cash book and non-accountal of the Government receipts.

While agreeing with the audit observation, the Department assured in the exit conference (October 2010) that stringent action would be taken in all these cases and further stated that necessary instruction in this regard would be issued to all concerned to avoid such occurrence in future.

Considering the number of cases of fraud, embezzlement, manipulation, etc. observed by audit from test check, the Department may take immediate action to avoid occurrence of such cases in future by strengthening the internal control mechanism, maintenance of Cash Books and internal audit.

#### 4.8.7 Delay in remittance to Government Account

As per Rule 3 and 4 of Chhattisgarh Finance Code, the Government money so collected by the Government officials should be remitted immediately to Government Account.

We found in test check of Cash Book of the ARTO, Durg, that the tax amounting ₹ 5,683 (₹ 1113 on 28 July 2009; ₹ 430 on 29 July 2009 and ₹ 4,140 on 6 August 2009) collected between July 2009 and August 2009 are though entered in the Cash Book on the same date, but

are not remitted into treasury till the date of audit. This resulted in not remittance of Government money of ₹ 5,683 even after lapse of nearly one year.

While agreeing with the observation of audit, the Department assured in the exit conference (October 2010) that the stringent action would be taken in all cases.

#### 4.8.8 Tax rates not decided/notified for sleeper bus

The Government of Chhattisgarh, vide Gazette notification amended Rule 170 of the Act (October 2008) and inserted sub-rule 170-A for special provision for sleeper coach and semi sleeper coach, Rule 170-B for deluxe sleeper coach and Rule 170-C for deluxe sleeper coach. However, the rates at which the taxes are to be collected were not notified. As a result, the tax as applicable to deluxe buses were being collected for sleeper coach buses also.

During scrutiny of the records of TC, Raipur, we noticed that the Department had moved a proposal (September 2007) for making necessary amendment in the Act to introduce sleeper coach buses. Though amendment incorporating the sleeper coach was made in October 2008, the rates at which the taxes to be collected were not notified. From the estimates prepared by the Department, it was seen that around 60-65 sleeper coach buses were plying within and outside the State and had the amendment been made, additional tax of ₹ 3.50 lakh would

have been collected every month by applying the rates applicable to deluxe buses. Thus, non-fixation of rate of tax on sleeper coach buses resulted in non-levy of tax of ₹ 1.05 crore at the rate of ₹ 3.50 lakh per month. The Government may notify the rates at which taxes are to be collected on sleeper coach buses without any further delay.

During the exit conference (October 2010), the Department agreed that no separate tax rates have been decided but assured that tax rates would be decided and communicated to audit.

**The Government may consider fixing the rates and notifying for sleeper coach buses as early as possible to prevent further loss of revenue.**

#### **4.8.9 Delay in encashment of bank drafts**

As per Rule 53(1) of the Chhattisgarh Treasury code and Rule 3 and 4 of the Finance Code, Government money should be remitted into treasury as soon as it is received.

We found in the test check of the records of the TC, Raipur that 2,989 numbers of bank drafts amounting ₹ 1.47 crore were received towards National permit fees from other States since 2006. Since these drafts were not encashed within the validity time, these drafts became time barred and were

sent to the respective States for revalidation. Out of these, only 1,993 bank drafts for ₹ 97 lakh were received duly revalidated. Remaining 996 bank drafts for ₹ 50 lakh were not received from the respective States after revalidation. The Department could not take any initiative for obtaining the revalidated bank drafts due to non-maintenance of any control registers. The Department had issued permits in all the cases. However, no internal inspection/peer review of demand drafts and cash book was conducted by internal audit in TC's offices.

After we pointed out the case, the TC, Raipur stated that appropriate action would be taken to maintain the records.

During the exit conference, the Department stated that 277 bank drafts of ₹ 13.85 lakh have been received after revalidation and reconciliation for the remaining drafts is being done.

Thus non maintenance of records and lack of monitoring mechanism led to delay in receipt and encashment of Bank drafts after revalidation.

## Compliance deficiencies

### 4.8.10 Non-submission of Form-19 by traders/dealers

As per rule 43 of the Central Motor Vehicles Rules, 1989, form-19 containing the details of vehicles sent to the RTO for registration is required to be maintained by the dealers and are to be submitted to the transport authorities.

During the test check of records of the selected transport authorities, we found that none of the dealers had submitted the Form-19 register. As a result, it was not possible for the transport authority to ascertain the exact number of vehicles sent for registration and also the actual amount of tax to be collected from the

dealers. Department should monitor receipt of form-19 by Traders/dealers.

During the exit conference (October 2010), the Department stated that instruction would be issued to all RTOs/ARTOs/DTOs for ensuring submission of Form 19 by dealers and physical verification of the vehicles at dealer's premises.

**It is recommended that the Government may invariably insist for Form-19 from the dealer to avoid loss of revenue.**

### 4.8.11 Non-realisation of taxes from the owners of goods and passenger vehicles

According to Section 3 and 5 of the Act, tax shall be levied on the owner of every goods and passenger vehicles used or kept for use in the State at the rate prescribed in the first Schedule of the Act. In case of non payment of the tax due, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof but not exceeding the unpaid amount of tax as laid down under Section 13(1) of the Act. Where any owner fails to pay tax, the taxation authority is required to issue a demand notice and take action to recover the amount of penalty in addition to tax as arrears of land revenue.

During the test check of records of the 11 selected transport offices, we found that though the owners of 507 passenger vehicles, 1,073 goods vehicles, nine loaders and dozer machines, 269 Maxi-cabs and 17 tractor trolleys did not pay the road tax of ₹ 5.04 crore since April 2007 and no action was initiated by the RTOs/ARTOs/DTOs to issue demand notices for recovery of the tax from the defaulting vehicle owners. This resulted in non-realisation of tax amounting ₹ 5.04 crore. Besides, penalty for delay in payment of tax was also leviable.

After we pointed out the cases, all the RTOs/ARTOs/DTOs replied that action would be taken to recover the amount and intimated to audit.

While accepting the audit observation, the Department stated in the exit conference (October 2010) that action would be taken to recover the amount.

**Demand notices mechanism should be improved for recovery of road taxes from defaulting vehicle owners.**

#### **4.8.12 Non-receipt of fitness fees from vehicle owners**

Under Section 56 of the Motor Vehicle Act 1988, a transport vehicle shall not be deemed to be validly registered for the purpose of registration, unless it carries a certificate of fitness in such a form containing such particulars and information as may be prescribed by the Central Government. Central Motor Vehicles Rules, 1989 and subsequent notification dated 28 March 2001 enhanced the rates of fee for grant and renewal of certificate of fitness, driving/learners licence and registration of various types of motor vehicles from 28 March 2001. As per the provisions of the above Act, the certificate of fitness issued at the time of registration of a new transport vehicle is valid for two years and it is to be renewed every year thereafter. In case of non-renewal of the certificate of fitness, fine of ₹ 1,000 is recoverable from the vehicle owner under Section 190 of the Motor Vehicle Act, 1988.

During the test check of records of ARTO, Rajnandgaon; DTO, Jashpur and Korba we found that from 2005-06 to 2009-10, fitness certificates were due for issue in respect of 62,630 vehicles. As against this, the certificates were issued in case of 31,996 vehicles and the balance 30,634 vehicles could be running without any fitness certificate. The Department neither initiated any action for cancelling the registration certificates of these vehicles whose fitness certificates had become overdue nor levied any fine from the defaulting vehicle owners as per the provisions of the Act. Besides endangering the lives of the passengers, this also results in loss of revenue.

During the exit conference, the Department stated that Fitness fee is subject to application of owner. However appropriate order will be issued to cancel the registration of vehicles which are plying without valid fitness certificate and penalty would be enhanced considerably in future.

**Government should take immediate steps to verify the fitness for all the vehicles which are due, to avoid loss of revenue and in interest of public safety.**



### 4.8.13 Non-realisation of licence fee and penalty

In exercise of the power conferred by Sub-section (i) of Section 75 of Motor Vehicle Act, 1988, the Central Government introduced the scheme for regulating the business of renting of motor cabs. As per the scheme, no person shall engage himself in the business of renting a motor cab under this scheme without licence. For this, licence fee of ₹ 5,000 is payable for five years by the owner to the transport authority. In case of non-payment of the tax due, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof, but not exceeding the unpaid amount of tax as laid down under Section 13 (I) of the Act. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue a demand notice and action to recover the amount as arrears of land revenue.

During the test check of records of two<sup>2</sup> RTOs we found that as per records of Service Tax Department, 303 Motor cab operators (134 Bilaspur and 169 Raipur) were registered under Service Tax and paying service tax as per norms. However, none of the motor cab operators had applied for licences and neither had the RTOs initiated any action for levy of licence fee which were due since 1999-2000. This resulted in non-realisation of licence fee of ₹ 23 lakh besides penalty was also leviable.

After we pointed out the cases, RTO, Bilaspur replied that the cases are being forwarded to the State Transport Authority. Whereas RTO, Raipur replied that the matter will be examined and intimated to Audit.

While agreeing to the audit observation, the Department stated (October 2010 and February 2011) that the action would be taken against the defaulters under intimation to audit and further

stated that till date, nobody has applied for grant of licence.

<sup>2</sup> Bilaspur and Raipur.



#### 4.8.14 Short levy of vehicle tax

According to Section 3 of the Act, tax shall be levied on the owner of every passenger vehicle used or kept for use in the state at the rate prescribed in the Sl. No.-4 of first schedule of the Act. In case of non-payment of the tax, the owner shall in addition to the payment of tax, be liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof but not exceeding the unpaid amount of tax as laid down under Section 3 (1) of the Act. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue demand notice and take action to recover the amount as arrears of land revenue.

**4.8.14.1** During the test check of the records of eight<sup>3</sup> RTOs/ARTOs/DTOs we found that the vehicle tax amounting ₹ 52.20 lakh was levied on lumpsum basis from 17 passenger vehicle owners without taking into account the actual distance. The actual tax payable by the vehicle owners on the basis of the actual distance was ₹ 65.32 lakh (*Appendix 4.3*). This resulted in short levy of vehicle tax of ₹ 13.12 lakh. Besides penalty was leviable as per provision.

After we pointed out the cases, the RTOs/ARTOs/DTOs replied that demand notices will be issued to the vehicle owners and short levy of tax and penalty will be recovered from them under intimation to Audit.

While agreeing to the audit observation, the Department assured in the exit conference (October 2010) that appropriate action would be taken after verification.

**4.8.14.2** We found in the test check of the records of TC, Raipur that in

The inter-state permit holder is liable to pay vehicle tax for the part of distance falling within the jurisdiction of the State and the notification for the distance has been issued by the Government.

seven cases permits were issued for route from Ambikapur to Ranchi. As per the notification dated 18<sup>th</sup> April 2008, of the Government of Chhattisgarh, the distance from Ambikapur to Ranchi is 337 kilometers and the distance between Ambikapur to

Chhattisgarh border is 219 kilometers. As against this, the Department levied the tax taking the distance from Ambikapur to Chhattisgarh boarder as 160 kilometers. This resulted in short levy of tax of ₹ 1.11 lakh (*Appendix 4.4*).

**4.8.14.3** Similarly the distance from Jagdalpur to Boriguma (temporary permit no. 35 December 2009) the distance was taken as 21 kilometer as against the actual distance of 60 kilometer as per the Government notification dated 31 October 2008. This resulted in short realisation of tax of ₹ 1.50 lakh.

<sup>3</sup> Ambikapur, Bilaspur, Dhamtari, Durg, Jagdalpur, Mahasamund, Raipur and Rajnandgaon.

After we pointed out the case, the TC, Raipur stated that the information regarding distance of these routes will be obtained from the Executive Engineer, Public Work Department concerned and intimated to Audit.

While accepting the audit observation, the Department stated in the exit conference (October 2010) that necessary correction would be made in the said notification.

#### 4.8.15 Non-levy of tax on vehicles kept unused for more than two months

Under Section 12 of the Act, permit issued under the Section 88(9) or Section 72 and 74 of the Motor Vehicle Act 1988, shall be submitted to the transport authority in the following cases:

- i. Repairs to machine
- ii. Heavy rains or off roads due to any reasons
- iii. As per orders of the court/ Authority
- iv. Holi festival
- v. The vehicle acquired by the Government for law and order or general election.

As per Rule 100 of the *Chhattisgarh Motoryan Karadhan Niyam, 1994*, the period covers only two months for the above reason and thereafter the permit will be cancelled. On submission of the permit, the vehicle owner will be exempted from payment of tax for a maximum period of two months.

During the scrutiny of records, we found the following:

**4.8.15.1** In RTO, Raipur, though 16 vehicles were kept unused for period ranging between six to 36 months, the permits of these vehicles were neither cancelled nor vehicle tax levied by the Transport Authority.

**4.8.15.2** Similarly, permit was issued by RTA, Jagdalpur to vehicle No.CG-04/ZA-531 for Jagdalpur to Raipur route. The vehicle was kept unused for five months (August 2006 to December 2006) due to defect in the machine. However, temporary permit No.TP/338/06 was issued to vehicle by RTA, Jagdalpur for Jagdalpur to Bailadila route and the permit was also valid from 1<sup>st</sup> August 2006 to 31<sup>st</sup> December 2006.

Thus the issue of temporary permit by RTA, Jagdalpur to the vehicle without verifying the earlier permit was irregular. Tax of ₹ 2.23 lakh and penalty of ₹ 2.23 lakh leviable on the vehicle were not levied.

**4.8.15.3** During the test check of records of RTO, Raipur we found that the permit of the vehicle No. CG-04/E-0249 was kept unused for four months (from June 2007 to September 2007) as the vehicle was to be sold. After the sale, this vehicle was on road on new permit from July 2007. The submission of the permit by the vehicle owner on the ground of selling the vehicle was not covered under the Act and therefore the vehicle tax of ₹ 1.34 lakh and penalty of ₹ 1.34 lakh were leviable for the same period.

After we pointed out the case, the RTO, Raipur replied that the case will be examined and communicated to audit.

During the exit conference, the Department stated that there is no provision of taking tax in the Taxation Act of Chhattisgarh. However, the Department assured that appropriate action will be taken in the cases pointed out in audit.

The reply of the Department is not acceptable as there is clear cut provision in the Act to cancel the permit of the vehicles which are kept unused for more than two months and recover taxes as per Rules.

**It is recommended that the Government may strictly follow the provisions of the Act for ensuring that the vehicles are not kept unused for long periods in interest of revenue.**

#### **4.8.16 Irregular Exemption of vehicle tax on purchase of tractor/trolley for agriculture purpose**

**As per Government of Madhya Pradesh, Bhopal letter No.F-22/160/88/Eight dated 29 January 1991(adopted by Chhattisgarh Government), the Government granted exemption in vehicle tax on the tractor/trolley purchased for agriculture purpose in the following items:**

1. Exemption for registration fees for tractor/trolley purchased for agriculture purposes;
2. Exemption on fees for temporary/permanent permit issued for licences and renewal of the permanent permits as per their application for purchase of tractor/trolley;
3. Exemption from vehicle tax under the provision of the Act; and
4. Exemption from Goods tax under the provision of the Act.

For the purpose of exemption, Government decided that the photocopy of *Krishak Rin Pustika* is to be produced along with the application for registration.

Test check of records of six<sup>4</sup> RTOs/ ARTOs/ DTOs revealed that as against the above provisions, exemption from vehicle tax was granted in cases where no *Krishak Rin Pustika* was enclosed with the application. In some cases, *Krishak Rin Pustika* of other person was attached with the applications.

---

<sup>4</sup> Bilaspur, Dhamtari, Jagdalpur, Mahasamund, Raigarh and Raipur.

The details of irregularities noticed are furnished below:

Name of unit (RTO/DTO)	Number of cases	Nature of irregularities	Loss of revenue (₹ in lakh)
Bilaspur, Dhamtari, Jagdalpur, Mahasamund, Raigarh and Raipur	167	The copy of the <i>Krishak Rin Pustika</i> was not found enclosed with the application	4.27
-do-	56	Copy of the <i>Krishak Rin Pustika</i> of other persons were enclosed	0.99
-do-	34	The name of the applicant was entered in the <i>Krishak Rin Pustika</i> deleting other name but not attested by the Revenue Authority	0.47

Without verifying the authenticity of the *Krishak Rin Pustika*, the transport authorities granted exemption and did not levy and realise the tax of ₹ 5.73 lakh.

After we pointed out the case, the Transport officers replied that these cases will be rescrutinised and appropriate action will be taken.

During exit conference, the Department stated that the circular issued pertains to Madhya Pradesh. However, the Department follows the norms of State Government issued in respect of certifying a person whether he is a farmer or not. The copy of the order would be given to audit.

The reply is not acceptable as the circular issued by the Madhya Pradesh Government has been adopted in Chhattisgarh. Further the copy of the Rule stated to have been issued by the Chhattisgarh Government has also not been furnished to audit. The fact remains that the RTOs have given the exemption from taxes without proper documents and the Governments reply does not address these facts.

#### 4.8.17 Short levy of tax due to wrong assessment of seating capacity of passenger vehicles

According to the sub rule 3 of rule 158 of the Act, the seating capacity of a stage carriage of all makes and models, having following wheel base, shall not be less than the minimum capacity revealed against them:

Sl. No.	Wheel base (inches)	Seating capacity
1	166	46
2	205	50
3	210	55

During the test check of records of the TC, Raipur we found that the seating capacity of eight registered passenger vehicles was shown between 30 to 36 without driver and conductor, even though the wheel base of these vehicles were 166 inches. Since the seating capacities fixed by the Department in these cases were lower than the minimum capacity prescribed in the Act, this resulted in short levy of tax

of ₹ 3.35 lakh.

After we pointed the case, the TC replied that the cases will be scrutinised by the transport authorities for taking appropriate action under intimation to audit.

While agreeing with the audit observation, the Department stated in the exit conference (October 2010) that necessary amendment in the rules would be made.

**In view of the recent additions of new vehicles with different wheelbases, the Department may consider revising the seating capacity of the passenger vehicles, and recover the correct taxes accordingly.**

#### 4.8.18 Non-recovery of tax and penalty before transfer of vehicle

According to Section 3 of the Act, tax shall be levied on the owner of every passenger vehicle used or kept for use in the State at the rate prescribed in the first Schedule of the Act. In case of non-payment, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof but not exceeding the unpaid amount of tax as laid down under Section 13 (1) of the Act. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue demand notice and take action to recover the amount as arrears of land revenue.

We found in the test check of the records of DTO, Korba that owner of the Vehicle No.CG-12/9725 having seating capacity (32+1) did not pay tax of ₹ 81,920 at the rate of ₹ 5,120 per month for the period from March 2006 to June 2007 (16 months). The possession of the vehicle was taken by the financier without consent of the owner on 31 August 2007 and DTO, Korba transferred the ownership of the vehicle.

As per Rule, the vehicle cannot be transferred if the tax is not paid till the date of transfer of vehicle. Thus, the vehicle tax of ₹ 81,920 and penalty of ₹ 81,920 under Section 13 of the Act were recoverable from the owner of the vehicle.

After we pointed out the case, the DTO Korba replied that as per the order of TC, transfer of vehicle was not stopped but the name of the previous owner was not removed pending recovery of outstanding tax. The reply is misleading. The fact is the DTO transferred the vehicle without recovering the taxes due, which he was required to do as per the procedures laid down by the Department.

During the exit conference (October 2010), the Department stated that the matter will be scrutinised and intimated to audit.

#### 4.8.19 Internal control

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and Departmental instructions. They help in prevention of frauds and other irregularities. Internal Audit enables the organisation to assure itself of the degree of compliance with prescribed systems.

Internal Audit Wing (IAW) attached to the office of the TC is headed by the Deputy Director (Finance). As against the sanctioned strength of eight, only four staffs were working and internal audit was conducted in respect of 41 out of 80 auditable units. Further, no unit was audited during 2008-09 and 2009-10. The shortfall in the coverage was mainly due to non availability of adequate number of staff.

During the exit conference, the Department stated that IAW is now being conducted regularly and two units audited in this year 2010-11.

**The Government may consider strengthening the IAW and prescribe a time frame for taking remedial measures on its observation.**

#### 4.8.20 Computerisation of transport Department

As per the direction of Government of India, Ministry of Road Transport and Highways (September, 2009) computerisation of driving licence and registration were to be completed by December, 2009 in all transport offices. Accordingly, the Department implemented *VAHAN* for registration, fitness and *SARATHI* for driving licence on pilot basis with effect from June, 2004 and September, 2008 respectively at RTO, Raipur.

Scrutiny of the records relating to computerisation maintained at TC, Raipur revealed the following points:

1. Though the software and other accessories were procured for all the offices, the installation of hardware and software was not done in RTO, Jagdalpur and DTO, Dantewada even after lapse of one and half years.



2. Though computer hardware and software were installed in the 14 offices and were working since the date of installation but neither these offices were interlinked nor linked with the office of the TC.
3. The computerisation works in almost all the test checked offices were managed with the help of outsourced staff due to non-availability of trained man power in these offices.

During the exit conference, the Department informed that installation work has since been completed in the remaining two offices, Jagdalpur and Dantewada.

Though the work of installation has been completed in the remaining two districts, the interlinking of these offices has not been completed so far.

#### **4.8.21 Manipulation made in “VAHAN” software by Registering Authority for registration of private vehicle**

As per rule 47 of the Central Motor Vehicles Rules 1989, certificate of insurance is required to be produced alongwith other documents at the time of registration of the vehicle. In the absence of certificate of insurance, the vehicle cannot be registered. In case of any delay in registration of the vehicle, the vehicle owner is liable to pay penalty and interest at the rate prescribed in the Act.

The above provision has also been incorporated in VAHAN software. However, the software has also provided for registering the vehicles without certificate of insurance through operating “Not Available” option available in the software which is valid only for Government vehicles for which certificate of insurance is not required.

Test check of the records of ARTO, Durg revealed that the transport authority registered 132 private vehicles through availing the “Not Available” option without insisting for certificate of insurance. During scrutiny of these cases, it was found that in all these cases, certificates of insurance were available. Further, the insurance dates in all these cases were prior to the date of purchase of the vehicles. It implies that these vehicles were purchased prior to the date of sale and the period ranged between 12 to 260 days. However, in order to avoid payment of penalty and interest on delayed registration, the date of insurance was not shown in all those cases and option of “Not Available” was resorted to. This resulted in non-levy of late fee, penalty and interest amounting to ₹ 98,945.

After we pointed out the cases, the transport authority replied that the matter will be referred to the higher authority to modify the programme.

During the exit conference, the Department stated that appropriate changes will be made in the software and such problem will not occur when dealer point registration is implemented. The Department further stated that the matter will be taken up with the NIC officials for rectifying the defects in the software.

The reply of the Department is not in consonance with the fact because there is no defect in the software. The manipulation done deliberately by the concerned officials to avoid the payment of penalty and interest on delayed registration.

#### **4.8.22 Conclusion**

Motor vehicle tax is a major source of revenue of the State Government. We noticed that there were huge arrears of revenue due to lack of effective steps for recovery. The Department failed to levy and collect trade tax, vehicle tax and other taxes due to lack of monitoring mechanism. The internal audit was weak as is evident by the shortfall in number of units required to be inspected, increasing trend of outstanding inspection reports, arrears of inspection by IAW, misappropriation and embezzlement of Government money, delay in remittance and manipulation of challans etc. improper maintenance of Cash Book. IAW is required to be strengthened for avoiding the cases of misappropriation, frauds etc. there were delay in notifying the rates for sleeper coach busses and issuance of fitness certificates, and in revising the seating capacity of the old and new passenger vehicles as per rules and issuance of demand notices to defaulting vehicle owners.

#### **4.8.23 Summary of recommendations**

Keeping in view the observations made above, the following recommendations are made for consideration by the Government to streamline the levy and collection of motor vehicle taxes. The Government may

- *issue instructions for realisation of arrears in a time bound manner;*
- *considering the number of cases of fraud, embezzlement, manipulation, etc. observed by audit from test check, take immediate action to avoid occurrence of such cases in future by strengthening the internal control mechanism, Cash Book maintenance and internal audit;*
- *fix the rates for sleeper coach buses and notify them as early as possible to prevent further loss of revenue;*
- *insist for Form-19 from the dealer to avoid loss of revenue;*
- *take immediate steps to issue fitness certificates for all the vehicles which are due, in interest of public safety;*
- *strictly follow the provisions of the Act for ensuring that the vehicles are not kept unused for long periods in interest of revenue;*
- *revise the seating capacity of the old and new passenger vehicle as per rules; and*
- *improve the demand notices mechanism for recovery of road taxes from defaulting vehicle owners.*



## CHAPTER V: LAND REVENUE

### 5.1 Tax administration

The Land revenue Department collects revenue in the form of taxes on agriculture and commercial crops, land development tax, *Gramin Vikas* tax, environmental and development cess, school building cess, premium and rent, tax on diversion of land, ground rent, penalties and interest etc. Government dues are recovered from the defaulters through issuing Revenue Recovery Certificates. *Tahsildars* have a vital role in recovery of Government dues from the defaulters.

The Department follows Acts, Circulars, and Code etc. as mentioned below:-

- Land Revenue Code, 1959;
- Chhattisgarh *Lok Dhan (Shodhya Rashiyon Ki Vasuli) Niyam*, 1988;
- Revenue Book Circular (RBC), volume I to VI; and
- *Chhattisgarh Adhosanranchna Vikas Evam Paryavaran Upkar Adhiniyam*, 2005.

The Land Revenue Department is headed by Commissioner (Land Revenue and Settlement). He is assisted by an Additional Director and Regional Deputy Commissioner. The Additional Director assisted by Joint/Deputy/Assistant Director is responsible for maintenance of Accounts while Regional Deputy Commissioner (RDC) is responsible for maintenance of land records etc.

### 5.2 Analysis of budget preparation

The budget estimates and actual receipts during the year 2005-06 to 2009-10 revealed that while the actual receipts decreased by 17.60 and 8.93 *per cent* in the year 2006-07 and 2007-08 respectively, the actual receipts increased by 259.50 and 32.68 *per cent* in the year 2008-09 and 2009-10 which shows improper preparation of budget estimates. The budget estimates for the year 2009-10 shows that the recovery of arrears of revenue is also not taken into account. Budget estimates further shows that the Department had estimated marginal increase in the budget each year. Budget estimates of Land Revenue tax, Development tax and cess and other receipts were made showing marginal increase in the budget.

In view of the above, the Department may consider preparing the budget as per the provisions of budget manual.

### 5.3 Trend of Revenue Receipts

Actual receipts from Land Revenue during the years 2005-06 to 2009-10 along with the total tax receipts during the period is exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	8.19	26.89	(+) 18.70	(+) 228.33	4051.91	0.66
2006-07	73.86	60.86	(-) 13.00	(-) 17.60	5045.70	1.20
2007-08	96.76	88.12	(-) 8.64	(-) 8.93	5618.10	1.57
2008-09	100.00	359.50	(+) 259.5	(+) 259.5	6593.72	5.45
2009-10	120.36	159.69	(+) 39.33	(+) 32.68	7123.25	2.24

The land revenue receipt to the total tax revenue of the state during the last five years ranged between 0.66 and 5.45 *per cent*. It may be observed from the above table that while the actual receipt exceeded the budget estimates by 228.33 *per cent*, 259.50 *per cent* and 32.68 *per cent* in the year 2005-06, 2008-09 and 2009-10 respectively, but the same declined by 18 *per cent* and nine *per cent* in 2006-07 and 2007-08 respectively. The reasons for huge variations have not been furnished so far.

#### 5.4 Impact of audit

**5.4.1: Position of IRs :** During the last five years, audit through its Audit Reports had pointed out non-recovery of processing fee, premium, penalty etc. with revenue implication of ₹ 310.38 crore in 6899 cases. Of these, the Department/ Government had accepted audit observations in 5794 cases involving ₹ 285.11 crore and had since recovered ₹ 0.09 crore. The details are shown in the following table:

(₹ in lakh)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	31	343	21513.49	327	21308.26	2	2.72
2005-06	-	-	-	-	-	-	-
2006-07	16	219	931.13	201	539.13	2	0.85
2007-08	24	2721	2570.00	2700	2516.00	1	0.36
2008-09	24	3616	6023.00	2566	4147.92	2	4.96
<b>Total</b>	<b>95</b>	<b>6899</b>	<b>31037.62</b>	<b>5794</b>	<b>28511.31</b>	<b>7</b>	<b>8.89</b>

**5.4.2: Position of Audit Reports :** In the Audit Reports 2004-05 to 2008-09 the cases of under assessment of cess, processing fees, premium, penalty were indicated involving ₹ 3.44 crore. The Department accepted observations of ₹ 0.20 crore and recovered ₹ 0.26 crore till March 2010 as shown in the following table:

(₹ in crore)

Sl. No.	Year of the Audit Report	Total Money value	Amount Accepted	Recovery made up to March 2010
1.	2004-05	1.14	0.2	0.21
2.	2005-06	-	-	-
3.	2006-07	-	-	-
4.	2007-08	0.07	-	-
5.	2008-09	2.23	-	0.05
	<b>Total</b>	<b>3.44</b>	<b>0.2</b>	<b>0.26</b>

The Department should take steps for recovery as pointed out in Audit Reports.

### 5.5 Internal Audit

There is no Internal Audit Wing (IAW) in the Department. Government may consider setting up of the IAW in the Department so as to ensure proper and timely realisation of revenue.

### 5.6 Results of audit

Test check of the records of 20 units of the Land Revenue Department revealed loss of revenue amounting to ₹ 27.44 crore in 4,037 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Delay in collection of RRC	1,098	15.83
2.	Non-levy/realisation of cess	56	0.14
3.	Non-recovery of land rent and premium	10	0.13
4.	Non/short levy of process fee	1,382	0.12
5.	Other irregularities	1,491	11.22
	<b>Total</b>	<b>4,037</b>	<b>27.44</b>

During the year, the Department accepted non levy of penalty, non-recovery of land rent, premium, diversion rent etc. of ₹ 27.10 crore in 3099 cases. The Department recovered ₹ 5.77 lakh in 360 cases pointed out by audit in earlier years.

A few illustrative cases involving ₹ 70.52 lakh are mentioned in the following paragraphs.

## 5.7 Audit observations

We scrutinised the records relating to assessment and collection of LR which revealed non-levy of interest, non-raising of demand of diversion rent and non-levy of cess as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions are pointed out repeatedly, but not only do the irregularities persist, these remain undetected till an audit is conducted by us. There is need for the Government to improve the internal control system including strengthening of internal audit so that these omissions can be avoided, detected and corrected.

## 5.8 Non-levy of interest

As per the Revenue Department, Government of Madhya Pradesh order dated 21.12.1995 (as adopted in the state of Chhattisgarh) land admeasuring 18.30 acres was allotted to South Eastern Coal Fields Limited (SECL), Raigarh with premium and annual lease rent of ₹ 1.32 crore and ₹ 6.58 lakh respectively. As per the Government order dated 24.4.1997 the above amount was to be paid in five equal annual instalments along with compound interest at the rate of 15 per cent per annum.

We found in the test check of records of Collector, Raigarh (*Nazul* branch) in January 2009 that the SECL, Raigarh paid ₹ 52.61 lakh as premium and ₹ 13.15 lakh as land rent upto March 1999. The balance amount of premium ₹ 2.28 crore and land rent ₹ 36.44 lakh as on March 2007 was paid on March 2008 with a delay of one year for which interest amounting to ₹ 39.70 lakh [15% of (2,28,24,999+36,44,227)] was not levied and recovered from the lessee. This resulted in non-levy of interest of ₹ 39.70 lakh.

During discussion, the Government stated (October 2010) that matter regarding recovery of interest has

already been taken up with the Department.

## 5.9 Non-raising of demand of diversion rent

According to the procedure laid down in Revenue Book Circulars, after reassessment of rent of land which has been assessed for one purpose and diverted for use to any other purpose, the revenue authority shall intimate the same to the *Tahsildar* so as to incorporate the demand in *Tahsil* records.

We found in the test check of the records of two<sup>1</sup> *Tahsils* (August and September 2009) that in 50 cases which were reassessed between revenue years 2003-04 and 2007-08, the demand of diversion rent of ₹ 24.87 lakh were not

incorporated by the *Tahsildar* in the demand register. As a result, the demand for

<sup>1</sup> Kathghora and Korba

diversion rent was not raised and the amount could not be recovered. This resulted in non-realisation of revenue of ₹ 24.87 lakh.

After we pointed out the case, the Government replied (November 2010) that an amount of ₹ 2.48 lakh has been recovered and action is being taken to recover the balance of ₹ 10.22 lakh by Tahsildar, Korba. As regard to the recovery of ₹ 12.17 lakh, an amount of ₹ 12.08 lakh has been recovered by the Tahsildar, Kathghora. However, the details of challan in support of the recovery of the amount by the Tahsildar, Kathghora has not been furnished to audit.

### 5.10 Non-levy of cess

We found in the test check of the records of the Collector, Mahasamund in June

As per notification No/F-4 50/7/Revenue/2005/4056 dated 20 December 2005 issued by the Chhattisgarh Government, Development and Environmental cess is leviable on land covered under lease other than lease of coal and iron ore at the rate of five *per cent* of annual royalty.

2009 that royalty of ₹ 59.51 lakh was collected from 313 quarry leases during the year 2007-08 and 2008-09. The Department did not levy Development and Environmental cess on the royalty resulting in non-levy of cess of ₹ 5.95 lakh.

After we pointed out the case, the Government replied (October 2010) that after examination and as per the report of the Collector (Mining)

Mahasamund, royalty of ₹ 75,186 and ₹ 1.41 lakh was deposited by the lessees in the year 2007-08 and 2008-09 respectively for which Development and Environmental cess amounting ₹ 48,329 was deposited by the lessees and demand notice has been issued to one lessee to deposit the cess.

The reply is not acceptable because the Department had recovered cess of ₹ 48,329 only against the recoverable cess of ₹ 5.95 lakh. Moreover, the Department had not clarified regarding the balance royalty of ₹ 32.70 lakh and ₹ 24.65 lakh during 2007-08 and 2008-09 respectively. The challan of the deposited cess has also not produced to audit for verification. Further progress in the case is awaited (November 2010).

## CHAPTER VI : STATE EXCISE

### 6.1 Tax administration

Excise Department is one of the major revenue earning department of the state and the contribution of the Excise receipts to the total tax revenue of the state during the last five years were between 14 and 16.67 *per cent*. Receipts from excise comprise receipts derived from duty, fee or confiscation imposed or ordered under the provisions of Chhattisgarh Excise Act, 1915 and rules and notifications issued thereunder. It also includes revenue from manufacture, possession and sale of liquor, *Bhaang* and poppy heads. The Department maintains a set of liquor shops and gives annual licences to private contractors to sell country spirits, foreign liquor, *bhaang* and poppy from their shops. Licence for manufacture of liquor are granted and renewed every year by the Excise Commissioner on payment of prescribed fee subject to prior approval of the State Government. The department follows the undermentioned Acts and Rules:

- Chhattisgarh Excise Act, 1915;
- Chhattisgarh Entertainment Duty and Advertisement Tax Act, 1936;
- Chhattisgarh Distillery Rules, 1995; and
- Chhattisgarh Foreign liquor Rules, 1996.

The State Excise Department is headed by the Excise Commissioner. He is assisted by Additional Excise Commissioner, Deputy Commissioners, Assistant Commissioners, District Excise Officers and Assistant District Excise Officers.

### 6.2 Analysis of budget preparation

Budget is prepared as per Chhattisgarh Budgetary Manual. The Budget procedure provides that the estimates of receipts should show the amount expected to be realised within a year. The preparation of annual budget estimate of excise revenue is based on the revenue expected to be collected in a year in the shape of licence fee, duty, permit fee, bottling fee, application fee, labeling fee, allotment of shops for sale of liquor, licence fees etc. The budget estimate for the year 2009-10 was ₹ 1,158 crore and revenue realised was ₹ 1,187.72 crore, an increase of 2.57 *per cent* over the budget estimate and the increase is mainly due to increase in the receipts from foreign liquor, country spirit, licence fee and other minor revenue heads. The Government may prepare realistic budget so that the receipts may be realised as per budget estimates.

### 6.3 Trend of Revenue Receipts

Actual receipts from State Excise Department during the years 2005-06 to 2009-10 along with the total tax receipts during the period is exhibited in the following table:

(₹ in crore)

Year	Budget estimate	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the state	Percentage of the actual receipts vis-à-vis total tax
2005-06	525.00	634.00	(+) 109.00	(+) 20.76	4051.91	15.65
2006-07	704.44	706.81	(+) 2.37	(+) 0.34	5045.70	14.00
2007-08	840.00	843.10	(+) 3.10	(+) 0.37	5618.10	15.00
2008-09	950.00	964.10	(+) 14.1	(+) 1.48	6593.72	14.62
2009-10	1158.00	1187.72	(+) 29.72	(+) 2.57	7123.25	16.67

Actual receipt was more than the budget estimates due to increase in the receipts from processing fee, duties and consumption of liquor in the year 2009-10. It may be observed from the above table that the actual receipts during the period 2005-06 to 2009-10 exceeded the budget estimates. It clearly indicates that the department had not taken into account all the inputs while preparing the budget and this resulted in variation in the budget figures and the actual receipts.

#### 6.4 Cost of collection

The gross collection in respect of State Excise receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection of preceding years is indicated in the table below:

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of expenditure to gross collection of preceding year
State Excise 0039	2007-08	843.10	19.75	2.34	3.30
	2008-09	964.10	26.30	2.73	3.27
	2009-10	1187.72	35.35	2.98	3.66

It may be seen from the table that though the percentage of expenditure on the collection of revenue in the state was lower than the all India average percentage, but the same has been increasing.

#### 6.5 Arrear of revenue

The arrears of revenue as on 31 March 2010 amounted to ₹ 25.60 crore of which ₹ 22.94 crore were outstanding for more than five years. The following table depicts the position of arrear of revenue during the period 2005-06 to 2009-10:

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears
2005-06	23.00	0.12	0.05	23.07
2006-07	23.07	0.01	0.29	22.79
2007-08	22.79	0.21	0.18	22.82
2008-09	22.82	0.49	0.05	23.26
2009-10	23.26	2.42	0.08	25.60

The above table indicates that there was marginal recovery of arrears of revenue. **The Government needs to take appropriate measures to recover the arrears.**

## 6.6 Impact of audit

**6.6.1 : Position of IRs :** During the last five years, audit through its Audit Reports had pointed out non-recovery of duty, short realisation of licence fees, non-levy of penalty, non/short levy of entertainment duty with revenue implication of ₹ 123.90 crore in 2893 cases. Of these, the Department/Government had accepted audit observations in 2174 cases involving ₹ 58.38 crore and had since recovered ₹ 0.10 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		Cases	Amount	Cases	Amount	Cases	Amount
2004-05	10	574	38.16	484	33.91	1	0.0022
2005-06	10	759	45.40	577	20.32	32	0.042
2006-07	3	194	3.81	145	0.76	-	-
2007-08	12	1143	18.74	912	0.54	55	0.038
2008-09	10	223	17.79	56	2.85	2	0.02
<b>Total</b>		<b>2893</b>	<b>123.90</b>	<b>2174</b>	<b>58.38</b>	<b>90</b>	<b>0.10</b>

The above table indicates that during the last five years only 0.17 *per cent* recovery has been made on the accepted cases which is negligible. **The Government needs to look into the recovery of arrears of revenue.**

**6.6.2 : Position of Audit Reports :** In the Audit Report 2004-05 to 2008-09 the cases of under/non-assessment, loss of revenue and non-levy of penalty were indicated involving ₹ 30.49 crore. The Department has accepted the observations of ₹ 8.94 crore of which ₹ 0.03 crore were recovered till March 2010 as shown in the table.

Sl. No	Year of the Audit Report	Total money value	Amount accepted	Recovery made up to March
1.	2004-05	10.25	0.11	0.01
2.	2005-06	4.09	0.08	-
3.	2006-07	-	-	-
4.	2007-08	14.95	8.68	-
5.	2008-09	1.20	0.07	0.02
	<b>Total</b>	<b>30.49</b>	<b>8.94</b>	<b>0.03</b>

**The Department should take steps for recovery as pointed out in Audit Reports.**



## 6.7 Internal Audit

Internal Audit Wing (IAW) has been formed in the department. For this, post of Joint Director, Finance and Assistant Internal Audit Officer has been sanctioned. During the year, 16 units have been inspected and instructions have been given to the concerned units for removal of irregularities noticed during inspection.

**The Government may issue necessary instruction to the IAW for issuing the inspection reports promptly and obtain the compliance in time.**

## 6.8 Results of audit

Test check of the records of 16 units relating to Excise Department revealed non-recovery of duty, non-levy of penalty, short realisation of licence fees, non/short levy of entertainment duty etc. amounting to ₹ 16.71 crore in 1,036 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Non/short levy of excise duty	32	6.42
2.	Non-levy of penalty for failure to maintain minimum stock of spirit in warehouses.	201	2.39
3.	Non-levy/recovery of duty on excess wastage	661	0.42
4.	Recovery of arrears of entertainment tax and non-levy of penalty	81	0.26
5.	Other irregularities	61	7.22
<b>Total</b>		<b>1,036</b>	<b>16.71</b>

During the year, the Department accepted under assessment, non/short levy of duty, licence fee of ₹ 7.52 crore in 337 cases.

A few illustrative cases involving ₹ 48.04 lakh are mentioned in the following paragraphs.

## 6.9 Audit observations

*We scrutinised the assessment records of excise duty, fee and charges in the district excise offices (DEOs) and found several cases of non-observance of the provisions of the Acts/Rules/Annual Excise Policies (AEP) leading to loss/non/short levy and realisation of excise duty, fee, charges, fine and non-destruction of excise goods etc., and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions on the part of the Superintendents of Excise are pointed out by us each year, but not only do the irregularities persist but these remain undetected till an audit is conducted. There is need for the department to improve the internal control system including strengthening of internal audit so as to avoid recurrence of such irregularities.*

## 6.10 Non-levy of penalty for failure to maintain the minimum stock of spirit in warehouses

According to Rule 4(4) of Chhattisgarh Country Spirit Rules, a licensee shall maintain at each storage warehouse, a minimum stock of bottled country liquor equivalent to average issue of five days of the preceding month. In the event of failure to maintain the minimum stock of spirit in warehouse, the Collector may impose a penalty not exceeding ₹ two per proof litre on the licensee, for the quantity found short of the prescribed minimum stock. This penalty shall be payable by the licensee irrespective of whether any loss has actually been caused to the Government or not.

We found in the test check of the records of three<sup>1</sup> District Excise Officer (DEO) (between December 2008 and October 2009) that on 1,720 occasions, the licensee maintained stock of bottled country liquor of 101.48 lakh proof litre (PL) as against the prescribed minimum quantity of 285.55 lakh PL. Despite this the Department has neither issued any show cause notice in these cases nor levied any penalty against

the licensee. Thus, there was shortage of 184.07 lakh PL for which penalty of ₹ 3.68 crore was to be levied on the licensees. The department did not levy the amount resulting in non-levy of ₹ 3.68 crore.

After we pointed out the cases (between December 2009 and March 2010), the Government stated (August 2010) that an amount of ₹ 51,745 has been recovered and for rest of the cases show cause notices have been served to the licensees. Further progress in the matter is awaited (November 2010).

<sup>1</sup> Janjgir (Champa), Korba, Mahasamund.

## 6.11 Non-levy of duty on excess wastage in transportation of bottled country liquor

Rule 10(A)(i) of Chhattisgarh Country Spirit Rules provides the maximum permissible limit of 0.1 *per cent* for wastage in transport of bottled country liquor if the manufacturing warehouse and the storage warehouse are located in the same district and 0.25 *per cent* if the manufacturing warehouse and the storage warehouse are located in different districts. Further as per Rule 10(A)(3), if wastage is more than the permissible limit, the prescribed duty on that excess wastage shall be recovered from the licensee.

We found in the test check of the records of the six<sup>2</sup> District Excise Officers (DEO) between July 2006 and October 2009 that 1.34 crore proof litre (PL) of country liquor was transported from manufacturing warehouse to storage warehouse during the period from December 2005 to March 2009 of which 1.33 crore PL was

acknowledged. Wastage of 1.32 lakh PL was allowed against the permissible limit of 33,467.68 PL. Despite this, the Department has neither issued any show cause notice in these cases nor levied any penalty against the licensee. Thus, there was excess wastage of 98,997.76 PL of country liquor for which excise duty of ₹ 47.52 lakh was leviable, but no duty was levied. This has resulted in non realisation of revenue of ₹ 47.52 lakh.

After we pointed out the cases (between November 2009 and February 2010), the Government stated (July 2010) that an amount of ₹ 2.92 lakh has been recovered from the licensee and for the remaining, cases are pending for decision and orders before the concerned Collectors. Further progress in the matter is awaited (November 2010).

<sup>2</sup> Dhamtari, Janjgir, Korba, Mahasamund, Raipur and Rajnandgaon.

## CHAPTER VII: FOREST RECEIPTS

### 7.1 Tax administration

The Forest Department generates revenue mainly through sale of timber, firewood, bamboo and sale of minor forest produce which are the major sources of revenue for the Government. The forest produce is disposed through auction, invitation of tenders etc. Evasion of revenue occurs mainly through non achievement of target and supplies according to working plan.

The protection, conservation and sustained growth of the forests in Chhattisgarh state is the responsibility of the Forest Department which functions under the Principal Secretary (Forests). The Principal Chief Conservator of Forests (PCCF), Chhattisgarh at Raipur is responsible for overall administration of the Department.

The administration of forest divisions, sale of forest produce and realisation of revenue are the responsibilities of Divisional Forest Officers (DFO). Besides protection of forests, the Range Officers (RO) are responsible for carrying out the work of plantation, marking and felling of trees, transportation of timber and fuel wood from coupes<sup>1</sup> to depots, etc. The Working Plan (WP) circle and divisions have the responsibilities of timely preparation of WPs. The Forest Management and Information System (FMIS) division is the Information Technology wing of the Department to assist in Forest Management and Planning and application of software development

### 7.2 Impact of audit

**7.2.1 : Position of IRs :** During the last five years, audit through its Audit Reports had pointed out non/short realisation of revenue due to non-exploitation of bamboo/timber, low yield of timber/bamboo, shortage of forest produce, loss of revenue etc. with revenue implication of ₹ 344.09 crore in 576 cases. Of these, the Department/Government had accepted audit observations in 362 cases involving ₹ 280.54 crore. The details are shown in the following table:

---

<sup>1</sup> The Working Plan divides the forest area into various Working Circles (WC), WC into compartments and compartments into coupes.

(₹ in crore)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		Cases	Amount	Cases	Amount	Cases	Amount
2004-05	9	42	161.02	42	161.02	-	-
2005-06	4	186	53.81	1	0.07	-	-
2006-07	7	58	104.48	58	104.48	-	-
2007-08	1	5	5.17	5	5.17	-	-
2008-09	11	285	19.60	256	9.79	-	-
<b>Total</b>		<b>576</b>	<b>344.08</b>	<b>362</b>	<b>280.53</b>	-	-

**7.2.2 : Position of Audit Reports :** In the Audit Report 2004-05 to 2008-09, the cases of non/short realisation of revenue, shortages of forest produce were indicated involving ₹ 34.19 crore.

(₹ in crore)

Year of Audit Report	Total Money Value	Amount Accepted	Recovery made up to march 2010
2004-05	20.21	-	-
2005-06	11.55	-	-
2006-07	2.43	-	-
2007-08	-	-	-
2008-09	-	-	-
<b>Total</b>	<b>34.19</b>	-	-

The above table indicates that during the last five years no recovery was effected by the Department. The Department had also not taken any initiative for clearance of the cases pointed out by audit.

### 7.3 Results of audit

Test check of records of forest receipts during the year 2009-10 revealed non/short realisation of revenue due to non-exploitation of bamboo/timber, low yield of timber/bamboo, shortage of forest produce, loss of revenue etc., amounting to ₹ 95.29 crore in 1,002 cases which can be categorised as under:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Assessment and collection of Forest Receipts – (A review)	1	78.19
2.	Loss of revenue due to low yield of timber	204	1.76
3.	Sale of timber below upset price	103	0.11
4.	Other irregularities	694	15.23
	<b>Total</b>	<b>1,002</b>	<b>95.29</b>

During the year 2009-10, the Department accepted the loss of ₹ 15.58 crore in 998 cases.

The Department recovered ₹ nine crore on being pointed out in audit.

A review on “Assessment and Collection of Forest Receipts” involving ₹ 78.19 crore is mentioned in the following paragraphs.

## 7.4 Assessment and collection of Forest Receipts

### Highlights

- The practice of depositing CT/VAT into forest receipts was in contravention to the fundamental accounting principles. This practice not only overstated the receipts of Forest Department by ₹ 114.64 crore in last five years but also understated the receipts of Commercial Tax Department.

**(Paragraph 7.4.6.2)**

- The arrears of revenue as on 31<sup>st</sup> March 2010 amounted to ₹ 2.396 crore of which ₹ 0.194 crore were outstanding for more than five years and had not been recovered.

**(Paragraph 7.4.6.3)**

- Non-maintenance of depot sale register, improper maintenance of cash book and issue of work order prior to realisation of revenue led to embezzlement of Government revenue of ₹ 2.18 lakh as well as non-realisation of interest of ₹ 1.71 lakh thereon.

**(Paragraph 7.4.7.1)**

- Deficiencies in the system of auction and inordinate delay in disposal of forest produce resulted in non-realisation of revenue due to deterioration of the forest produce.

**(Paragraph 7.4.8)**

- Delay in preparation of Working Plan in two test checked divisions resulted in non-realisation of revenue besides adversely affecting the growth and regeneration of the forests.

**(Paragraph 7.4.9)**

- Non-recovery of transit fee on the extraction and transport of minerals extracted from forest lands led to non-realisation of transit fee amounting ₹ 76.90 crore.

**(Paragraph 7.4.12)**

- Non-adherence to the Working Plan of the Department/Divisions resulted in loss of revenue as well as reduction in control over the production. Work plans prepared were not realistic or the Departmental Machinery had not taken necessary efforts to execute the work plans.

**(Paragraph 7.4.13)**

- There was loss of revenue due to variation in the estimated and actual yield of forest produces.

**(Paragraph 7.4.14)**

- There were deficiencies in transportation of forest produce due to delays by the transport contractors, no action taken against defaulting contractors, less receipt of forest produce in depots and shortages found in physical verification of the produce.

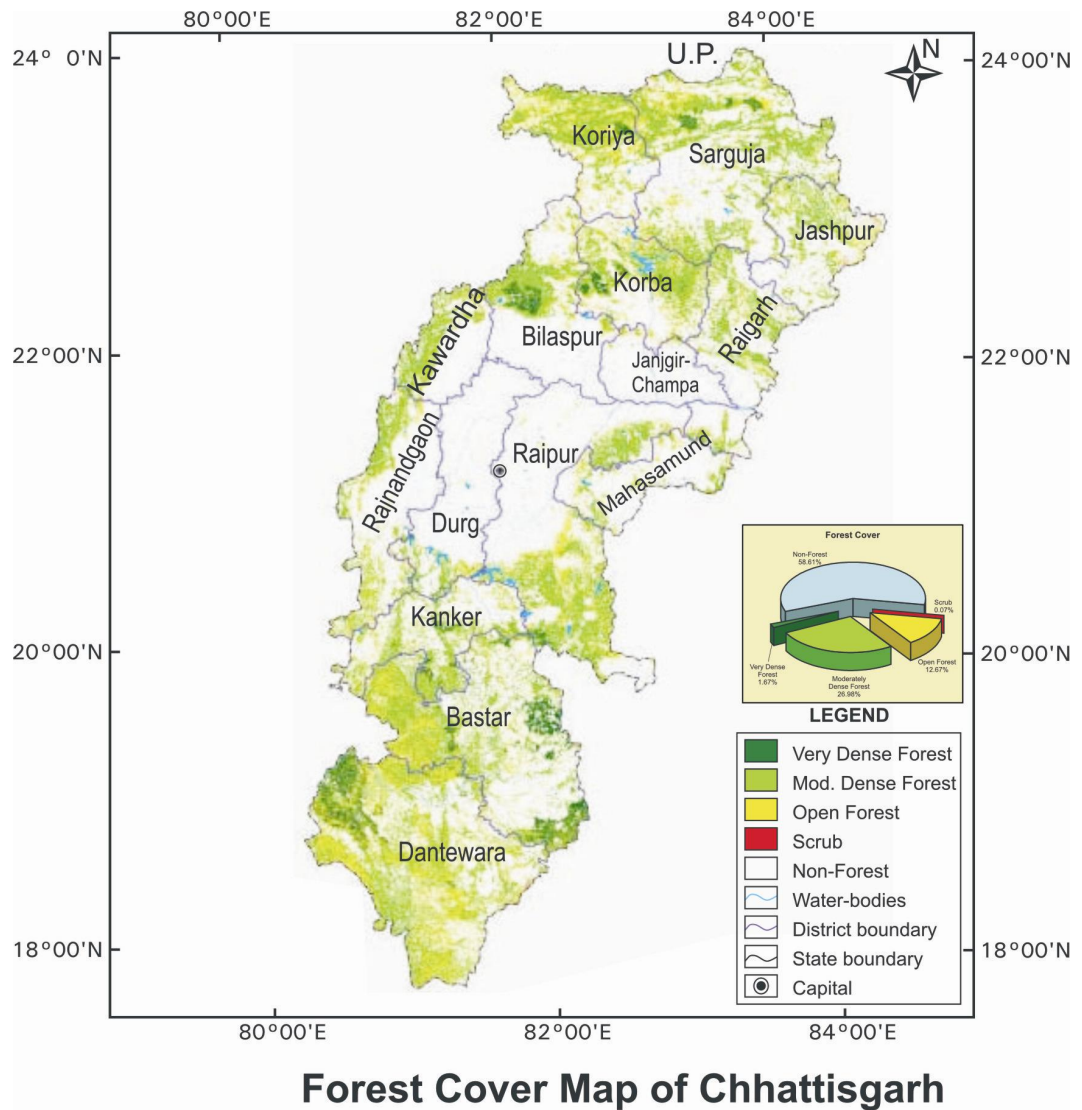
**(Paragraph 7.4.15)**

- Lack of Internal Audit Wing resulted in weak Internal Controls in the Department.

**(Paragraph 7.4.17)**

### **7.4.1 Introduction**

The subject “Forest Receipts” is included in the Concurrent list in the VIIth Schedule of Article 246 of the Constitution of India. In Chhattisgarh State, out of the total geographical area of 1,35,191 sq. km., 59,772 sq. km., i.e. 44.2 *per cent* is covered by forest. Except the central part, there is reasonably good forest cover throughout the State. The distribution of Forest cover in the State is shown in the following map:



The districts with dense forest cover are Ambikapur, Bijapur, Dantewada, Jagadapur, Jashpur, Kanker, Korba, Korla, Eastern parts of Raipur and Rajnangaon.

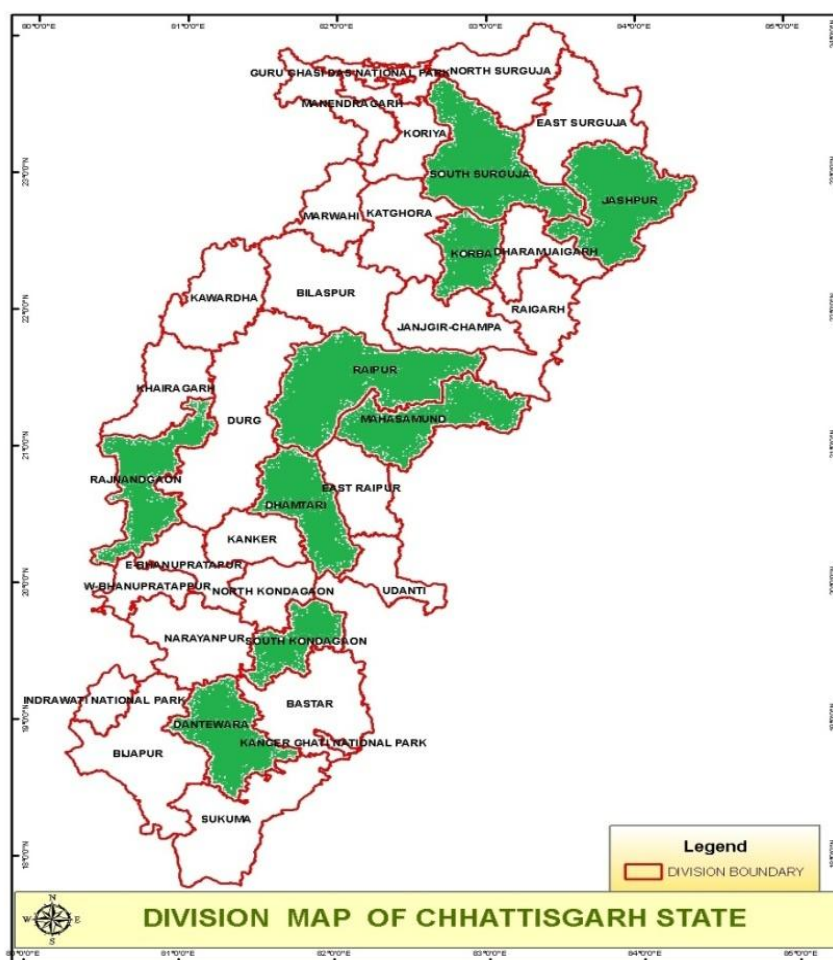
The Forest Department generates revenue mainly through sale of timber, firewood, bamboo and sale of minor forest produce through Minor Forest Produce



Federation. Extraction of forest produce in the State is done departmentally. The forest produce is disposed through auction, invitation of tenders, etc.

### 7.4.2 Audit Scope and methodology

The review was conducted during January to July 2010 to assess the efficacy of the system of collection of Forest revenue in the Department, covering the period from 2005-06 to 2009-10. Records of PCCF, 9<sup>2</sup> out of 32 territorial divisions in the State, two<sup>3</sup> out of six territorial circles, WP circle and FMIS division were examined in the course of review. The territorial divisions were selected by the method of random sampling. The coverage of selected units constituted 26 per cent of total units. The divisions covered in the review are shown in the following map:



(Divisions covered in Review are shaded green)

<sup>2</sup> Dantewada, Dhamtari, Jashpur, Korba, Mahasamund, Raipur, Rajnandgaon, South Kondagaon, South Sarguja,

<sup>3</sup> Durg, Raipur.

### 7.4.3 Audit criteria

The provisions envisaged in the following Acts, Rules etc. govern the functioning of the Forest Department in the state, form the criteria for the audit:

- The Indian Forest (IF) Act, 1927 and rules made thereunder;
- The Forest Conservation (FC) Act, 1980 and rules made thereunder;
- Chhattisgarh *Van upaj (Vyapar Viniyaman) Adhiniyam*, 1969 and rules made thereunder;
- National Working Plan Code (NWPC), 2004; and
- Instructions/Orders issued by Government/Department from time to time regarding assessment and collection of revenue.

### 7.4.4 Audit objectives

The review was conducted to ascertain, whether:

- Working Plans (WPs) of the divisions were prepared and got approved from Government of India (GOI) in time and the sale of forest produce was and were in the format as prescribed in National Working Plan Code;
- the prescriptions and schedules as envisaged in the WPs for silvicultural<sup>4</sup> activities were being followed during the execution of different works in forests;
- the forest produce available and due for exploitation were extracted in time and the sale of forest produce was as per the norms and provisions and the expected revenue were realised from its sale; and
- the efficiency and effectiveness of the internal control mechanism in the Department, for ensuring optimum collection of revenue.

### 7.4.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Department in providing necessary information and records to audit. The scope and methodology of audit was discussed with the Secretary of the Department in an entry conference held on 08 March 2010. The review was forwarded to the State Government on 13 August 2010. The review was discussed with the Principal Secretary of the Department in an exit conference held on 05 October 2010. Most of the recommendations were accepted by the Department. The response of the Government received at the exit conference and at other points of time has been appropriately incorporated in the relevant paragraphs.

### 7.4.6 Trend of Revenue Receipt

---

<sup>4</sup> Silviculture means carrying out various operations relating to the growth, health and quality of the forests.

The DFOs prepare the annual budget estimates of receipts on the basis of receipts of the previous year and the anticipated receipts for the next year. The budget for the receipts from production is prepared on the basis of the volume of felling to be done in next year as per WP and also taking into account the prevailing market price. These are submitted to the PCCF through the Conservators of Forest (CF). After compilation at the PCCF office, the total budget estimates for the Department is finally sent to the Finance Department for approval.

The contribution of forest receipts to the non-tax revenue of the State during the last five years ranged between 12.77 and 16.52 *per cent*. The trend of revenue earnings of the Department from 2005-06 to 2009-10 was as follows:

(₹ in crore)

Year	Budget estimates	Actual receipts	Surplus (+)/ shortfall (-)	Percentage of variation
2005-06	175.00	203.17	28.17	16.10
2006-07	211.53	205.79	(-) 5.74	(-) 2.71
2007-08	250.00	258.07	8.07	3.23
2008-09	280.00	322.29	42.29	15.10
2009-10	365.00	345.85	(-) 19.15	(-) 5.25

We observed from the above table that the actual receipts during the review period exceeded the budget estimates except in 2006-07 and 2009-10. As regards 2006-07 and 2009-10, the Revenue receipts fell short of the estimates by nearly three and five *per cent* respectively.

During the exit conference, the Department intimated that due to formation of *Salwa Judum* in Naxal affected areas in 2005-06, the Naxal activities had intensified which hampered the felling operations as per the provisions of WPs and resulted in shortfall of revenue in 2006-07 as well as 2009-10.

#### 7.4.6.1 Forest Development Cess

During the scrutiny of records, we noticed that the above receipts of the Department also included the Forest Development Cess (FDC), which was collected by Chhattisgarh Forest Development Corporation Ltd. (CGFDCL) and Chhattisgarh Minor Forest Produce Federation (CGMFPP). Since, the FDC was not taken into account while fixing the targets, the inclusion of cess in the receipts of the Department inflated the actual receipts of the Department. The position of FDC received during the review period is furnished in the following table:

(₹ in crore)

Year	FDC received from CGFDCL	FDC received from CGMFPP	Total
2005-06	1.04	4.82	5.86
2006-07	1.42	4.26	5.68
2007-08	0.72	8.90	9.62
2008-09	0.99	11.37	12.36
<b>Total</b>	<b>4.17</b>	<b>29.35</b>	<b>33.52</b>

It may be seen from the table that funds received by FDC from CGFDCL and CGMFPP ranged between ₹ 5.68 crore and ₹ 12.36 crore during 2005-06 to 2008-

09 and if the above receipts are excluded from the receipts of FDC, the percentage of overachievement made in 2005-06 and 2008-09 will be reduced further. Similarly, there would be under achievement of targets in 2006-07 and 2007-08.

On being pointed out in audit, the Department replied that information regarding fixing of targets by CGFDCL and CGMFPF were not furnished to the Department.

During the exit conference, the Department intimated that budget estimates for FDC from the CGFDCL and CGMFPF have since been included in the Department's budget from financial year 2010-11.

#### 7.4.6.2 Deficiencies in collection and payment of Commercial Tax recovered from the sale of forest produce

In Chhattisgarh Forest Department, we noticed that Commercial Tax (CT)/Value Added Tax (VAT) recovered from the sale of forest produce from the depots

As per the provisions envisaged in Rule 308 of Chhattisgarh Financial Code as well as Rule 29 of Government Accounting Rules, 1990, the classification of transactions in Government Accounts shall have closer reference to the function, programme and activity of the Government and the object of the transaction rather than the Department in which the transaction occurs.

under the "Nationalised trade of Timber and Bamboo" was included in the forest receipts under Major Head (MH) 0406 'Forestry and Wildlife'. Further, the CT/VAT so recovered is paid to the CT Department under the MH 0040 'Taxes on sales, trade' through allotment of budget under MH 2406 'Forestry and Wildlife'- 3836 'Nationalised trade of Timber and Bamboo'- 023 'Payment of commercial tax'.

The practice of depositing CT/VAT into forest receipts was in contravention to the fundamental accounting principles. This practice not only overstated the receipts of Forest Department by ₹ 114.64 crore in last five years but also understated the receipts of Commercial Tax Department. Further scrutiny of records revealed that due to above practice, ₹ 22.62 crore which were collected as CT, were not paid to the CT Department as given in the following table:

(₹ in crore)			
Year	CT collected	CT paid	Less payment
2005-06	18.13	15.73	2.40
2006-07	16.79	14.76	2.03
2007-08	23.02	17.19	5.83
2008-09	26.74	19.97	6.77
2009-10	29.96	24.37	5.59
<b>Total</b>	<b>114.64</b>	<b>92.02</b>	<b>22.62</b>

During the exit conference, the Department stated that the matter has already been taken up with the Finance Department for changing the procedure.

**The Department may consider issuing necessary orders for depositing Sales Tax/VAT under proper Head of Account.**

### 7.4.6.3 Arrears of revenue

The arrears of revenue as on 31<sup>st</sup> March 2010 amounted to ₹ 2.396 crore of which ₹ 0.194 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10.

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears
2005-06	0.194	190.446	190.42	0.22
2006-07	0.22	201.864	201.84	0.244
2007-08	0.244	265.598	265.54	0.302
2008-09	0.302	311.354	311.20	0.456
2009-10	0.456	343.240	341.30	2.396

It may be seen from the table that the arrears of revenue increased to ₹ 2.396 crore during 2009-10 as compared to ₹ 0.456 crore of the previous year i.e. an increase of 425 *per cent*. The increase in the arrears was reportedly due to inclusion of the work order valuing ₹ 1.94 crore after auction of forest produce issued to contractors which would be due in the next financial year. The Department further stated that necessary direction has been issued to the Conservators of forests for issue of instruction to the Forest Division to ensure recovery of the arrears. :

**The Government may issue necessary instructions for realisation of the arrears in a time bound manner.**

## Audit findings

### System deficiencies

As per Section 11 of *Chhattisgarh Rajya Vanopaj (Vyapar/Vinimayan) Adhiniyam, 1969*, every forest produce manufacturer, trader or consumer whose consumption is more than prescribed quantity, shall have to register itself with the forest Department.

### 7.4.7 Sale of Forest Produce and realisation of revenue

Only the registered manufacturer, trader or consumer will be allowed to take part in the auction of forest produce after producing annual registration and PAN before auction. As per Rule 1(A) of *Sthapit Depot se nilami me vikraya ki sharton ko*

*viniyamit karne wale niyam*: 1989, no person shall be allowed to take part in the auction until he had signed the sale information and deposited 10 *per cent* of the upset price of the lot or ₹ 1,000 whichever is higher, as advance for which he wants to bid. As per Rule 2(A)(1), the successful bidder has to deposit such amount to complete the 25 *per cent* of the sale price as earnest money just after the sanction of bid or within seven days as prescribed by the DFO failing which, the bid will be cancelled and the amount of advance will be forfeited. The amount deposited as advance and earnest money shall be entered into Earnest Money Register (EMR).

As per Rules 2(B)(1) and 2(C)(3), the payment of remaining 75 *per cent* along with all the taxes shall be made within 45 days of the sanction of the bid. As per Rule 2(B)(2), in case of failure of above, interest shall be levied at the rate of 18 *per cent* per annum from the 46<sup>th</sup> day.

For the purpose of calculation of interest, period up to 15 days shall be considered as half month while more than 15 days shall be considered as full month.

As per Rule 13(A), the forest produce shall not be permitted to be removed before receipt of full payment along

with the taxes. Depot Sale Register (DSR) shall be maintained at the division office to keep watch on the sale proceedings and ensure the full realisation of revenue with all taxes before removal of produce from depot. Further, as per Rule 22 of Chhattisgarh Financial Code, any type of losses detected should immediately be intimated to the Government as well as to the Accountant General even if it has been made good.

#### 7.4.7.1 Embezzlement of Government receipts

During the test check of records of DFO, Mahasamund (June 2010), we found that eight lots were sold to a contractor in the auction dated 17<sup>th</sup> June 2009 at the total sale price of ₹ 2,06,400. As per entries made in the EMR and work order, remaining earnest money amounting ₹ 30,900 (to complete the 25 *per cent*) and remaining sale price ₹ 1,87,566 (including taxes) were shown to be deposited by the contractor through Bank draft nos. 311503 (dated 22<sup>nd</sup> June 2009) and 326467 (dated 22<sup>nd</sup> August 2009) respectively. On receipt of Bank Drafts, DFO issued the work order to the contractor for removal of produce from depot without ensuring the encashment of the Bank Drafts. During the test check of records, it was found that the above stated drafts were subsequently found fake as they were neither found entered in the cashbook nor in the Consolidated Treasury Receipts (CTR) Statement. Further, the DSR was also not maintained in the division. This resulted in embezzlement of ₹ 2,18,466.

We, during further scrutiny, found that enquiry was in progress since January 2010 against the revenue clerk in five cases where the produce was removed by two contractors on the basis of fake bank drafts as detailed below:

Sl. No.	Date of Auction	Name of Contractor	Draft No.	Date of Draft	Issuing Bank	Amount (₹)
1.	17-Jun-08	Devanty Gauri, Mahasamund	831748	23-Jun-08	SBI, Mahasamund	77,954
2.	27-May-09	Jai Furnitures, Bhilai	762507	30-Jun-09	SBI, Bhilai	11,94,981
3.		Devanty Gauri, Mahasamund	013709	02-Jun-09	SBI, Mahasamund	9,125
4.		Devanty Gauri, Mahasamund	201392	04-Jun-09	SBI, Raipur	54,979
5.		12-Aug-09	Jai Furnitures, Bhilai	365447	13-Aug-09	SBI, Bhilai
6.	Jai Furnitures, Bhilai		365448	13-Aug-09	SBI, Bhilai	35,500
7.	Devanty Gauri, Mahasamund		365698	19-Aug-09	SBI, Mahasamund	5,375
8.	Devanty Gauri, Mahasamund		365699	19-Aug-09	SBI, Mahasamund	39,894
<b>Total</b>						<b>16,32,455</b>

The firm involved in the case identified by the audit was also involved in the case enquired by the DFO. The enquiry report of RO, Pithora dated 18 January 2010 revealed that the above said firm was fake and had not registered with the forest Department. The lot files relating to above sales were not found in division. The revenue clerk deposited the amount involved in those cases on 19 January 2010 which was remitted to the treasury in February 2010 as paid by those contractors. Thus, there was non-remittance of ₹ 16.34 lakh in the Government account for the period ranging from five to 19 months. The interest amounting to ₹ 1.71 lakh accrued on this amount was also not imposed. Further, even after the lapse of six months from the detection of the case, the matter was not reported to the Government and the Accountant General.

When we pointed out the case, the DFO simply replied that the matter was reported to the CF, Raipur and the concerned revenue clerk has been charge-sheeted by him. However, no reply was furnished on embezzlement of ₹ 2,18,466 as detected by the audit as well as non-reporting of case to the Government and the Accountant General.

Thus, non-maintenance of depot sale register, sale of produce to an unregistered dealer, improper maintenance of cash book and issue of work order without ensuring the realisation of revenue led to embezzlement of



₹ 2.18 lakh. Besides, interest of ₹ 1.71 lakh on belated realisation of revenue should be realised from the concerned contractors.

During the exit conference (October 2010), while accepting the audit observation, the Department assured that strict action would be taken in the case and clarification would be called for from the DFO regarding selection of unregistered bidders.

#### 7.4.7.2 Non-recovery of interest from successful bidders despite late payment of sale price

During the test check of records of DFO, Mahasamund, we found that 197 Demand drafts of remaining 75 per cent amount relating to 17 auctions done between 2007 and 2009 were received much after the stipulated time and the period of delay ranged from 11 to 116 days. The produce was allowed to be lifted by the bidders without levy of interest. This resulted in non-recovery of interest amounting to ₹ 5.43 lakh from the bidders.

After we pointed out the cases, the DFO replied that the auctions have been done considering all the terms and conditions. The reply is not factual and consonant as there were no records available relating to recovery of interest from the bidders.

As per the provisions of forest manual (para 114A), timber and bamboo have degradable nature and have the useful life of five and two years respectively. Therefore, timber and bamboo stored in depots should be disposed off in time to avoid deterioration in quality as well as to obtain optimum sale value.

The payments through the above said drafts were merely the payments of remaining sale price which was not inclusive of the interest component.

During the exit conference (October 2010), the Department stated that the details have already been called for from the division for detailed

examination.

#### 7.4.8 Delayed auctions of forest produce

The forest produce i.e. timber, fuel wood and bamboo are sold from the sale depots of the Department for the commercial purposes. Rule 6 of the “Conditions of sale of timber from established timber Depots”, 1989 envisages that the DFO shall fix the reserved price<sup>5</sup> on the basis of calculated volume of each lot<sup>6</sup> and if the bid for that lot is lower than the reserved price, he shall remove the lot from the auction. In order to avoid the deterioration in forest produce due to delay in disposal, the CCF, Production empowered (March 2005) the CFs and DFOs to accept even the lower bids. According to the above instructions, CFs were given

<sup>5</sup> Reserved price of a lot is the price fixed by the competent authority below which the lot cannot be sold in the first auction.

<sup>6</sup> According to the class and quality, the timber logs and poles are stacked in lots for the auction purposes.



full power to accept any price if the lot had already been kept in auction for four times or more in case of Teak, Sal and Sheesham and three times or more for other species. It is evident from the instructions that due to the degradable nature of timber, the bid will go lower in each auction for an older lot. Hence, it becomes mandatory that the competent authority, using the powers vested in him, should try to dispose the produce as early as possible to get the optimum value.



**7.4.8.1** During the test check of records of two Divisions<sup>7</sup>, we found that in 28 auctions held between August 2005 and March 2010, 157 lots having 1157.543 cmt timber were kept in auction for 5 to 15 times. As a result, the divisions could realise only ₹ 50.52 lakh from their sale as against the reserved price of ₹ 84.23 lakh. The percentage of shortfall was up to 90 *per cent*. In further scrutiny, we found that there was no justification found recorded in the lot files regarding reasons for the non-disposal of lots even after fourth auction in Jashpur Division, especially when CF has been given full powers to accept any price on or after fourth auction. Further, we also noticed that in Jashpur Division, in five auctions held in 2009, the sale of new lots declined. This indicated that the traders were moving away from purchasing new lots. Normally five to six auctions take

---

<sup>7</sup> Jashpur, South Sarguja.

place in a year. It allows them to purchase the lot after two or three auctions at a considerably lower price than the actual price as evident from the above facts.

After we pointed out this, DFO, Jashpur replied that the reasons for non-disposal are not recorded on lot files. As regards the non-disposal of the lots even after more than four auctions, he stated that the matter will be referred to the Department for issue of necessary guidance. DFO, South Sarguja replied that auctions were undertaken according to prescribed procedures and in order to obtain the maximum price. The replies do not explain the reasons as to why the competent authorities failed to exercise the powers vested with them to dispose of the timber lots after fourth auction when it was evident that lower bids would be received due to deterioration of the value of the timber with the passage of time.

**7.4.8.2** The above practice also led to non-disposal of forest produce from the depots for long periods thus resulting in loss of revenue due to deterioration in quality of forest produce. During the test check of records of four<sup>8</sup> divisions we found that for the period 2006-07 to 2008-09, forest produce valuing ₹ 1.09 crore was lying undisposed for one to five years. This resulted in loss of revenue of ₹ 36.64 lakh due to deterioration in quality of the produce as given in *Appendix 7.1*.



After we pointed out, the DFO, Rajnandgaon replied that auction of timber was done in accordance with the provisions and established procedures. DFO, Dhamtari replied that timber could not be disposed off as bids received were not favourable and in accordance with the provisions. The reply does not explain the reasons for delay for the same. Also no comment was made regarding the loss due to deterioration.

<sup>8</sup> Dhamtari, Jashpur, Rajnandgaon, South Sarguja

In exit conference, the Department accepted the audit observation and stated that the matter would be examined, especially in the divisions pointed out by Audit.

Working Plan (WP) is a document prepared for the period of 10 years containing detailed scheme for management of silvicultural operations. The forest produce, generated as a result of these operations is the major source of revenue for the Department. National Working Plan Code (NWPC) (2004) provides that the procedure of revision of WP should be started two years before the expiry of current WP. Non-existence of WP results in stoppage of all activities relating to extraction of forest produce which not only hampers the revenue collection of the Department but also adversely affects the growth and regeneration of forests.

#### 7.4.9 Delays in preparation of Working Plan

During the scrutiny of records of implementation of WP, we found the following:

(I) As per information collected from the PCCF office, out of 32 territorial divisions, 11<sup>9</sup> divisions did not have continuous WP for one to three

years due to delay in submission of WP to the GOI. This adversely affected the quality of produce and regeneration activities in the forest areas for exploitation of revenue.

(II) During the test check of records of CF, WP we noticed that in five out of nine test checked divisions, the WPs were in operation. As regards remaining four divisions, though WP of South Sarguja division had ended in 2006-07, the same was submitted to GOI for approval after July 2009, i.e. after delay of more than two years. Similarly, though the WPs of Rajnandgaon, Raipur and Mahasamund had ended in 2008-09, the same were not forwarded to GOI as on the date of audit. However, the WPs of previous years were in operation in Raipur and Mahasamund after obtaining extension and approval for felling from GOI. Thus, due to abnormal delay in preparation of WP, 68 coupes which were due for exploitation could not be taken up by Rajnandgaon and South Sarguja divisions. This resulted in non-realisation of revenue of ₹ 37.80 crore as given in the following table:

Name of Division	Period of non-existence of WP	No. of coupes remained unexploited	Estimated quantity of timber to be extracted (cmt)	Estimated value of
------------------	-------------------------------	------------------------------------	--	--------------------

<sup>9</sup> Bijapur, Durg, Kanker, Katghora, Khairagarh, Mahasamund, Marwahi, North Kondagaon, Raipur, Rajnandgaon, South Sarguja.



		SCI <sup>10</sup> Circle	IWC <sup>11</sup> Circle	Timber	Fuel Wood	
Rajnandgaon	2009-10	9	9	15000.000	11500.000	25.60
South Sarguja	2007-08 to 2009-10	0	50	22125.328	15190.898	12.20
<b>Total</b>		<b>9</b>	<b>59</b>	<b>37125.328</b>	<b>26690.898</b>	<b>37.80</b>

After we pointed out in audit, DFOs replied that time extension was granted for the period 2007-10 without exploitation of timber. The reply was not relevant as it did not explain the reasons for the delay in preparation and approval of WP and did not clarify the reasons for non-working in the due coupes.

While accepting the audit observation, the Department stated during the exit conference that due to acute shortage of staff in WP divisions, the WPs could not be prepared and submitted in time to the GOI for approval. Now the works of preparation of WPs have been entrusted to the territorial Divisions. As on date, WPs of eight divisions are under preparation/awaiting approval. The reply of the Department is not acceptable as the Working Plan Divisions and Circles have their own staff. Working Plans of eight divisions should have been prepared and obtained the approval of Government of India within time. The Department did not take any initiative to prepare the working plans of the divisions. Due to non preparation of working plan, it had adversely affected not only the revenue but

also the regeneration of forest activities.

**Government may consider strengthening the system of periodical reports/ returns to be submitted by the divisions and effectively monitor the status of WPs in the State.**

As per the provisions of NWPC and the WP, Coupe Control Registers (CCR) should be maintained in the Divisions separately for recording the details of felling and other regeneration activities to be carried out in each felling/treatment series. Compartment History (CH) for each compartment should be maintained and updated showing details of area and physical as well as financial progress of all the works executed. Further, rule 217 of Chhattisgarh Forest Financial Rules prescribes that timber account (Form 20A) is to be prepared in the ranges and sale depots and submitted to the DFOs monthly.

#### **7.4.10 Non-maintenance of records**

After the lapse of five years from felling/treatment as per WP, the DFO and other higher authorities shall inspect the compartments to assess the results of works executed and record a detailed

analytical report in the CH. It is submitted to the CF monthly and the report of the

<sup>10</sup> SCI - Selection Cum Improvement Circle. This circle is the main felling circle in which trees are exploited for revenue generation.

<sup>11</sup> IWC – Improvement Working Circle. In this circle felling activities are carried out for the improvement of forests.

circle is further submitted to the CCF. This enables the Department to monitor the receipt and disposal of harvested as well as confiscated forest produce.

In three<sup>12</sup> of the test checked divisions, we found that CCRs were not maintained properly. In Korba division, CCR was not maintained after 1991-92. In these divisions, entries were neither made in the CCRs regarding other silvicultural activities nor CHs were found updated. Further, no analytical report regarding assessment of work done was also found recorded in any of the CH. There was no control in the divisions as well as higher offices to monitor the timely preparation and updation of these vital records.

During the test check of records of CF, Raipur, we further noticed that the timber accounts were not prepared in Udanti and Raipur (E) divisions since December 2006. Timber accounts of Dantewada and Jashpur divisions as well as their ranges were not prepared since 1998 and 1999 respectively. Though the returns were submitted monthly, no action was initiated by any of the higher authorities on this.

During the exit conference, the Department accepted the observation and stated that instructions would be issued to the field staff for proper maintenance of records.

With a view to meet the domestic requirements of forest produce (bamboo, poles and fuel wood) of the villagers residing in villages within a periphery of five kilometers from the forests, the Government adopted the *Nistar* policy in October 2001. These forest produce are being provided to the villagers at the subsidised rates so that they may not indulge in illicit felling in forest areas for meeting their domestic requirements.

**Non-maintenance of crucial records would encourage malpractices in the sale and accountal of forest produce receipts and hence, the Department may take steps to put in place necessary**

**arrangements for timely preparation and submission of CCRs, CHs and timber accounts.**

#### **7.4.11 Deficiencies in *nistar*<sup>13</sup> system**

The list of such villages and their population is printed in *Nistar patrika*<sup>14</sup> (published annually by each division) before the start of *nistar* season<sup>15</sup> and on that basis the targets for the *nistar* supply from the notified *nistar* depots are fixed

---

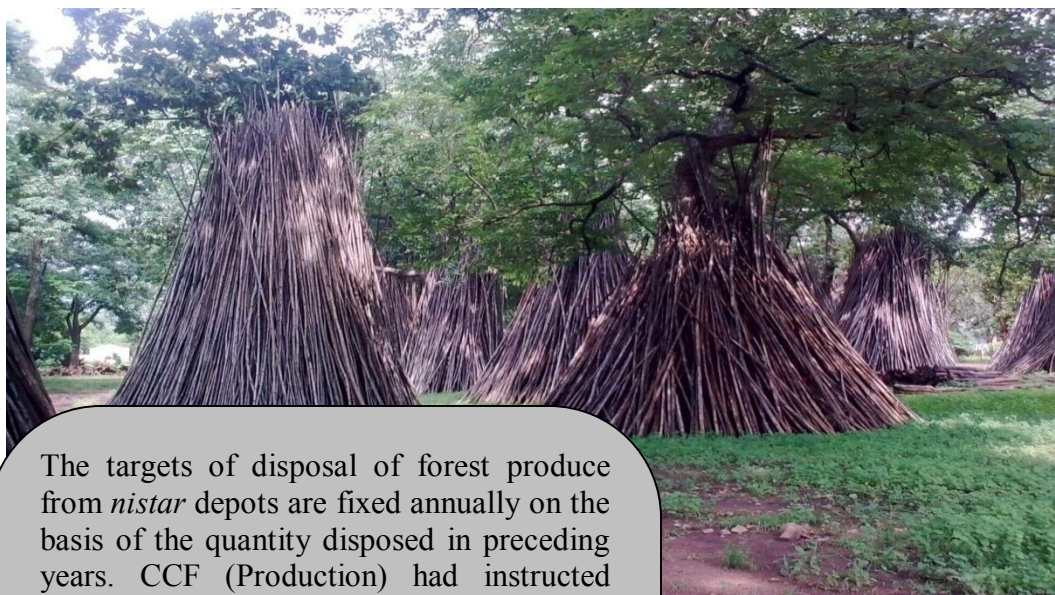
<sup>12</sup> Dhamtari, Korba, Mahasamund.

<sup>13</sup> *Nistar* means supply of Bamboo, Poles and Fuel Wood at subsidised rates to the needy villagers residing within five km of forest area.

<sup>14</sup> *Nistar Patrika* is published annually by the division detailing the targets and supplies under *nistar* system and other activities.

<sup>15</sup> *Nistar* Season starts from 1<sup>st</sup> of January and ends on 30<sup>th</sup> June.

each year. Similarly, *Bansod*<sup>16</sup> families are notified in each division before the start of the *nistar* season and Bamboos are supplied to them up to a maximum of 1500 per family per annum on subsidised rates. These subsidised rates are fixed annually and published in *nistar patrika*.



The targets of disposal of forest produce from *nistar* depots are fixed annually on the basis of the quantity disposed in preceding years. CCF (Production) had instructed (April 2002) that the storage in *nistar/bansod* depots should not be more than selling capacity in *nistar* depots. The CCF also instructed all the CFs/DFOs that undisposed forest produce in *nistar* depot should not be more than five *per cent* of the total produce kept in depot. Otherwise, the concerned DFO, SDO and RO shall be responsible for the loss so occurred. These instructions were issued to avoid excess storage in *nistar* depots as well as loss of revenue due to unsold forest produce.

#### 7.4.11.1 Deficiencies in targets and supplies

During the test check of records of seven<sup>17</sup> divisions, we noticed several deficiencies as given below:

- During the period between 2005-06 and 2008-09, the balances in *nistar* depots of seven

divisions at the end of *nistar* seasons were more than five percent and in one case it was even 100 *per cent*. This was not in consonance with the Departmental instructions which were issued in interest of revenue.

<sup>16</sup> *Bansod* families are those who make different objects of bamboo for their livelihood.

<sup>17</sup> Dantewada, Jashpur, Korba, Mahasamund, Raipur, South Kondagaon, South Sarguja.

- There was no basis for fixation of targets for the disposal of forest produce from *nistar*/consumer/*bansod* depots. Also, the target showed no increase or decrease on the basis of quantity disposed in preceding years. Further, between 2005-06 and 2009-10, the highest quantity of bamboo kept for disposal in *nistar* and consumer depots in Raipur division was more than 195 *per cent* and 21 *per cent* respectively against the targets fixed. In Korba, in one depot, the bamboo kept during 2006 and 2008 was 10 to 18 times of the target fixed.
- In further scrutiny, we found that 12.37 lakh undisposed bamboos were kept in Raipur division since 2006. Out of these, only 2.12 lakh bamboo having upset price<sup>18</sup> of ₹ 26.93 lakh were sold and as against this, revenue of ₹ 18.95 lakh could only be realised due to degradation in quality of bamboo. This resulted in revenue loss of ₹ 7.98 lakh. Further, remaining 10.25 lakh bamboos could not be sold till date. Since the useful life of the harvested bamboo is two years (para 114A of Forest manual), these bamboos had lost their values completely resulting in non-realisation of revenue of ₹ 75.87 lakh.
- During the scrutiny of records in Korba division, we found that 1.03 lakh bamboo and 2570 poles remained undisposed since 2006 resulting in non-realisation of revenue of ₹ 8.15 lakh due to deterioration in quality. Similarly, in Jashpur, Mahasamund and South Kondagaon divisions, non-disposal of 4.71 lakh bamboos for more than one year resulted in non-realisation of revenue of ₹ 34.78 lakh.

Thus, inadequate control over the supply of forest produce for *nistar* and failure to sale the undisposed forest produce through auction in time resulted in revenue loss of ₹ 7.98 lakh and non-realisation of revenue of ₹ 1.19 crore.

In reply, the DFOs accepted the facts and stated that enough stock is kept for emergent natural calamities and VIP programmes. No supporting documents were however provided to substantiate the replies. Further, the replies were not in consonance with the essence of the *nistar* system as well as instructions of higher authorities.

While agreeing with the audit observation, the Department intimated during the

According to the policy adopted by the Government (October 2001), subject to availability, every *bansod* family will be provided with 1,500 bamboos on subsidised rates in a *nistar* season.

exit conference that instructions would be issued to the DFOs to prepare the realistic estimates of stock for meeting the requirements of natural calamity and VIP programmes.

#### 7.4.11.2 Deficiencies in supplies of bamboos to *bansod* families

During the test check of records of Raipur division, we found that between 2005 and 2009, against the target of 67.42 lakh bamboos, 54.78 lakh (81 *per cent*)

<sup>18</sup>

Upset price and Reserved price have the same meaning.

bamboos were kept in *bansod* depots. Out of this, 45.99 lakh bamboos were sold to *bansod* families leaving 8.80 lakh (16 per cent) bamboos unsold. These bamboos were lying in depot since 2005-06. The division neither took any initiative to distribute the balance bamboos to *bansod* families nor took any initiative to dispose it off. This resulted in non-realisation of revenue of ₹ 55.04 lakh (at *nistar* rates).

We, in further scrutiny of records of Raipur division, found that in *nistar* season 2008, for the supply of bamboos to 907 registered *bansod* families, 18.98 lakh bamboos were kept in *bansod* depots against the target of maximum of 13.61 lakh bamboos. Of this, 16.95 lakh bamboos were sold to the *bansod* families at subsidised rates i.e. 1869 bamboos per family resulting in excess supply of 369 bamboos per family. This resulted in loss of revenue of ₹ 22.29 lakh<sup>19</sup> due to excess sale of bamboos on subsidised rates to the *bansod* families. Similarly, in Korba division, against the target of 66000 bamboos in two *nistar* seasons (2006 and 2007), 87688 bamboos were supplied to the 22 registered *bansod* families. The excess sale of 21,688 bamboos on subsidised rates resulted in loss of revenue of ₹ 1.25 lakh to the Government.

After we pointed out the cases, the DFO, Raipur replied that the targets were fixed in January while the *bansod* families were registered up to June. However, no reply was given regarding the non-disposal of 8.80 lakh bamboos even at the subsidised rates. Also, no record was furnished by the division regarding number of families registered between January and June 2008. DFO, Korba did not furnish any reply.

During the exit conference (October 2010), the Department intimated that an enquiry would be conducted into the lapse and outcome will be intimated to audit.

**The Department should take specific measures to fix the targets and specific time frame for disposal of forest produce from *nistar* depots.**

---

<sup>19</sup> Average Market rate – ₹ 13 per bamboo.  
*Bansod* Rate – ₹ 6.34 per bamboo  
 Difference – ₹ 6.66 per bamboo  
 Loss = Excess supply per family X number of families X Difference of rates  
 = 369 X 907 X 6.66  
 = ₹ 22,28,989/-



As per Section 2(B) of IF Act, 1927, all the produces from the mines, if extracted from the forest land or transported through the forest area shall be called the forest produce. As per the provisions of Chhattisgarh Transit (Forest Produce) Rules, 2001, no forest produce will be transported from the forest land without a valid transit pass. The transit pass shall be issued by the Forest Department after payment of prescribed transit fee. Further, by amendment in June 2002, it was added in the above rules that for issuing transit pass, fee at the rate of ₹ 7 per tonne will be collected. Further, the status of land transferred for the non-forestry purposes under the FC Act, 1980 shall remain unchanged i.e. they will remain as forest land. Hence, the mineral produce from the land transferred for mining purposes shall be the forest produce.

#### 7.4.12 Transportation of forest produce without issuing transit pass resulting in non-levy of transit fee

During the test check of records of three divisions<sup>20</sup>, we found that land had been transferred to different agencies for mining purposes. During the period between 2005-06 and 2009-10, 169.81 lakh tonnes of coal and 928.74 lakh tonnes of Iron ore were extracted from the forest land diverted for the mining purposes. We observed that no transit pass was ever issued for the transportation of the minerals extracted from the diverted forest areas and

hence no transit fee could be realised from the quantity extracted from those areas as shown in the following table:

Year	(In lakh Tonnes)		
	Korba Extracted quantity of Coal by SECL <sup>21</sup>	South Sarguja Extracted quantity of Coal by SECL	Dantewada Extracted quantity of Iron ore by NMDC <sup>22</sup>
2005-06	28.40	3.53	185.98
2006-07	31.71	3.32	112.61
2007-08	32.22	3.98	231.87
2008-09	30.70	4.00	216.44

<sup>20</sup> Dantewada, Korba, South Sarguja.

<sup>21</sup> South Eastern Coalfields Limited.

<sup>22</sup> National Minerals Development Corporation.

2009-10	26.70	5.25	181.84
<b>Total</b>	<b>149.73</b>	<b>20.08</b>	<b>928.74</b>
<b>Transit Fee to be Collected</b>	<b>₹ 10.48 crore</b>	<b>₹ 1.41 crore</b>	<b>₹ 65.01 crore</b>
<b>Grand total</b>	<b>₹ 76.90 crore</b>		

Thus, the Department did not enforce the rules relating to collection of transit fee of ₹ 76.90 crore.

After we pointed out in audit, the DFOs replied that since the minerals as stated above were not collected on the surface, hence these were not the forest produce and as such, no transit fee was collected on it. The reply was not convincing as non issue of transit pass against prescribed transit fees was in violation of the Act and the Rules. Further if DFOs had any doubt they should have sought Government clarification.

During the exit conference, the Department stated that collection of transit fee on minerals was not under the purview of Forest Department. However, the matter would be examined in consultation with the Law Department.

Timely execution of the work as per the provisions of WP has been made mandatory by the instructions issued by the Supreme Court (September 2000). The coupes due for exploitation in a particular year as per prescriptions of WP are marked in the preceding year.

## Compliance Deficiencies

### 7.4.13 Non-implementation of WP

During the scrutiny of records, we found the following:

#### TIMBER

During the scrutiny of records of test checked divisions, we found that in four divisions, 57 coupes due for exploitation between 2005-10 as per the WP, were not exploited resulting in non-realisation of revenue of ₹ 17.54 crore as given in the following table:

Name of Division	Year	No. of coupes remained unexploited		Estimated quantity of timber to be extracted		Estimated value of timber (₹ in lakh)
		SCI	IWC	Timber	Fuel Wood	
Dhamtari	2005-06 to 2008-09	4	3	17534.49 cmt	17534.49 cmt	1605.15
Korba	2005-06 to 2009-10	1	21	442.887 cmt	451 nos.	37.99
Jashpur	2005-06 to 2006-07	0	8	234.415 cmt	137 nos.	18.77

Mahasamund	2005-06 to 2008-09	0	20	189.580 cmt	7758 nos.	91.94
<b>Total</b>		<b>5</b>	<b>52</b>			<b>1753.85</b>

Note: Estimated value is based on departmental figures.

Similarly, 39 thinning coupes in Korba and Jashpur divisions which were due as per WP were not taken up since 2005-06 to 2009-10. This may adversely affect the production and regeneration in these coupes.

After we pointed out in audit, the DFO Dhamtari replied that out of the seven coupes, two coupes had been exploited as per earlier WP and two coupes were felled as per current WP. Remaining coupes could not be exploited due to Naxal problem, non-approachable areas and unprofitability.

The reply was not acceptable as it did not explain how the coupes exploited in earlier WP became due again in current WP. Besides, the work plan should have been prepared realistically discounting the produce from troubled/unapproachable areas. No records were made available regarding other coupes.

DFO, Korba, Jashpur and Mahasamund replied that the coupes were unprofitable and hence were proposed for write off. The reply does not explain how unprofitable coupes were included in the work plan. Thus, either the work plan

In the WP, the bamboo coupes are divided into four felling series and each felling series becomes due for exploitation after every four years.

prepared are not realistic or the Departmental Machinery had not taken necessary efforts to execute the work plan. Even the coupes which were proposed earlier, remained to be exploited till date even after lapse of

one to five years.

## BAMBOO

Non-exploitation of bamboo coupes not only results in loss of revenue but also blocks the regeneration in clumps. The untreated bamboo clumps intertwines and quality of bamboo degrades. Keeping this in view, the PCCF directed (January 2005) that no bamboo coupes which were due should remain untreated/unexploited even if the exploitation of the coupe is unprofitable.

During the scrutiny of records of test checked divisions, we found that during the year 2005-10, 21,412.173 hectare of Bamboo area was to be exploited in three divisions as per the provisions of respective WPs. Out of this, no area was exploited and this resulted in non-realisation of revenue of ₹ 7.72 crore as given in the following table:

Name of divisions	Year	Area to be exploited (ha)	Estimated production	Value (₹ in lakh)
Rajnandgaon	2005-09	7,922.430	42,46,422 nos.	698.54
Mahasamund	2005-09	1,736.180	3,46,576 nos.	54.89
Dantewada	2008-10	11,753.563	3,502.57 NT	18.69

<b>Total</b>	<b>21,412.173</b>	<b>45,92,998 nos/ 3,502.57 NT<sup>23</sup></b>	<b>772.12</b>
--------------	-------------------	--	---------------

Note: Estimated value is worked out on the basis of the departmental figures.

When we pointed out this, the DFOs replied that due to inaccessibility of areas, unprofitability and Naxal activities, the bamboo areas could not be exploited. The work plan should have been prepared realistically discounting the produce from troubled/unapproachable areas. Thus either the work plan prepared are not realistic or the Departmental Machinery is not taking necessary efforts to execute the working plan.

As per the provisions of WP, the coupes due for felling would be marked in the preceding year and estimated quantity of production would be worked out. The marking and felling work will be done completely within the prescribed time limits.

### Partial felling

During the scrutiny of records of test checked divisions, we found that in two divisions, only 12,490 trees were felled against 38,596 trees marked in seven coupes. Non-felling of 26,106 trees resulted in non-realisation of revenue of ₹ 1.54 crore as mentioned

below:

Name of Division	Due year	No. of coupes	No. of trees not felled	Estimated yield		Estimated revenue (₹ In lakh)
				Timber (cmt)	Fuel (Stacks)	
Dhamtari	2007-08	3	12050	336.801	884	29.64
Rajnandgaon	2005-06	1	3349	100.000	280	11.49
	2006-07	3	10707	820.000	800	112.77
<b>Total</b>		<b>7</b>	<b>26106</b>	<b>1256.801</b>	<b>1964</b>	<b>153.90</b>

After we pointed out in audit, DFOs replied that partial felling was occurred mainly due to Naxal problem. However, it was not clarified by the DFOs as to how the trees were not exploited even after being marked for felling. Since the Department felled the trees partially despite the presence of Naxal activities, the reasons furnished for non-felling were not convincing.

While accepting the observation during the exit conference (October 2010), the Department replied that there was erroneous preparation of WP in Dhamtari and Mahasamund. In Rajnandgaon and Dantewada, extraction was not done due to Naxal activities.

**The Department should monitor the preparation of WPs and implementation of their prescriptions strictly.**

<sup>23</sup> Notional Ton.

The WP clearly states the procedures and methods for the marking and felling in timber coupes. It prescribes that the trees marked for felling will be classified as per quality i.e. timber and fuel wood and accordingly the estimated production in the coupe is worked out. As per instructions issued by the CCF (Production) in January 1984 and June 1995, 10 per cent variation between the estimated and actual yield of timber and fuel wood is permissible. In case, the variation is more than the permissible limit, the reason shall be investigated by the higher authorities and accordingly action will be taken in cases of revenue loss.

#### 7.4.14 Loss of revenue due to low yield of forest produces

##### 7.4.14.1 Low yield of Bamboo

In scrutiny of records, we found that in two<sup>24</sup> divisions, between 2005-06 and 2008-09, the shortfall of production against the estimates was between 15 to 74 per cent in 24 coupes resulting in loss of revenue of ₹ 1.38

crore as given in **Appendix 7.2**.

After we pointed out the cases, DFOs replied that less production was due to inaccessible areas and Naxal problems in the Bamboo forest areas. Reply is not consonant with the Departmental regulations.

During the exit conference, the Department intimated that the low yield was mainly due to sampling method/design and its extrapolation for estimation of produce. However, the Department agreed for re-examination of the sampling method.

As per the instruction issued in June 1995, no variation is permissible in estimated and actual yield of Bamboo.

##### 7.4.14.2 Low yield of Timber

During the scrutiny of records, we found that in five<sup>25</sup> divisions, between 2005-06 and 2008-09, the shortfall of production against the estimates was between 14 and 78 per cent in 19 coupes. Though the variations were more than the permissible limit, no investigations were made to ascertain the reasons. Thus, the shortfall in excess of permissible limits resulted in loss of revenue of ₹ 1.34 crore as given in **Appendix 7.3**.

After we pointed out the cases, DFO, Rajnandgaon replied that reason for shortfall in production of timber was due to the excess production of fuel stacks. DFO, Dhamtari replied that reasons for shortfall were mainly due to differences in site quality, tentative estimation of condition and volume of trees, etc. DFOs

<sup>24</sup> Rajnandgaon, Raipur

<sup>25</sup> Dhamtari, Jashpur, Raipur, Rajnandgaon, South Kondagaon.

Raipur and South Kondagaon replied that the production in whole division was more than the estimates whereas DFO Jashpur stated that the shortages in production were natural and no one could be held responsible. The replies were not in consonance with the above provisions and orders. The WP prescribes the specific procedures for marking of trees for felling and estimation of production. Also, the coupe is the primary unit for estimations and production. The reasons for the short productions in coupes were also not analysed by them.

During the exit conference, the Department stated that the estimation method would be re-examined.

**The Government may consider range wise farm factor for estimation of forest produce to obviate the inordinate variation between estimated and actual quantity.**

Timber and bamboo which are degradable in nature, loses its value with the passage of time due to natural vagaries. As per the forest manual (para 114A), timber and bamboo have the useful life of five and two years respectively. Hence, it has been clarified by the Department several times that the felled forest produce in coupes should be transported to the depots before 30<sup>th</sup> June i.e. before rainy season. The above instruction has been issued mainly to ensure that the produce is kept in depots in better conditions and to dispose off early through auction. Further, as per the terms and conditions of the agreement, transportation of timber within the stipulated time period will be responsibility of the contractor.

#### 7.4.15 Transportation of forest produces

For the transportation of timber from coupes to depots, transportation groups are established every year. A transportation contractor is appointed for every group by the DFO. Also, he will be responsible for making good the losses in timber during the transportation. Such losses will be calculated by the DFO and will be binding on the contractor. If the transportation from the contracted coupes is made using Departmental vehicles, the expenditure thereupon shall be recovered from the

contractor.

##### 7.4.15.1 Loss of revenue due to forest produce lying untransported from coupes

During the test check of records of four divisions, we found that in contravention of above, the forest produce valuing ₹ 3.97 crore was lying untransported in 65 coupes after 30<sup>th</sup> June during 2005-06 to 2008-09. Further, in six out of 12 coupes in Dhamtari division, the transportation was made upto January next year. No records were furnished regarding remaining coupes. The produce was opened to

the natural vagaries for deterioration resulting in loss of revenue of ₹ 79.35 lakh as given below:

Name of Division	Year	No. of coupe	Quantity remained untransported till 30 <sup>th</sup> June		Value	Loss
			Timber (cmt)	Fuel Stacks		
Jashpur	2005-06	12	540.800	455	42,88,569	
	2006-07	6	226.197	351	19,26,842	
	2007-08	9	316.818	548	27,91,555	
	2008-09	3	145.886	81	11,86,058	
<b>Total</b>		<b>30</b>	<b>1229.701</b>	<b>1435</b>	<b>1,01,93,024</b>	<b>20,38,605</b>
Dhamtari	2007-08	12	1591.387	458	96,64,000	19,33,000
South Sarguja	2007-08	8	723.050	1515	69,25,014	13,85,003
South Kondagaon	2007-08	12	1622.558	575	89,95,675	
	2008-09	1	27.606	0	1,67,348	
	2009-10	2	411.788	66	37,26,659	
<b>Total</b>		<b>15</b>	<b>2061.952</b>	<b>641</b>	<b>1,28,89,682</b>	<b>25,77,936</b>
<b>Grand total</b>		<b>65</b>	<b>5606.090</b>	<b>4049</b>	<b>3,96,71,720</b>	<b>79,34,544</b>

After we pointed out the cases, DFO Dhamtari, South Sarguja and South Kondagaon stated that timber was completely transported during next transport season. Delay in transportation was due to early arrival of rainy season. Though, DFO, South Kondagaon initiated the action against the contractors for breach of terms of agreement during 2008-09 and black listed the contractors, no action was taken by other DFOs. Also, records of final transportation could not be made available to audit. None of the divisions intimated the reasons for not initiating any action for recovery of loss against the defaulting contractors.

During the exit conference, the Department stated that matter would be examined and strict compliance of the provisions and conditions of agreement shall be ensured.

#### **7.4.15.2 Loss of revenue due to less receipt of forest produce in depots**

During the test check of records of DFO, Dhamtari, we found that between 2006-07 and 2007-08, 3492.469 cmt timber and 481.828 cmt poles were transported from six timber coupes. As against these, 3084.098 cmt timber and 394.263 cmt poles were received in the depot. Though, there was no difference in the quantity of fuel stacks, the coupe wise shortfall in timber and poles were up to 31 *per cent*. Hence, there was short receipt of 408.371 cmt timber and 85.565 cmt poles in depot due to loss in transit resulting in loss of revenue of ₹ 33.92 lakh.

After we pointed out the case, DFO replied that shortfall was mainly due to shrinkage and other natural factors and hence, the contractor could not be held



responsible. Reply is not acceptable as in four out of six coupes, volume of logs and poles both got reduced by big margin. Further, Department had provided the allowance of only two to three centimeters for shrinkage in girth.

During the exit conference, the Department stated that clarification had been called for and the matter would be duly investigated.

As per Rule 22(1) of Chhattisgarh Financial Code, any loss should be immediately reported to the Head of the Department (HOD) as well as to the Accountant General (AG) and after enquiry, action for the recovery should be initiated.

#### 7.4.16 Loss of revenue due to shortage of forest produce found in

#### physical verification

During the scrutiny of records, we observed that in four<sup>26</sup> divisions, forest produce valuing ₹ 13.23 lakh was found short during the physical verifications of various depots conducted by the forest authorities as given in the *Appendix 7.4*. While the recovery of the loss was initiated by three divisions, no action was taken by one division.

After we pointed out the cases, DFO Dhamtari replied that there is no change in total quantity. Only the species are changed. The reply is not acceptable as recording in depot is final and after that there should not be any variation in the species. DFOs Mahasamund, South Sarguja and Jashpur stated that actions for recovery of losses were being taken.

During the exit conference, the Department stated that matter would be examined and action would be taken accordingly.

Internal control mechanism is intended to provide reasonable assurance of proper enforcement of laws, rules and Departmental instructions. It helps in prevention of frauds and other irregularities. Internal Audit Wing (IAW) is a vital component of the internal control and is generally defined as control of all controls to enable the organisation to assure that the prescribed systems are functioning reasonably well.

#### 7.4.17 Internal control mechanism

Internal Controls also help in creation of reliable financial and management information systems for prompt and efficient service and for adequate safeguards against evasion of Government revenue.

During the test check of records of PCCF office (January 2010), we noticed that there was no separate IAW in the Department and no staff was especially earmarked for this. The targets of internal audit were also not fixed. However, the internal audit has been started in 2009-10 for the financial year

<sup>26</sup> Mahasamund, South Sarguja, Jashpur, Dhamtari.



2007-08 deputing the clerical staff available in the headquarters. No internal inspections/peer review of DFOs was conducted to act as a check on their activities concerning exploitation and sale of forest produce. No internal inspections/peer review of DFOs was conducted to act as a check on their activities covering exploitation and sale of forest produce. In the absence of regular and trained staff, the internal audit was not effective in the Department.

After we pointed out in audit, the Department replied that the separate IAW will be established shortly.

During the exit conference (October 2010), the Department stated that a separate IAW has since been established.

**The Government may consider strengthening the established IAW and prescribe a time frame for taking remedial measures on its observations.**

#### **7.4.18 Conclusion**

The review revealed that the systems instituted by the Department for realisation of forest receipts in the state were deficient. We noticed that there were huge arrears of revenue due to lack of effective steps for recovery. Due to the practice of depositing Commercial Tax/VAT into forest receipts, the receipt of the Department was overstated. Non-maintenance of crucial records encouraged malpractices in sale and account of forest produce receipts.

The WPs of some divisions were not in continuous existence. While there were delays in approval of WPs, the activities in the related forest areas were not carried out as per schedule resulting in non-realisation of revenue as well as adversely affecting the quality of produce and regeneration of forests. The work plan prepared were not realistic or the Departmental Machinery was not taking necessary efforts to execute the work plan. Non-issue of transit pass against prescribed transit fees was in violation of the Act and the Rules. No internal inspections/peer review of DFOs was conducted to act as a check on their activities concerning exploitation and sale of forest produce in the *nistar* system, deficiencies in fixation of targets, storage and disposal of forest produce were also noticed. Auction system was also inaccurate as the powers entrusted to the competent authorities were not exercised by them resulting in delay in sale of timber and also deterioration in quality with the passage of time.

### 7.4.19 Summary of recommendations

The Government may consider the following recommendations:

- *issue necessary instructions for realisations of the arrears in the time bound manner;*
- *the Department may consider issuing necessary orders for depositing Sales Tax/VAT under proper head of account;*
- *monitor the preparation of WPs and implementation of their prescriptions strictly. The work plan may be prepared realistically discounting the produce from troubled/unapproachable areas;*
- *make necessary arrangements to ensure timely preparation and submission of CCRs, CHs and timber accounts;*
- *take specific measures in fixing the targets and disposal of forest produce from nistar depots;*
- *issue necessary instructions to the divisions to ensure compliance to the provisions relating to proper realisation and timely deposit of revenue into the Government accounts;*
- *strengthen the established IAW and prescribe a time frame for taking remedial measures on its observations; and*
- *issue necessary instructions to the CFs/DFOs/other officials to maintain the detailed records of auctions in order to ensure the transparency in the auction of the forest produce and also to maximise the receipts from sale of forest produce.*

## CHAPTER VIII: GEOLOGY AND MINING

### 8.1 Tax administration

Chhattisgarh State is the second largest mineral producing State having 13 *per cent* share in all India production. The State is endowed with rich deposits of minerals such as iron ore, coal, diamond, limestone, bauxite, gold, dolomite, tin ore, fireclay etc. Royalty and rent are the major sources of revenue from mineral wealth. Mining activities mainly include processing of applications for tax, assessment, realisation of revenue, prevention of illegal mining and other activities leading to leakage of revenue. There is also a flying squad which works under the control of the Director.

Assessment of royalty and collection thereon is governed under the Act, Rules and Circulars mentioned below:

- Mines and Minerals (Regulation and Development) Act, 1957 (MMRD Act);
- Mineral concession Rules, 1960 (MCR);
- Mineral Conservation and Development Rules, 1988 (MCD Rules);
- Madhya Pradesh Minor Mineral Rules, 1996(MPMMR); and
- Orders, circulars and instructions issued from time to time.

The Geology and Mining Department is headed by Principal Secretary. He is assisted by Director, Deputy Directors, Assistant Mining Officer, District Mining Officer and Mining Inspector.

### 8.2 Analysis of budget preparation

Budget is prepared as per Chhattisgarh budgetary manual. The budget procedures provide that the estimates of receipts should show the amount expected to be realised within the year. In estimating the revenue, the calculation should be based upon the actual demand including any arrears due for the past years and probability of their realisation during the year. The controlling officer is required to examine the budget proposals received from the concerned field officers and submit it to the Finance Department.

In the Department, the controlling officer calls for the receipts of the year from all the concerned field offices and consolidates it. After scrutiny, the budget proposal is submitted to the Finance Department. After discussion between the officers from the Department and Finance Department, budget is approved by the Finance Department.

### 8.3 Trend of receipts

Actual receipts from Geology and Mining Department during the years 2005-06 to 2009-10 along with the total tax receipts is exhibited in the following table :

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total non-tax receipts of the state	Percentage of the actual receipts vis-à-vis total tax
2005-06	700.00	721.12	(+) 21.12	(+) 3.02	1229.53	58.65
2006-07	824.62	813.42	(-) 11.20	(-) 1.36	1451.34	56.05
2007-08	983.52	1031.55	(+) 48.03	(+) 4.88	2020.45	51.05
2008-09	1185.50	1243.24	(+) 57.74	(+) 4.87	2202.21	56.45
2009-10	1685.40	1660.87	(-) 24.53	(-) 1.46	3043.00	54.58

The contribution of mining receipt (royalty, rent, interest) to the total non-tax revenue of the state during the last five years as revealed from the above table was between 51.05 and 58.65 *per cent*. The actual receipts during above period exceeded the budget estimates except 2006-07 and 2009-10 where the actual receipts were less by 1.36 and 1.46 *per cent* respectively than the budget estimates. The department did not inform the reasons for variations.

#### 8.4 Arrears of revenue

The arrears of revenue as on 31 March 2010 was ₹ 2.09 crore of which ₹ 1.61 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10:

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears
2005-06	2.12	0.00	0.32	1.80
2006-07	1.80	0.12	0.09	1.83
2007-08	1.83	0.01	0.08	1.76
2008-09	1.76	0.14	0.21	1.69
2009-10	1.69	0.5	0.10	2.09

The foregoing table indicates that there was marginal recovery of arrears of revenue. The Government needs to take appropriate measures to recover the arrears.

#### 8.5 Impact of audit

**8.5.1 : Position of IRs :** During the last five years, audit through its Audit Reports had pointed out non/short levy of royalty, dead rent, non/short realisation of royalty, dead rent, loss of revenue due to non-levy of interest, penalty etc. with revenue implication of ₹ 708.61 crore in 2140 cases. Of these, the Department/ Government had accepted audit observations in 1537 cases involving ₹ 361.06

crore and had since recovered ₹ 0.96 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		Cases	Amount	Cases	Amount	Cases	Amount
2004-05	5	231	23.63	229	22.72	3	0.07
2005-06	10	484	261.80	349	59.27	3	0.04
2006-07	11	21	335.00	16	221.00	4	0.42
2007-08	13	640	68.09	470	56.62	5	0.29
2008-09	12	764	20.09	473	1.45	1	0.14
<b>Total</b>		<b>2140</b>	<b>708.61</b>	<b>1537</b>	<b>361.06</b>	<b>16</b>	<b>0.96</b>

**8.5.2 : Position of Audit Reports :** In the Audit Report 2004-05 to 2008-09 cases of non/short levy and realisation of royalty dead rent, interest, under assessment of stamp duty and registration fees were indicated involving ₹ 652.99 crore. The Department accepted observation of ₹ 391.02 crore of which ₹ 5.74 crore were recovered till March 2010 as shown in the following table:

(₹ in crore)

Sl. No	Year of the Audit Report	Total money value objected	Amount accepted	Recovery made up to March 2010
1.	2004-05	5.87	-	0.81
2.	2005-06	228.61	1.49	1.42
3.	2006-07	1.49	1.38	0.04
4.	2007-08	12.59	12.20	3.34
5.	2008-09	404.43	375.95	0.13
<b>Total</b>		<b>652.99</b>	<b>391.02</b>	<b>5.74</b>

**The Department should take initiative for recovery as pointed out in Audit Report.**

## 8.6 Internal Audit

Internal Audit Wing (IAW) is attached to the office of the Director having two Deputy Directors (Mining) who are auditing eight units each during the year and prepare report of each unit for compliance. The IAW instructs the mining authorities to take necessary steps to detect the cases of evasion of tax, royalty etc. The Government may ensure that IAW conducts the number of inspections required for this and ensure time bound action by the mining authorities on the observations of the IAW so as to safeguard revenue and also to avoid recurrence of mistakes in future.

## 8.7 Results of audit

Test check of the records of seven units relating to Geology and Mining department revealed underassessment of stamp duty and registration fees from mining lease holders, short/non-levy and realisation of royalty, dead rent, interest,

other miscellaneous receipts etc. amounting to ₹ 4.64 crore in 396 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Underassessment of royalty and interest	4	1.29
2.	Short levy/recovery of stamp duty and registration fees	11	0.73
3.	Non/short levy of dead rent and interest	62	0.17
4.	Other irregularities	319	2.45
<b>Total</b>		<b>396</b>	<b>4.64</b>

During the course of the year, the Department accepted under assessment of ₹ 2.33 crore in 335 cases. The Department recovered ₹ 4.83 crore in 45 cases pointed out by audit in earlier years.

After issue of draft paragraphs, the Department recovered amount of ₹ 1.28 lakh in full in one case.

A few illustrative cases involving ₹ 1.50 crore are mentioned in the following paragraphs.

## 8.8 Audit observations

*Scrutiny of the records of mining department indicated several cases of non-observance of provisions of Act/Rules, non/short levy of tax and other cases as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on test check carried out by us. Such omissions on the part of assessing authorities are pointed out in audit each year but not only do the irregularities persist but these remain undetected till an audit is conducted. There is a need for the Government to improve the internal control system including the internal audit.*

## 8.9 Non-compliance of the provisions of the Acts/Rules

*The Mineral Concession (MC) Rules, 1960 and Madhya Pradesh Minor Mineral (MPMM) Rules, 1996 provide for levy of :*

- i) interest on belated payment of royalty;*
- ii) re-allotment of inoperative mines; and*
- iii) levy of penalty and realisation of dead rent.*

## 8.10 Short realisation of royalty and interest thereon

According to Rule 9(1) of the Mines and Minerals (Development and Regulation) Act 1957, the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him from the leased area at the rate specified in Schedule, failing which interest at the rate of 24 per cent per annum is leviable on unpaid royalty.

We found in the test check of the records of four<sup>1</sup> Mining Offices (MO) (between April 2008 and August 2008) that in nine cases, the lessee paid royalty of ₹ 4.41 crore against the assessed royalty of ₹ 5.19 crore. The department neither issued demand notice for levy of balance royalty of ₹ 0.78 crore nor levied the interest of ₹ 0.27 crore on the unpaid royalty. This resulted in short realisation of revenue of ₹ 1.05 crore.

After we pointed out the case, the Department replied (October 2010) that an amount of ₹ 77.22 lakh has been recovered and for the balance recovery of ₹ 28.44 lakh demand notice has been issued to the lessees.

<sup>1</sup> Bilaspur, Durg, Janjgir and Raipur.

## 8.11 Short levy/recovery of stamp duty & registration fee on mining lease deed

As per instructions of Government of Madhya Pradesh as applicable to Chhattisgarh Mining Resources Department, stamp duty leviable on renewal of mining lease is calculated on the basis of mineral to be extracted as shown in the application, average quantity of production in last three years or quantity of production given in the mining plan whichever is higher.

We found in the test check of records of two<sup>2</sup> District Mining Officers (July and November 2009) that while sanctioning two new mining leases of Dolomite and Iron ore for a period of 30 years and 20 years with effect from (w.e.f.) 16.7.2008 and 30.9.2008 respectively, lease deed was executed/ registered on the basis of average production of first five years shown in the mining plan instead of average of proposed production for the complete lease period as per the instruction *ibid*. This

resulted in short levy/recovery of stamp duty and registration fee of ₹ 39.89 lakh as detailed in the following table:

(₹ in lakhs)

Name of lessee	Name of mineral	Period of lease (yrs)	Average of proposed production		Amount of annual royalty	Stamp duty			Registration fee		
			As per application (MT)	As per mining plan (MT)		Leviable	Levied	Short levy	Leviable	Levied	Short levy
Shri Balaji Trading Company	Dolomite	30	966.67	43428	19.54	6.84	1.75	5.09	5.13	1.31	3.82
M/s Godawari Power & Ispat ltd.	Iron ore	20 years	----	7.05	190.35	39.97	38.68	1.29	29.98	0.29	29.69
<b>Total</b>						<b>46.81</b>	<b>40.43</b>	<b>6.38</b>	<b>35.11</b>	<b>1.60</b>	<b>33.51</b>

During discussion, Government stated (September 2010) that letter has been issued to the lessee by District Registrar, Janjgir Champa to deposit the differential amount of stamp duty and registration fee amounting ₹ 8.91 lakh and in other case the lessee has deposited the amount of stamp duty and registration fee amounting ₹ 30.98 lakh.

<sup>2</sup> Janjgir and Kanker.



## 8.12 Non-realisation of dead rent and interest thereon

According to the Rule 30(1)(a) of the Chhattisgarh Minor Mineral Rules, 1996, lessee shall pay, for every year except for the first year of the lease, yearly dead rent at the rates specified in Schedule IV in advance for the whole year, on or before the 20<sup>th</sup> day of the first month of the year. If the lessee fails to pay the dead rent due in time, he shall be liable to pay interest at the rate of 24 *per cent* per annum for the period of default.

We found in the test check of the records of the Deputy Director, Mining Branch Collectorate, Raipur (April 2009) that in 24 cases the lessee did not pay dead rent amounting to ₹ 3.52 lakh for the years 2005 to 2009. The Deputy Director had also not raised any demand for rent of ₹ 3.52 lakh and interest of ₹ 0.77 lakh thereon. This resulted in non-realisation of revenue of ₹ 4.29 lakh.

During discussion, the Government stated (September 2010) that out of 24 lease holders, an amount of ₹ 2.41 lakh has been recovered from 14

lease holders and Revenue Recovery Certificates have been issued in respect of the remaining 10 lease holders for recovery of ₹ 1.88 lakh.

**Raipur  
The**

**(PURNA CHANDRA MAJHI)  
Accountant General (Audit)  
Chhattisgarh**

**Countersigned**

**New Delhi  
The**

**(VINOD RAI)  
Comptroller and Auditor General of India**

**Appendix 4.1***(Referred to in paragraph 4.8.5.1)*

Sl. No.	Vehicle No.	Challan No.	Date	Amount in Challan	Amount in Treasury	Loss (₹ In lakh)
1	CG-15/B-9400	113	13/04/2009	54190	190	54000
2	CG-15/B-3216	427	28/01/2008	41363	363	41000
3	CG-15/A-7713	392	14/07/2008	26472	472	26000
4	CG-15/A-8223	151	18/12/2008	27057	57	27000
5	CG-15/B-4090	62	21/01/2009	21968	968	21000
6	CG-15/A-6655	20	17/10/2008	15139	139	15000
7	CG-15/A-2670	67	09/04/2008	6808	808	6000
8	CG-15/A-6632	68	14/10/2008	9594	594	9000
9	CG-15A-1429	158	30/07/2008	2682	682	2000
10	CG-15/A-6955	144	20/06/2008	23564	564	23000
11	CG-15/A-4511	182	08/04/2008	22350	350	22000
12	CG-15/A-6337	60	01/07/2008	6571	571	6000
13	CG-15/A-5955	322	08/04/2008	42502	502	42000
14	CG-15/A-6055	123	03/05/2008	18126	126	18000
15	CG-15/A-7924	192	27/02/2009	4688	688	4000
16	CG-15/A-5755	193	27/02/2009	4065	65	4000
17	CG-15/A-5755	19	04/12/2008	35377	377	35000
18	CG-15/ZC-1053	20	14/10/2008	15139	139	15000
19	CG-15/A-3503	438	18/11/2008	17700	700	17000
20	CG-15/A-6102	33	14/08/2008	32565	565	32000
21	CG-15/A-7028	27	23/08/2008	9063	63	9000
22	CG-15/A-6755	12	18/03/2008	10313	313	10000
23	CG-15/A-6755	210	30/08/2008	12375	375	12000
24	CG-15/A-1621	146	20/06/2008	5981	981	5000
25	CG-15/ZC-0196	147	20/06/2008	5981	981	5000
26	CG-15/A-1984	191	23/06/2008	7384	384	7000
27	CG-15/A-1974	189	23/06/2008	7384	384	7000
28	CG-15/A-5855	122	03/05/2008	18126	126	18000

29	CG-15/A-5655	323	08/04/2008	42502	502	42000
30	CG-15/A-5355	121	03/05/2008	18126	126	18000
31	CG-15/A-3455	22	30/04/2008	9063	63	9000
32	CG-15/A-3355	62	23/04/2008	9063	63	9000
33	CG-15/A-7168	28	23/08/2008	4688	688	4000
34	CG-15/A-7169	25	23/08/2008	4688	688	4000
<b>Total</b>				<b>592657</b>	<b>14657</b>	<b>578000</b>

**Appendix 4.2***(Referred to in paragraph 4.8.6.2)*

Sl. No.	Book No.	Receipt No.	Date	Amount	Bank Challan No.	Date of Deposit in Bank	Delay in deposit (No. of days)
1	19376	968765	26-Feb-09	31317	178	23-Mar-09	25
2	19376	968766	26-Feb-09	23017	94	30-Apr-09	63
3	19376	968767	26-Feb-09	7475	182	23-Mar-09	25
4	19376	968769	26-Feb-09	25689	179	23-Mar-09	25
5	19376	968771	04-Mar-09	182468	179	23-Mar-09	19
6	19376	968794	27-Mar-09	7957	68	22-Apr-09	26
7	19376	968795	31-Mar-09	5571	68	22-Apr-09	22
8	19376	968796	01-Apr-09	60621	68	22-Apr-09	21
9	19376	968797	04-Apr-09	53301	68	22-Apr-09	18
10	19376	968798	04-Apr-09	4376	68	22-Apr-09	18
11	19376	968799	04-Apr-09	14756	68	22-Apr-09	18
12	19376	968800	08-Apr-09	10317	68	22-Apr-09	14
13	19377	968827	31-Mar-09	19099	94	30-Apr-09	30
14	19377	968828	31-Mar-09	46536	94	30-Apr-09	30
15	19377	968829	31-Mar-09	21957	68	22-Apr-09	22

*Audit Report (Revenue Receipts) for the year ended 31 March 2010*

---

16	19377	968830	09-Apr-09	48158	68	22-Apr-09	13
17	19377	968831	09-Apr-09	4376	67	22-Apr-09	13
18	19377	968832	09-Apr-09	1032	67	22-Apr-09	13
19	19377	968833	09-Apr-09	66065	67	22-Apr-09	13
20	19377	968845	30-Apr-09	33655	107	30-Jun-09	61
21	19377	968846	30-Apr-09	4063	107	30-Jun-09	61
22	19377	968847	30-Apr-09	6283	107	30-Jun-09	61
23	19377	968848	30-Apr-09	50280	107	30-Jun-09	61
24	19377	968849	30-Apr-09	56305	105	30-Jun-09	61
25	19377	968850	30-Apr-09	52620	68	31-Jul-09	92
26	19378	968851	30-Apr-09	157504	106	30-Jun-09	61
27	19378	968852	30-Apr-09	37884	105	30-Jun-09	61
28	19378	968854	05-May-09	5760	106	30-Jun-09	56
29	19378	968855	06-May-09	10319	105	30-Jun-09	55
30	19378	968856	06-May-09	16449	105	30-Jun-09	55
31	19378	968857	06-May-09	3400	105	30-Jun-09	55
32	19378	968858	15-May-09	4699	105	30-Jun-09	46
33	19378	968859	30-May-09	60769	68	31-Jul-09	62
34	19378	968860	30-May-09	33032	105	30-Jun-09	31
35	19378	968861	30-May-09	24848	107	30-Jun-09	31

36	19378	968862	04-Jun-09	2600	105	30-Jun-09	26
37	19378	968863	04-Jun-09	8100	105	30-Jun-09	26
38	19378	968864	10-Jun-09	50540	105	30-Jun-09	20
39	19378	968867	15-Jun-09	30000	67	31-Jul-09	46
40	19378	968868	30-Jun-09	31276	67	31-Jul-09	31
41	19378	968869	30-Jun-09	32717	67	31-Jul-09	31
42	19378	968870	30-Jun-09	47983	68	31-Jul-09	31
43	19378	968871	30-Jun-09	32719	67	31-Jul-09	31
44	19378	968872	30-Jun-09	16964	67	31-Jul-09	31
45	19378	968873	30-Jun-09	22896	67	31-Jul-09	31
46	19378	968874	30-Jun-09	10152	67	31-Jul-09	31
47	19378	968878	01-Aug-09	946	98	30-Nov-09	121
48	19378	968879	01-Aug-09	48137	197	09-Mar-10	220
49	19378	968880	01-Aug-09	9691	77	29-Aug-09	28
50	19378	968881	04-Aug-09	7770	77	29-Aug-09	25
51	19378	968882	04-Aug-09	52353	77	29-Aug-09	25
52	19378	968883	04-Aug-09	52353	77	29-Aug-09	25
53	19378	968884	04-Aug-09	69804	77	29-Aug-09	25
54	19378	968885	11-Aug-09	15000	99	30-Nov-09	111
55	19378	968886	13-Aug-09	30000	99	30-Nov-09	109

*Audit Report (Revenue Receipts) for the year ended 31 March 2010*

---

56	19378	968887	13-Aug-09	7500	77	29-Aug-09	16
57	19378	968888	13-Aug-09	6806	99	30-Nov-09	109
58	19378	968889	28-Aug-09	11126	98	30-Nov-09	94
59	19378	968890	28-Aug-09	7500	67	30-Nov-09	94
60	19378	968891	29-Aug-09	50902	67	30-Nov-09	93
61	19378	968892	29-Aug-09	47937	68	30-Nov-09	93
62	19378	968893	29-Aug-09	25707	99	30-Nov-09	93
63	19378	968894	29-Aug-09	3750	99	30-Nov-09	93
64	19378	968895	18-Sep-09	7770	99	30-Nov-09	73
65	19378	968896	23-Sep-09	42786	99	30-Nov-09	68
66	19378	968897	23-Sep-09	66950	99	30-Nov-09	68
67	19378	968898	30-Sep-09	6530	98	30-Nov-09	61
68	19378	968899	30-Sep-09	23197	99	30-Nov-09	61
69	19378	968900	15-Oct-09	18389	197	09-Mar-10	145
70	168786	1	16-Feb-09	19000	194	09-Mar-10	386
71	168786	2	16-Feb-09	32000	155	24-Feb-09	8
72	168786	3	18-Feb-09	500	155	24-Feb-09	6
73	168786	4	18-Feb-09	500	155	24-Feb-09	6
74	168786	5	19-Feb-09	3000	155	24-Feb-09	5
75	168786	6	19-Feb-09	3000	155	24-Feb-09	5

76	168786	7	19-Feb-09	3000	155	24-Feb-09	5
77	168786	8	19-Feb-09	500	155	24-Feb-09	5
78	168786	9	19-Feb-09	5000	155	24-Feb-09	5
79	168786	10	19-Feb-09	2000	194	09-Mar-10	383
80	168786	11	26-Feb-09	1400	191	09-Mar-10	376
81	168786	12	03-Mar-09	5000	194	09-Mar-10	371
82	168786	13	04-Mar-09	3000	194	09-Mar-10	370
83	168786	14	04-Mar-09	3000	194	09-Mar-10	370
84	168786	15	19-Mar-09	31000	181	23-May-09	65
85	168786	16	19-Mar-09	12000	181	23-May-09	65
86	168786	17	19-Mar-09	8000	181	23-May-09	65
87	168786	18	19-Mar-09	10000	181	23-May-09	65
88	168786	19	31-Mar-09	2250	191	09-Mar-10	343
89	168786	20	17-Apr-09	2000	191	09-Mar-10	326
90	168786	21	29-Apr-09	500	194	09-Mar-10	314
91	168786	24	08-Jun-09	1000	66	31-Jul-09	53
92	168786	25	08-Jun-09	400	66	31-Jul-09	53
93	168786	26	11-Jul-09	6000	66	31-Jul-09	20
94	168786	27	11-Jul-09	5000	66	31-Jul-09	20
95	168786	28	11-Jul-09	5000	66	31-Jul-09	20



*Audit Report (Revenue Receipts) for the year ended 31 March 2010*

---

96	168786	29	11-Jul-09	5000	66	31-Jul-09	20
97	168786	30	14-Jul-09	4000	66	31-Jul-09	17
98	168786	31	17-Jul-09	6500	66	31-Jul-09	14
99	168786	32	17-Jul-09	6500	66	31-Jul-09	14
100	168786	33	17-Jul-09	5000	66	31-Jul-09	14
101	168786	34	18-Jul-09	10000	66	31-Jul-09	13
102	168786	35	18-Jul-09	10000	66	31-Jul-09	13
103	168786	36	06-Aug-09	11000	194	09-Mar-10	215
	<b>Total</b>			<b>2312859</b>			<b>5 -386</b>

## Appendix 4.3

(Referred to in paragraph 4.8.14.1)

Sl. No.	Vehicle No.	Seating Capacity	From	To	Distance (KM)	Tax Leviable	Tax Levied	Period of Short Levy		Total Months	Loss
								From	To		
1	CG-15/A-0133	50+2	Surajpur	Chalgali	200	13000	8000	Apr-08	Mar-10	24	120000
2	MH-30/E-0618	20+2	Renwa	Mahasamund	140	4000	3600	Sep-07	Mar-10	31	12400
3	CG-06/A-9062	30+2	Mahasamund	Bemetara	254	9600	8400	Jan-06	Mar-10	51	61200
4	CG-06/A-9290	23+2	Mahasamund	Chura	220	6440	5980	Oct-07	Mar-10	30	13800
5	CG-17/F-0452	32+2	Katekalyan	Jagdulpur	290	11200	8700	Oct-09	Mar-10	6	15000
6	CG-05/B-1865	25+2	Raipur	Dhamtari	312	9500	7000	Jan-06	Mar-10	51	127500
7	CG-05/B-6831	27+2	Raipur	Dhamtari	312	10260	7830	Jan-06	Mar-10	51	123930
8	CG-05/C-3075	27+2	Dhamtari	Raipur	312	10260	9990	Jan-06	Mar-10	51	13770
9	CG-05/B-3802	20+2	Palari	Dalli Rajhara	382	9000	5600	Jan-06	Mar-10	51	173400
10	CG-04/ZA-0288	48+2	Rajnandgaon	Aundhi	280	16320	7400	Apr-04	Mar-09	60	535200
11	CG-07/E-0232	28+2	Durg	Dhamtari	140	5600	5200	Apr-04	Mar-09	60	24000
12	CG-07/N-9099	50+2	Durg	Kawardha	218	14000	11000	Nov-09	Mar-10	5	15000
13	CG-04/E-0884	22+2	Factory Lease		-	4600	3520	Sep-08	May-09	9	9720
14	CG-04/E-1586	20+2	Mahasamund	Raipur	220	5600	3200	Sep-09	Mar-10	7	16800
15	CG-10/G-0512	35+2	Bilaspur	Raipur	232	10500	10220	Apr-05	Mar-10	60	16800
16	CG-10/G-0612	35+2	Bilaspur	Raipur	232	10500	10220	Apr-05	Mar-10	60	16800
17	CG-10/G-0712	35+2	Bilaspur	Raipur	232	10500	10220	Apr-05	Mar-10	60	16800
<b>Total</b>											<b>1312120</b>

**Appendix 4.4**

*(Referred to in paragraph 4.8.14.2)*

Sl. No.	Vehicle No.	Period of Operation	Total Month	Seating Capacity	Distance	Tax Levied per month	Total Tax Levied	Distance as per notification	Leviable Tax per month	Total Leviable Tax
1	CG-14 A / 2012	1/11/08 to 31/08/09	10	32	160	7040	70400	220	8960	89600
2	CG-14 A / 3174	1/09/08 to 31/08/09	12	32	160	7040	84480	220	8960	107520
3	CG-14 A / 1634	1/01/08 to 25/08/08	8	32	160	7040	56320	220	8960	71680
4	CG-14 A / 3507	27/06/09 to 31/08/09	3	32	160	7040	21120	220	8960	26880
5	CG-14 A / 3194	1/11/08 to 26/06/09	8	32	160	7040	56320	220	8960	71680
6	CG-14 A / 1946	1/01/08 to 28/10/08	10	32	160	7040	70400	220	8960	89600
7	CG-15 A / 3580	1/10/08 to 29/04/09	7	32	160	7040	49280	220	8960	62720
<b>Grand Total</b>							<b>408320</b>			<b>519680</b>
<b>Loss of Revenue</b>										<b>111360</b>

## Appendix 7.1

(Referred to in paragraph 7.4.8.2)

Name of Division	Produce	Quantity	Value (₹)	Period of lying in Depot	Rate of Deterioration p.a.	Loss due to Deterioration (₹)
Rajnandgaon	Industrial Bamboo	639.668 NT	31,18,357	1 year	50%	15,59,178
	Commercial bamboo	26.571 NT	2,92,281		50%	1,46,141
	Poles	11252/6.605 cmt	8,21,396		20%	1,64,280
	Logs	2.627 cmt	23,546	2 years	20%	9,418
	Commercial bamboo	7.943 NT	79,430		50%	79,430
	Commercial bamboo	0.687 NT	4,122	3 years	50%	4,122
<b>Total</b>						<b>19,62,569</b>
Dhamtari	Logs	484.140 cmt	25,07,000	1 year	20%	5,01,400
	Logs	0.761 cmt	10,500	2 years	20%	4,200
<b>Total</b>						<b>5,05,600</b>
Jashpur	Logs	54.035 cmt	4,21,905	1 year	20%	84,381
	Poles	11733/217.123 cmt	16,95,296		20%	3,39,059
	Logs	31.751 cmt	2,44,355	2 years	20%	97,742
	Poles	903/13.521 cmt	1,04,058		20%	41,623
	Fuel stacks	19	10,070		20%	4,028
	Logs	14.988 cmt	1,08,828	3 years	20%	65,297
	Poles	2119/41.797 cmt	3,03,488		20%	1,82,093
	Poles	922/17.604 cmt	1,27,823	4 years	20%	1,02,258
	Logs	2.092 cmt	15,190	5 years	20%	15,190
	Poles	43/0.763 cmt	5,540		20%	5,540
<b>Total</b>						<b>9,37,211</b>
Sarguja (South)	Logs	13.074 cmt	7,19,331	1 year	20%	1,43,866
	Poles	87/1.929 cmt				
	RTL	69.954 cmt				
	RTL	33.829 cmt	2,86,430	2 years	40%	1,14,430
<b>Total</b>						<b>2,58,468</b>
<b>Grand Total</b>						<b>36,63,848</b>

**Appendix 7.2**  
(Referred to in paragraph 7.4.14.1)

Name of Division	Year	No. of coupe	Estimated Yield (NT)		Actual yield (NT)		Short fall (NT)		Percentage of shortfall		Loss of Revenue (₹ In lakh)
			Ind.	Com.	Ind.	Com.	Ind.	Com.	Ind.	Com.	
Rajnandgaon	2005-06	2	165	50	127.665	15.676	37.335	34.324	22.63%	68.65%	79.45
	2006-07	1	250	175	116.264	147.103	133.736	27.897	53.49%	15.94%	
	2007-08	8	839	455	222.433	114.246	616.567	340.754	73.49%	74.89%	
Raipur	2007-08	7	2440	4636	1579.934	3831.005	860.066	804.995	35.25%	17.36%	58.77
	2008-09	6	1030	2016	463.475	1668.554	566.525	347.446	55.00%	17.23%	
<b>Total</b>		<b>24</b>	<b>4724</b>	<b>7332</b>	<b>2509.771</b>	<b>5776.584</b>	<b>2214.229</b>	<b>1555.416</b>	<b>46.87%</b>	<b>21.21%</b>	<b>138.22</b>

**Appendix 7.3**  
(Referred to in paragraph 7.4.14.2)

Name of Division	Year	No. of coupe	Timber/ Fuel Stacks	Estimated Yield	Actual yield	Short fall	Percentage of shortfall	Shortfall permissible (10%)	Excess shortfall	Loss of Revenue (₹ In lakh)
Rajnandgaon	2005-06	2	Timber	725.000	578.199	146.801	20.25%	72.500	74.801	6.66
	2007-08	2	Timber	146.750	125.720	21.030	14.33%	14.675	6.355	
Dhamtari	2005-06	2	Timber	2341.562	1783.555	558.007	23.83%	234.156	323.851	21.15
	2006-07	2	Timber	1322.37	1057.282	265.088	20.05%	132.237	132.851	
	2008-09	1	Timber	420.00	292.105	127.895	30.45%	42.000	85.895	
Raipur	2007-08	2	Timber	3364.00	2915.000	449.000	13.35%	336.400	112.60	8.84
			Fuel Stack	560	488	72	12.86%	56	16	
Jashpur	2005-06	1	Timber	171.994	72.763	99.231	57.69%	17.199	82.032	15.20
			Fuel Stack	273	60	213	78.02%	27.3	185.7	
	2006-07	1	Timber	131.585	42.636	88.949	67.60%	13.159	75.791	
			Fuel Stack	198	47	151	76.26%	19.8	131.2	
	2008-09	1	Timber	50.658	27.087	23.571	46.53%	5.066	18.505	
			Fuel Stack	101	40	61	60.40%	10.1	50.9	
South Kondagaon	2005-06	3	Timber	2334.088	1469.551	864.537	37.04%	233.409	631.128	82.26
			Fuel Stack	3269	1109	2160	66.08%	326.9	1833.1	
	2006-07	1	Timber	884.346	742.349	141.997	16.06%	88.435	53.562	
	2008-09	1	Timber	534.748	399.855	134.893	25.23%	53.475	81.418	
			Fuel Stack	957	237	720	75.24%	95.7	624.3	
<b>Total loss</b>										<b>134.11</b>

**Appendix 7.4**  
(Referred to in paragraph 7.4.16)

Name of Division	Date of Verification	Book Balance			Quantity found in Physical verification			Shortage			Value (₹ in lakh)
		Bamboo	Poles	Fuel Stacks	Bamboo	Poles	Fuel Stacks	Bamboo	Poles	Fuel Stacks	
<b>(Nistar Depots)</b>											
Mahasamund	30.06.08	83399	5337	1439.20	76482	4515	1230.56	6917	822	208.64	3.36
	30.06.09	90918	988	1531.56	90894	950	1528.56	24	38	3.00	
South Sarguja											4.03
Jashpur	30.06.05	23619	2594	784.172	17431	2383	517.362	6188	211	266.81	3.73
	30.06.06	18366	2285	1599.68	18366	2035	1599.68	0	250	0	
	30.06.08	12833	3747	685	12833	3514	455	0	233	230	
<b>(Central Depot)</b>											
		Logs		Poles	Logs		Poles	Logs		Poles	
		Nos	cmt	Nos	Nos	cmt	Nos	Nos	cmt	Nos	
Dhamtari	30.09.08	691	40.991	24449	652	39.932	21959	39	1.059	2490	2.11
	30.09.09	9362	1061.056	55225	9245	1049.577	54181	117	11.479	1044	
<b>Total</b>											<b>13.23</b>