



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended March 2013**

The Report has been laid on the table of the State Legislature Assembly on 14-06-2014



Government of Maharashtra

Report No 1 of the year 2014

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

**FOR THE YEAR ENDED
31 MARCH 2013**

(REVENUE SECTOR)

GOVERNMENT OF MAHARASHTRA

REPORT NO. 1 OF THE YEAR 2014

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PREFACE

This Report of the Comptroller and Auditor General of India has been prepared for submission to the Governor under Article 151 of the Constitution of India for being laid before the State Legislature.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report covering the year 2012-13 contains results of audit comprising Sales tax, Land Revenue, Stamp Duty and Registration Fees and other Tax Receipts of the Government of Maharashtra.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 2012-13 as well as those which had come to notice in earlier years but could not be reported in previous Audit Reports; matters relating to the period subsequent to 2012-13 have also been included wherever necessary.

Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

This Report contains 45 paragraphs including two Performance Audits relating to non/short levy of taxes, duties, interest and penalty, etc., involving ₹ 824.85 crore. Some of the major findings are mentioned below:

I General

The total revenue receipt of the State during the year 2012-13 was ₹ 1,42,940.57 crore, of which the revenue raised by the State Government was ₹ 1,13,426.26 crore and receipts from the Government of India were ₹ 29,514.25 crore. The revenue raised by the State Government constituted 79 *per cent* of the total net receipts of the State. The receipts from the Government of India included ₹ 15,191.92 crore on account of the State's share of divisible Union taxes which registered an increase of 13.85 *per cent* over the previous year and ₹ 14,322.33 crore received as grants-in-aid.

(Paragraph 1.1.1)

At the end of June 2013, 10,510 inspection report paragraphs involving ₹ 2,827.78 crore relating to 4,760 inspection reports issued upto 31 December 2012 were pending settlement.

(Paragraph 1.2.1)

In respect of the Audit Reports for the periods from 2001-02 to 2011-12, the Department/Government accepted audit observations involving ₹ 3,704.69 crore, out of which an amount of ₹ 1,140.92 crore was recovered till 31 March 2013.

(Paragraph 1.2.6)

II Value Added Tax/Sales tax

A Performance Audit of “Maharashtra Vikrikar Automation System (MAHAVIKAS)” revealed as under:

- Only 11 out of the 22 modules planned were in use even after a period of seven years and incurring an expenditure of ₹ 127.18 crore.

(Paragraph 2.2.10.1)

- Absence of necessary validation checks to prevent entry of duplicate PAN records resulted in multiple registrations of 1,138 PAN holder-dealers and in 3,970 cases blank/incomplete/incorrect PAN was recorded.

(Paragraph 2.2.11.1)

- Irregular claim of excess credit amounting to ₹ 1,059.03 crore in 54,513 returns remained undetected in the system due to lack of validation checks.

(Paragraph 2.2.11.2)

- Credit brought forward in 43,466 returns under Maharashtra Value Added Tax, 2002 (MVAT Act) /Central Sales Tax Act, 1956 (CST Act) was claimed in excess by ₹ 184.81 crore from the returns of the preceding periods.

(Paragraph 2.2.11.3)

- Absence of cross-linkage of returns in the system resulted in non-detection of claims of excess tax credits of ₹ 200.04 crore in 6,755 returns.

(Paragraph 2.2.11.4)

- Absence of appropriate MIS reports resulted in non-detection of claims of inter-state transactions amounting ₹ 2,364.85 crore in 3,773 returns filed by dealers registered under the MVAT Act but not registered under the CST Act.

(Paragraph 2.2.11.5)

- Absence of a system for detection and rejection of more than one refund application for the same period resulted in 294 dealers filing multiple refund applications amounting to ₹ 434.54 crore.

(Paragraph 2.2.11.7)

- Absence of facility to verify the authenticity of refund adjustments claimed by the dealers in their returns and Refund Adjustment Orders (RAOs) issued by the Department resulted in claims of refund adjustments aggregating ₹ 154.04 crore in 5,973 returns remaining unverified with the data of issued RAOs available in the system.

(Paragraph 2.2.11.8)

- Failure to timely implement the required programme to generate interest on delayed payment of tax and failure to issue demand notices where interest was generated by the system resulted in non-realisation of ₹ 238.16 crore.

(Paragraph 2.2.11.9)

- Refund claims aggregating ₹ 3,809.01 crore in respect of 25,372 applications were pending in the system for periods ranging from 19 to 40 months.

(Paragraph 2.2.11.13)

- Objective of providing better services to the dealers was affected as the system did not reconcile payments with the tax liability of the dealers.

(Paragraph 2.2.11.15)

- Security measures adopted were not adequate as 2,193 generic users had accessed the system to enter/modify data.

(Paragraph 2.2.12.2)

- Internal control of the system was weak as MIS reports for monitoring data integrity and security was not designed covering all the vital areas.

(Paragraph 2.2.14)

Deduction of ₹ 9.69 crore towards “tax collected separately” in excess of the admissible amount from the turnover of sales resulted in short levy of tax of ₹ 72.05 lakh on works contract transaction.

(Paragraph 2.4.1)

Penalty u/s 29(3) amounting to ₹ 1.05 crore was either not levied or short levied in two cases though the dealers had furnished inaccurate particulars, concealed the turnover of sales, etc.,

(Paragraph 2.4.3)

Delay in assessment, ineffective follow up action for recovery, not keeping track of the dealers activities, failure to attach properties, etc., resulted in non-realisation of dues of ₹ 15.61 crore in seven cases.

(Paragraph 2.4.8)

Inadequate follow-up action in respect of a case pending for recovery from outside the State resulted in non-realisation of dues of ₹ 13.83 crore.

(Paragraph 2.4.9)

Issue of circular *ultra vires* to the provisions of the Act by the Commissioner of Sales Tax resulted in short levy of Luxury Tax of ₹ 5.34 crore.

(Paragraph 2.4.14)

III Stamp duty and Registration fees

Misclassification of instruments in 15 cases resulted in short levy of stamp duty of ₹ 66.24 lakh.

(Paragraphs 3.2.4.1 and 3.2.4.2)

As against levy of stamp duty of ₹ 3.25 crore, stamp duty was levied at ₹ 2.18 crore due to under valuation of property resulting in short levy of ₹ 1.07 crore.

(Paragraph 3.4.4)

Incorrect grant of benefit of tenancy for determination of market value resulted in short levy of stamp duty and penalty of ₹ 2.94 crore in one case.

(Paragraph 3.4.6)

Incorrect determination of market value in respect of several distinct matters involved in an instrument resulted in short levy of stamp duty of ₹ 50.56 lakh in one case.

(Paragraph 3.4.8)

IV Land Revenue

Application of agricultural rates instead of non-agriculture (NA) rates for determination of occupancy price of land allotted to Central Reserve Police Force resulted in short realisation of occupancy price of ₹ 2.08 crore.

(Paragraph 4.2.4.1)

The market rates were not fixed in accordance with the Annual Schedule of Rates in six cases resulting in short recovery to occupancy price of ₹ 39.67 lakh.

(Paragraph 4.2.4.2)

NA rates were not applied while calculating market value of land for levy of lease rent which resulted in non/short recovery of lease rent of ₹ 65.92 lakh.

(Paragraph 4.2.4.3)

Due to incorrect classification by the Government, unearned income of ₹ 5.15 crore from land owners was not recovered.

(Paragraph 4.2.7.1)

Incorrect determination of market value of land by two Divisional Commissioners resulted in short recovery of unearned income of ₹ 3.83 crore.

(Paragraph 4.2.7.2)

Government norms were not adhered to at the time of registering the agreement which resulted in loss of revenue amounting to ₹ 40.02 lakh.

(Paragraph 4.2.8)

V Taxes on Vehicles and State Excise

A Taxes on Vehicles

Motor vehicle tax amounting to ₹ 1.72 crore was not recovered from 1,033 transport vehicle owners.

(Paragraph 5.3.1)

Motor vehicle tax was not recovered in cash in 148 cases of dishonoured cheques which resulted in non-realisation of revenue amounting to ₹ 53.29 lakh.

(Paragraph 5.3.4)

Misappropriation of ₹ 1.60 lakh was noticed by audit and in the light of the audit observation, the Department verified the accounts and found misappropriation of ₹ 12.56 lakh.

(Paragraph 5.3.5)

VI Other Tax Receipts

A Taxes and duties on electricity

A Performance Audit on “Levy and collection of Electricity Duty, Tax on sale of electricity and Inspection Fees” revealed the following:

Figures of arrears of ₹ 843.36 crore on account of Electricity Duty (ED)/Tax on Sale of Electricity (TOSE)/Inspection fees furnished/collected by the Department was deficient as it did not include the amount of ED and TOSE billed but not collected by the private companies/franchisees.

(Paragraph 6.2.8)

Absence of provisions in the Acts for remittance of the amount of proportionate ED and TOSE inherent in Delayed Payment Charges(DPC) and Interest on Arrears levied by private companies on delayed payments by consumers, resulted in undue benefit to the private companies by at least ₹ 24.98 crore at the cost of Government.

(Paragraph 6.2.9.1)

Variation with respect to the ED/TOSE payable as per the returns and ED/TOSE actually paid was of ₹ 310.80 crore.

(Paragraph 6.2.9.2() to (d))

In the office of the Electrical Inspector (EI) Mumbai Central, 66 *per cent* of the returns due were not received from the generating units concerned due to which correctness of ED paid were not monitored.

(Paragraph 6.2.9.2(e))

Cross-linkage of identical data available in returns in Form 'A' and Form 'C' revealed variation in the units reported as sold/consumed, for levy of electricity duty and tax on sale of electricity to the extent of 639.95 crore and 68.12 crore, respectively, reflecting deficiency in monitoring.

(Paragraph 6.2.9.3)

Interest was not levied on delayed payment of ED and TOSE aggregating ₹ 5,773.04 crore by MSEDCL, during the periods 2010-11 and 2011-12, which resulted in non-realisation of interest of ₹ 126.87 crore.

(Paragraph 6.2.10.1)

Incorrect grant of exemption from payment of TOSE to Railways for utilisation of energy on its residential and commercial areas, though not envisaged in the Maharashtra Tax on Sale of Electricity Act, 1963 (MTSE Act), resulted in short realisation of tax of ₹ 1.55 crore.

(Paragraph 6.2.10.3)

Though inspections in respect of lifts and electrical installations exist, it was not carried out or conducted regularly leading to shortfall in inspections.

(Paragraphs 6.2.9.5 and 6.2.10.4)

Details of utilisation of funds earmarked for Rural Electrification and Green Cess was not available with the Department.

(Paragraph 6.2.10.7)

B Entertainments duty

Failure to take action for recovery of entertainments duty in 35 offices resulted in non-realisation of Government revenue aggregating ₹ 2.36 crore from 536 cable operators.

(Paragraph 6.4.1)

Registers maintained for recovery were not monitored which resulted in non-realisation of ₹ 2.26 crore from 59 permit rooms/beer bars.

(Paragraph 6.4.2)

Penal interest was not levied on the service providers for delays in payment of entertainment duty which resulted in non-realisation of ₹ 42.50 lakh in four cases.

(Paragraph 6.4.5)

C Education Cess and Employment Guarantee Cess

Penalty of ₹ 5.14 crore collected by the Municipal Corporation of Greater Mumbai on delayed payment of state education cess and employment guarantee cess was not remitted into the Government account.

(Paragraph 6.6.1)

State education cess and employment guarantee cess totalling to ₹ 315.65 crore were not remitted into the Government account by two Municipal Corporations.

(Paragraph 6.6.2)

VII Non-tax receipts

Interest of ₹ 28.10 crore payable on delayed payment of royalty of ₹ 491.17 crore was not levied.

(Paragraph 7.2.7)

The procedure for preparation and compilation of Statement of Expenditure of the police deployment provided to other states was not followed and no initiatives for realisation of ₹ 38.32 crore were taken by the Department.

(Paragraph 7.3.3.1)

Amounts aggregating ₹ 344.32 crore were outstanding against the Railways of which demands aggregating ₹ 193.90 crore related to the period prior to 2008-09.

(Paragraph 7.3.3.2)

Cost of police deployed for Indian Premier League cricket matches amounting to ₹ 4.39 crore of two cricket associations was pending recovery for the last two to three years, further not computing the recovery on the basis of working hours for which police was deployed resulted in short realisation of ₹ 3.69 crore in respect of two offices.

(Paragraph 7.3.3.3)

Failure to recover cost of police in advance from individuals and Municipal Corporations and absence of a provision to recover cost of police in advance from the banks resulted in non-realisation of ₹ 70.87 crore.

(Paragraph 7.3.3.4, 7.3.3.5 and 7.3.3.6)

In three offices non-determination of differential amount recoverable due to adoption of 6th Pay Commission by the State Government resulted in non-realisation of ₹ 6.93 crore.

(Paragraph 7.3.4)

Deficiencies in management of cash with respect to non/delayed credit of demand drafts into the treasury, non/delayed entry of receipts into the cash book, non-maintenance of cash book, challan register and receipt books were noticed in eight offices.

(Paragraph 7.3.7)

CHAPTER I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Maharashtra during the year 2012-13, the State's share of divisible Union taxes, grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

(₹ in crore)

Sl. no.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
I.	Revenue raised by the State Government					
	Tax revenue	52,029.94	59,106.33	75,027.09	87,608.46	1,03,448.58
	Non-tax revenue ¹	9,750.77 (9,789.94)	8,263.97 (8,352.61)	8,213.10 (8,225.04)	8,150.10 (8,167.70)	9,977.74 (9,984.40)
	Total	61,780.71 (61,819.88)	67,370.30 (67,458.94)	83,240.19 (83,252.13)	95,758.56 (95,776.16)	1,13,426.32 (1,13,432.98)
II.	Receipts from the Government of India					
	State's share of divisible Union Taxes	8,018.41	8,248.12	11,419.79	13,343.34	15,191.92
	Grants-in-aid	11,432.39	11,203.23	11,195.89	12,166.64	14,322.33
	Total	19,450.80	19,451.35	22,615.68	25,509.98	29,514.25
III.	Total revenue receipts of the State Government	81,231.51 (81,270.68)	86,821.65 (86,910.29)	1,05,855.87 (1,05,867.81)	1,21,268.54 (1,21,286.14)	1,42,940.57 (1,42,947.23)
IV.	Percentage of I to III	76	78	79	79	79

Source : Finance Accounts

The above table indicates that during the year 2012-13, the revenue raised by the State Government was 79 per cent of the total net revenue receipts (₹ 1,42,940.57 crore). The balance 21 per cent of receipts during 2012-13 were received from the Government of India.

¹ Figures in brackets indicate gross receipts, the details of which are available in Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Maharashtra for the year 2012-13. The figures above those in brackets are lower because of netting of expenditure on prize winning tickets from Lottery receipts.

1.1.2 The following table presents the details of tax revenue raised during the period 2008-09 to 2012-13:

(₹ in crore)

Sl. no	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/ decrease (-) in 2012-13 over 2011-12
1.	Sales tax/VAT						
	• State sales tax, VAT etc.	27,805.30	30,170.70	38,934.47	46,796.91	55,855.27	(+)19.36
	• Central sales tax	2,875.23	2,505.32	3,548.25	3,799.45	4,224.45	(+)11.19
2.	State excise	4,433.76	5,056.63	5,961.85	8,605.47	9,297.11	(+)8.04
3.	Stamp Duty and Registration fees	8,287.63	10,773.65	13,515.99	14,407.49	17,548.25	(+)21.80
4.	Taxes and Duties on Electricity	2,394.86	3,289.32	4,730.26	4,831.09	5,895.68	(+)22.04
5.	Taxes on Vehicles	2,220.22	2,682.30	3,532.90	4,137.42	5,027.42	(+)21.51
6.	Taxes on Goods and Passengers	891.95	976.60	599.88	574.25	690.74	(+)20.29
7.	Other taxes on Income and expenditure- Taxes on Professions, Trades, Callings and Employments	1,561.17	1,612.35	1,686.20	1,829.94	1,961.10	(+)7.17
8.	Other Taxes and Duties on Commodities and Services	1,013.58	1,325.39	1,422.31	1,662.63	1,874.34	(+)12.73
9.	Land Revenue	546.22	714.04	1,094.98	963.81	1,074.02	(+)11.43
10.	Service Tax	0.02	0.03	0.00	0.00	0.14	
11.	Union Excise duties	-	-	-	-	0.06	
	Total	52,029.94	59,106.33	75,027.09	87,608.46	1,03,448.58	

Source : Finance Accounts

The reason for significant variation in the receipts in 2012-13 from that of 2011-12 in respect of principal heads of revenue as furnished by Sales Tax Department is as under :

Sales Tax, VAT, etc. and Central Sales Tax: The increase was on account of effective implementation of various e-services and administrative follow-up by the Sales Tax Department.

The following Departments did not inform (January 2014) the reasons for variation, despite being requested (July 2013). However, the reasons for significant variations analysed by us from the Finance Accounts are as follows (figures in brackets indicate percentage of increase/decrease from the previous year's collections):

State Excise: The increase was mainly due to increase in collections of State excise duty on the sale of malt liquor (67 per cent), foreign liquors and spirits (23 per cent), medicinal and toilet preparations containing alcohol, opium etc., (95 per cent) and receipts under fines and confiscations (100 per cent).

Stamp duty and Registration fees: The increase was mainly due to increase in court fees realised in stamps (36 per cent) and sale of stamps (46 per cent) under the sub head “Stamps–Judicial” and “Stamps-Non-Judicial”, respectively.

Taxes and Duties on Electricity: The increase was mainly due to increase in receipts (23 per cent) under taxes on consumption and sale of electricity.

Taxes on vehicles: The increase was mainly due to increase in receipts under State Motor Vehicles Taxation Acts (27 per cent).

Other taxes and duties on commodities and services: The increase was mainly due to increase in receipts under entertainment tax (15 per cent), receipts under luxury tax (16 per cent) and receipts from Cesses under Other Acts (22 per cent).

Land Revenue: The increase was mainly due to increase in receipts from sale of Government Estates (119 per cent).

1.1.3 The following table presents the details of the non-tax revenue raised during the period from 2008-09 to 2012-13:

(₹ in crore)

Sl. no.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/ decrease(-) in 2012-13 over 2011-12
1	2	3	4	5	6	7	8
1	Interest Receipts	1,016.67	1,342.00	1,421.70	1,358.94	2,464.41	(+)81.35
2	Dairy Development	471.01	487.30	341.64	265.81	290.70	(+)9.36
3	Other non-tax receipts	1,200.60	1,681.01	1,296.23	1,430.56	2,554.64	(+)78.58
4	Forestry and Wild life	259.76	226.48	238.87	269.78	258.81	(-)4.07
5	Non-ferrous mining and Metallurgical Industries	1,215.67	1,466.73	1,841.19	2,045.47	2,037.76	(-)0.38
6	Miscellaneous General Services ²	3,913.08	979.89	622.28	556.29	311.52	(-)44.00
7	Power	413.28	456.61	485.42	725.01	451.41	(-)37.74
8	Major and Medium Irrigation	631.77	812.58	729.54	583.05	531.89	(-)8.77
9	Medical and Public Health	131.22	234.30	173.04	274.98	337.95	(+)22.90

² Includes net lottery receipts after adjustment of prize money paid.

1	2	3	4	5	6	7	8
10	Co-operation	87.78	97.28	77.88	66.65	73.16	(+)9.77
11	Public Works	154.77	162.31	166.38	167.64	191.29	(+)14.11
12	Police	137.27	163.45	191.99	234.73	231.68	(-)1.30
13	Other Administrative Services	117.89	154.03	626.94	171.19	242.52	(+)41.67
Total		9,750.77	8,263.97	8,213.10	8,150.10	9,977.74	

Source : Finance Accounts

The reasons for variations in the receipts for 2012-13 from that of 2011-12, in respect of principal heads of revenue though called for (July 2013) from concerned departments were not furnished (January 2014). However, some of the significant variations in the receipts during 2012-13 over those of the previous year as analysed by us from the Finance Accounts were as follows:

Interest Receipts: The increase was mainly due to increase in the interest receipts from Cultivators (66 per cent).

Medical and Public Health: The increase was mainly due to increase in the receipts under urban health services (22 per cent), rural health services (262 per cent), medical education, training and research (24 per cent) and public health (23 per cent).

Other Administrative Services: The increase was mainly due to increase in receipts under the detailed head "Other receipts" of the sub head "60 – Other Services" (172 per cent).

Power: The decrease was mainly due to decrease in receipts under the head "Hydel Generation" (38 per cent) and "other receipts" under sub-head General (38 per cent).

Miscellaneous General Services: The decrease was mainly due to decrease in receipts under the head "guarantee fees" (36 per cent).

1.2 Response of the Departments/Government to audit observations

The offices of the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur (AsG) arrange to conduct periodical inspections of the various offices of the Government Departments to test check transactions of the tax and non-tax receipts and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. After inspections by field parties inspection reports (IRs) are issued to the heads of offices, with copies of the same to the next higher authorities. The Government of Maharashtra, Finance Department's circular dated 10 July 1967 provides for response by the executive to the IRs issued by the offices of the AsG, within one month, after ensuring action in compliance to the observations made during audit inspections. Serious irregularities are also brought to the notice of the heads of departments by the offices of the AsG. Half yearly reports are sent to the secretaries of the concerned

departments in respect of the pending IRs to facilitate the monitoring of audit observations.

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

Scrutiny of the inspection reports issued upto 31 December 2012 revealed that 10,510 observations relating to 4,760 IRs involving ₹ 2,827.78 crore, remained outstanding at the end of June 2013 as mentioned below, along with the corresponding figures for the preceding two years.

	30 June 2011	30 June 2012	30 June 2013
Number of outstanding IRs	4,682	4,921	4,760
Number of outstanding audit observations	10,293	10,860	10,510
Amount involved (₹ in crore)	1,722.20	2,667.74	2,827.78

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2013 and the amounts involved are mentioned below:

Sl. no.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Home	State Excise	204	352	365.89
2		Taxes on vehicles	283	1,025	61.74
3	Revenue and Forest	Land Revenue	871	1,633	542.79
4		Entertainments Duty	325	621	13.90
5		Forestry and Wild Life	135	219	66.61
6		Education Cess and Employment Guarantee Cess	109	167	29.06
7		Stamps and registration fees	1,092	2,406	484.32
8	Finance	Taxes on Sales, trades etc.	1,410	3,639	211.15
9		Taxes on profession etc.	110	145	1.98
10	Industry, Energy and Labour	Electricity duty	74	131	1,043.10
11	Urban Development	Residential Premises Tax	77	92	2.23
12		Repair Cess	14	17	2.64
13	Home, Irrigation, Public Works, Revenue and Forest Department	Other non tax receipts	56	63	2.37
Total			4,760	10,510	2,827.78

In respect of the above observations, 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 in respect of 1,716 observations relating to 505 IRs, issued up to December 2012 involving revenue of ₹ 804.51 crore. High 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 had failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AsG in the IRs.

It is recommended that the Government take suitable steps to evolve a mechanism for prompt and appropriate response to audit observations. The Government may also consider fixing responsibility for failure to reply to the IRs/paragraphs as per the prescribed time schedule as well as for not taking appropriate and time bound action to recover losses/outstanding demands.

1.2.2 Departmental Audit Committee Meetings

The Government had 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 (ACM) held during the year 2012-13 and the paragraph settled are mentioned below:

(₹ in crore)

Administrative Department	Head of revenue	Number of meetings held	Number of paras discussed	Number of paras settled	Amount
Relief and Rehabilitation	Stamps and Registration Fees	1	198	90	3.07
Finance	Taxes on sales, trade etc.	3	447	296	8.94
Total		4	645	386	12.01

As can be seen from the above, as against 645 paras discussed, only 386 paras (60 per cent) were settled in the meetings, indicating that the Departments were not adequately prepared with full and final compliance in respect of the audit observations made in the local audit reports. Further, no meetings were held by the Administrative Departments, namely, Revenue and Forest, Home, Urban Development and Industry, Energy and Labour Departments. As 10,510 audit observations were outstanding at the end of June 2013, it indicates that the machinery created for this purpose was not put to use effectively.

The Government may take proactive action to send replies in advance so that more number of paras could be settled in the ACM. Special efforts may also be made to comply with the old outstanding paras.

1.2.3 Non-production of records to Audit for scrutiny

The programme of local audits in respect of units of Sales Tax/VAT receipts is drawn up in advance and intimations are issued to the Department, usually much before the commencement of audit, to enable them to keep the relevant records ready for audit scrutiny.

During the audits, tax records of 1,159 dealers, whose assessments/returns were finalised/accepted by the Sales Tax Department, for the audit periods 2002-03 and 2004-05 to 2012-13, were not made available to audit during those years. Out of this, in respect of 584 cases, tax liability involved was ₹ 103.70 crore and in the remaining 575 cases the tax effect was not available in the departmental records.

Year-wise break up of such cases are given below:

(₹ in crore)

Name of the Act	Year in which it was to be audited	Number of assessment cases not audited	Number of cases in which revenue involved could not be ascertained	Number of cases in which revenue involved could be ascertained	Revenue involved
Bombay Sales Tax Act and allied Acts	2002-03	12	7	5	0.05
	2004-05	2	1	1	0.95
	2005-06	1	1	0	0.00
	2006-07	11	2	9	2.86
	2007-08	33	2	31	1.96
	2008-09	80	23	57	2.20
	2009-10	152	63	89	4.50
	2010-11	128	39	89	11.64
	2011-12	218	134	84	10.80
	2012-13	415	227	188	24.96
Total (i)		1,052	499	553	59.92
Maharashtra Value Added Tax Act	2010-11	28	14	14	0.24
	2011-12	32	27	5	0.04
	2012-13	47	35	12	43.50
Total (ii)		107	76	31	43.78
Grand Total (i) + (ii)		1,159	575	584	103.70

The Government/Department may ensure that the tax records are made available to audit during the audit period itself so that any under assessment/short recovery of tax involved in these cases could be pointed out by audit for timely action

1.2.4 Response of the Departments to draft audit paragraphs

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

We forwarded 89 draft paragraphs including three performance audits and three thematic audits proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2013 to the concerned Principal Secretaries to Governments between April 2013 and November 2013. We received replies with endorsement of Government in respect of 10 draft paragraphs. Replies for the balance draft paragraphs are awaited (January 2014). All these 89 draft paragraphs (clubbed into 45 paragraphs) have been included in this report.

1.2.5 Follow-up on Audit Reports - summarised position

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

A review of the outstanding explanatory memoranda on paragraphs included in the Reports of the Comptroller and Auditor General of India (Revenue Receipts) which were still to be discussed by the Public Accounts Committee (PAC), disclosed that as on 30 September 2013, the Departments had not submitted remedial explanatory memoranda on 99 paragraphs for the years from 1997-98 to 2011-12 (excluding 1999-2000)³ as detailed below:

Sl. No.	Name of the Department	1997-98 to 2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total
1	Home	--	--	1	2	4	1	8
2	Revenue and Forests	15	4	3	4	4	10	40
3	Urban Development	4	--	--	2	--	4	10
4	Finance	--	1	--	1	--	7	9
5	Water Resources	--	--	1	--	--	--	1
6	Industries, Energy and Labour	2	--	--	--	--	2	4
7	Relief and Rehabilitation	1	--	--	6	7	12	26
8	Co-operation and Textiles	1	--	--	--	--	--	1
Total		23	5	5	15	15	36	99

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

The PAC discussed 264 selected paragraphs pertaining to the Audit Reports for the years from 1986-87 to 2007-08 and its recommendations received up to the Audit Report 2005-06 on 121 paragraphs were incorporated in their Reports as mentioned below:

³ 1999-2000 – Explanatory memoranda were received and the Audit Report discussed.

Report Number and year of PAC	Year of Audit Report	No. of recommendations	No. of ATNs awaited
27 th Report of 1994-95	1986-87, 1987-88, 1988-89	6	3
9 th Report of 1995-96	1989-90, 1990-91, 1991-92	9	9
12 th Report of 1995-96	1990-91	2	2
12 th , 13 th , 14 th and 18 th Report of 1996-97	1989-90, 1990-91, 1993-94	42	17
21 st Report of 1996-97	1992-93, 1993-94	4	2
21 st Report of 1997-98	1992-93	2	2
5 th Report of 2000-01	1994-95, 1995-96	11	2
12 th Report of 2002-03	1996-97, 1999-00	4	1
5 th Report of 2006-07	1997-98	4	4
6 th Report of 2007-08	1998-99	6	5
5 th , 6 th and 7 th Report of 2010-11	2003-04, 2004-05, 2005-06	31	30
Total		121	77

However, ATNs have not been received in respect of 77 recommendations of the PAC from the Departments concerned as mentioned in the following table:

Sl. No.	Name of the Department	Year of Audit Report					Total
		1986-87 to 2001-02	2002-03	2003-04	2004-05	2005-06	
1	Home	13	--	--	1	3	17
2	Revenue and Forests	17	--	--	1	2	20
3	Urban Development	--	--	--	1	--	1
4	Finance	11	--	7	4	2	24
5	Medical Education and Drugs	--	--	2	--	--	2
6	Industries, Energy and Labour	2	--	--	1	1	4
7	Relief and Rehabilitation	3	1	3	--	1	8
8	Co-operation and Textiles	--	--	1	--	--	1
Total		46	1	13	8	9	77

1.2.6 Compliance to the earlier Audit Reports

In respect of the Audit Reports for the periods from 2001-02 to 2011-12, the Government/Departments accepted audit observations involving ₹ 3,704.69 crore, out of which an amount of ₹ 1,140.92 crore had been recovered till 31 March 2013 as mentioned below:

(₹ in crore)

Year of Audit Report	Total money value	Accepted/recoverable money value	Recovery made
2001-02 to 2007-08	7,300.60	2,574.31	948.51
2008-09	3,246.16	857.72	183.22
2009-10	59.67	19.37	5.48
2010-11	399.64	84.81	1.04
2011-12	233.59	168.48	2.67
Total	11,239.66	3,704.69	1,140.92

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

The Government may institute a mechanism to monitor the position of recoveries pointed out in the audit reports and take effective steps to recover the amounts early.

1.3 Analysis of the mechanism for dealing with the issues raised by Audit in the Revenue and Forest Department

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 Performance Audit included in the Audit Reports of the last 10 years in respect of one Department is evaluated and included in each Audit Report.

The succeeding paragraphs 1.3.1 to 1.3.3 discuss the performance of the Revenue and Forest Department (Tax Administration of Land revenue) to deal with the cases detected in the course of local audit conducted during the period from 2004-05 to 2012-2013.

1.3.1 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last nine years, paragraphs included in these reports and their status as on 31 March 2013 are tabulated below:

(₹ in crore)

Year	Opening balance			Additions			Clearance			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2004-05	1,419	2,124	782.03	211	584	49.24	169	520	23.58	1,461	2,188	807.69
2005-06	1,461	2,188	807.69	249	640	101.53	310	674	78.73	1,400	2,154	830.49
2006-07	1,400	2,154	830.49	154	436	109.40	87	337	42.67	1,467	2,253	897.21
2007-08	1,467	2,253	897.21	221	435	19.72	101	471	19.06	1,587	2,217	897.87
2008-09	1,587	2,217	897.87	249	578	188.87	156	636	22.51	1,680	2,159	1,064.24
2009-10	1,680	2,159	1,064.24	108	260	54.70	94	367	10.67	1,694	2,052	1,108.26
2010-11	1,694	2,052	1,108.26	134	436	36.99	128	482	25.12	1,700	2,006	1,120.13
2011-12	1,700	2,006	1,120.13	98	295	155.07	100	427	246.47	1,698	1,874	1,028.73
2012-13	1,698	1,874	1,028.73	72	248	42.55	88	364	29.53	1,682	1,758	1,041.74

The Department may make effective use of the machinery created for settling outstanding audit observations.

During the period between 2009-10 and 2012-13, three Audit Committee Meetings were conducted by the Department in which 624 paragraphs were discussed and 180 paragraphs were cleared.

1.3.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned below:

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered	Cumulative position of recovery of accepted cases
2002-03	4	278.85	4	21.75	2.28	2.28
2003-04	4	1.62	4	1.62	0.21	2.49
2004-05	3	202.44	3	202.44	0.00	2.49
2005-06	2	41.46	2	41.46	0.00	2.49
2006-07	2	0.91	2	0.91	0.50	2.99
2007-08	4	365.68	3	9.51	7.12	10.11
2008-09	2	140.50	1	1.57	0.00	10.11
2009-10	1	2.80	0	0.00	0.00	10.11
2010-11	1	1.57	1	1.57	0.00	10.11
2011-12	9	89.09	5	50.83	0.00	10.11
Total	32	1,124.92	25	331.66	10.11	

As seen from the above table, out of 32 paragraphs involving ₹ 1,124.92 crore, 25 paras involving ₹ 331.66 crore, were accepted by the Department, whereas the amount recovered in respect of these paragraphs was only ₹ 10.11 crore.

Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority basis.

1.3.3 Action taken on the recommendations accepted by the Department/Government

The following paragraph discuss the issues highlighted in the Performance Audits on the Land Revenue department featured in the last 10 Audit Reports including the recommendations and action taken by the department on the recommendations accepted by it as well as the Government. The status of recommendations made by us while conducting the performance audit on “Recovery of dues treated as arrears of land revenue” are as under:

Year of Audit Report	Number of recommendations	Status of recommendations
2007-08	<ol style="list-style-type: none">1.Prescribing periodic reconciliation of RRC cases received at Collectorate, referred and recorded at tahsil offices.2.Prescribing a mechanism to ensure full recovery of dues in a time bound manner & returning of such RRC cases to the Department where part recovery was made & full recovery is not possible.3.Introducing a system of sharing of information with other departments.	All the recommendations were accepted by the Government and a GR was issued by the Government of Maharashtra, Revenue and Forest Department vide letter No Kra.LeP-2011/PraKra 59(Bhag-2) T-2 dated 27.3.2012, ii) Kra.Lep-1012/PraKra 64 Punarbhandhani/49/T-2, dt 25.10.2012 containing <i>inter alia</i> exhaustive instructions for immediate action on RRC cases, reviewing of pending cases, in monthly meetings and sharing of information between the departments.

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* include 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 2012-13, out of the audit universe comprising of 2,569 auditable units, 924 units were planned for audit and 838 units were actually audited which is 33 *per cent* of the total auditable units.

Besides the compliance audit mentioned above, one Information Technology Audit and two Performance Audits were also taken up to examine the efficacy of the tax administration and compliance issues.

1.5 Results of audit

1.5.1 Position of local audit conducted during the year

Test check of the records of 838 units of Sales Tax, Stamp Duty and Registration Fees, Land Revenue, Motor Vehicles Tax, State Excise, Forest Receipts and other tax and non-tax receipts conducted during 2012-13 revealed under assessments/short levy/loss of revenue amounting to ₹ 1,339.45 crore in 8,732 cases. During the course of the year, the Departments accepted under assessments, short levy, etc., of ₹ 147.37 crore in 3,396 cases of which 657 cases involving ₹ 8.74 crore were pointed out in 2012-13 and rest in earlier years. Of these, the Departments recovered ₹ 140.15 crore in 3,402 cases during 2012-13.

1.5.2 This Report

This Report contains 45 paragraphs including two Performance Audits on “Maharashtra Vikrikar Automation System (MAHAVIKAS)” and “Levy and collection of Electricity Duty, Tax on Sale of Electricity and Inspection fees” involving ₹ 824.85 crore. The Departments/Government have accepted audit observations involving ₹ 114.50 crore, of which ₹ 2.75 crore have been recovered. The replies in the remaining cases have not been received (January 2014). These are discussed in succeeding Chapters II to VII.

CHAPTER II EXECUTIVE SUMMARY

Trend of receipts	The revenue collection under VAT increased by 96 <i>per cent</i> in 2012-13 as compared to 2008-09.
Revenue impact of Audit Reports	During the last five years, 2007-08 to 2011-12, we had pointed out cases of under-assessments/non/short levy/loss of revenue of VAT/Sales Tax, etc., interest and other irregularities with revenue implication of ₹ 1,884.85 crore in 1,141 cases. Of these, the Department had accepted audit observations in 264 cases involving ₹ 502.67 crore and had recovered ₹ 0.69 crore in 31 cases.
Results of audit	<p>We reported underassessment/short levy/loss of revenue and potential tax revenue, etc., amounting to ₹ 241.81 crore in 877 cases on the basis of test check of the records of the Sales Tax Department conducted during the year 2012-13.</p> <p>During the year 2012-13 as well as during earlier years, the Department accepted underassessments/other deficiencies involving ₹ 1.95 crore in 77 cases. Out of this, seven cases involving ₹ 76,035 were pointed out during 2012-13 and the rest during earlier years. During the year 2012-13, the Department recovered ₹ 53.76 lakh in 89 cases out of which ₹ 1.53 lakh in seven cases were pointed out during 2012-13 and the rest in earlier years.</p>
What we have highlighted in this Chapter	<p>Performance Audit on "Maharashtra Vikrikar Automation System (MAHAVIKAS)" revealed the following:</p> <p>Only 11 out of the 22 modules planned were in use even after a period of seven years and incurring an expenditure of ₹ 127.18 crore.</p> <p style="text-align: right;">(Paragraph 2.2.10.1)</p> <p>Absence of necessary validation checks to prevent entry of duplicate PAN records resulted in multiple registrations of 1,138 PAN holder-dealers and in 3,970 cases blank/incomplete/incorrect PAN was recorded.</p> <p style="text-align: right;">(Paragraph 2.2.11.1)</p> <p>Irregular claim of excess credit amounting to ₹ 1,059.03 crore in 54,513 returns remained undetected in the system due to lack of validation checks.</p> <p style="text-align: right;">(Paragraph 2.2.11.2)</p>

Credit brought forward in 43,466 returns under Maharashtra Value Added Tax Act, 2002 (MVAT Act)/Central Sales Tax Act, 1956 (CST Act) was claimed in excess by ₹ 184.81 crore from the returns of the preceding periods.

(Paragraph 2.2.11.3)

Absence of cross-linkage of returns in the system resulted in non-detection of claims of excess tax credits of ₹ 200.04 crore in 6,755 returns.

(Paragraph 2.2.11.4)

Absence of appropriate MIS reports resulted in non-detection of claims of inter-state transactions amounting ₹ 2,364.85 crore in 3,773 returns filed by dealers registered under the MVAT Act but not registered under the CST Act.

(Paragraph 2.2.11.5)

Absence of a system for detection and rejection of more than one refund application for the same period resulted in 294 dealers filing multiple refund applications amounting to ₹ 434.54 crore.

(Paragraph 2.2.11.7)

Absence of facility to verify the authenticity of refund adjustments claimed by the dealers in their returns and Refund Adjustment Orders (RAOs) issued by the Department resulted in claims of refund adjustments aggregating ₹ 154.04 crore in 5,973 returns remaining unverified with the data of issued RAOs available in the system.

(Paragraph 2.2.11.8)

Failure to timely implement the required programme to generate interest on delayed payment of tax and failure to issue demand notices where interest was generated by the system resulted in non-realisation of ₹ 238.16 crore.

(Paragraph 2.2.11.9)

Refund claims aggregating ₹ 3,809.01 crore in respect of 25,372 applications were pending in the system for periods ranging from 19 to 40 months.

(Paragraph 2.2.11.13)

Objective of providing better services to the dealers was affected as the system did not reconcile payments with the tax liability of the dealers.

(Paragraph 2.2.11.15)

Security measures adopted were not adequate as 2,193 generic users had accessed the system to enter/modify data.

(Paragraph 2.2.12.2)

Internal control of the system was weak as MIS reports for monitoring data integrity and security was not designed covering all the vital areas.

(Paragraph 2.2.14)

Recommendations

The Sales Tax Department may consider:

- reviewing and modifying the application system with reference to provisions of Act and the user requirements/business rules;
- introducing a mechanism to monitor the implementation and utilisation of various modules of the application system;
- enforcement of validation checks in the system to ensure reliability of data and prevent revenue loss;
- analyse the requirement of MIS reports and requirements of audit and design appropriate MIS to make effective use of the system; and
- creation of audit trails to track changes made in the data and configure the database logs to record modifications of data through back-end.

In the exit conference, the Commissioner of Sales Tax accepted all the recommendations.

CHAPTER II: VALUE ADDED TAX/SALES TAX

2.1 Introduction

2.1.1 Tax administration

Levy and collection of receipts under the Value Added Tax are regulated by the Maharashtra Value Added Tax Act, 2002 (MVAT Act), which came into force from 1 April 2005, and Maharashtra Value Added Tax Rules, 2005 (MVAT Rules), read with notifications issued by the Government from time to time as well as circular instructions issued by the Sales Tax Department. The Act, Rules and instructions are implemented by the Commissioner of Sales Tax under the overall control of the Principal Secretary to the Government in Finance Department, assisted by the Zonal Additional Commissioners of Sales Tax, Joint Commissioners of Sales Tax in respect of functional branches and Deputy Commissioners of Sales Tax and other officers at divisional level. The Sales Tax receipts mainly comprise of tax on sales, trade, etc.

Prior to the introduction of the MVAT Act, the assessment, levy and collection of sales tax was governed by the Bombay Sales Tax Act, 1959 (BST Act) which was repealed with effect from 1 April 2005. The Sales Tax Department is also in the process of completing the pending assessments under the erstwhile Bombay Sales Tax Act and allied Acts.

2.1.2 Trend of receipts

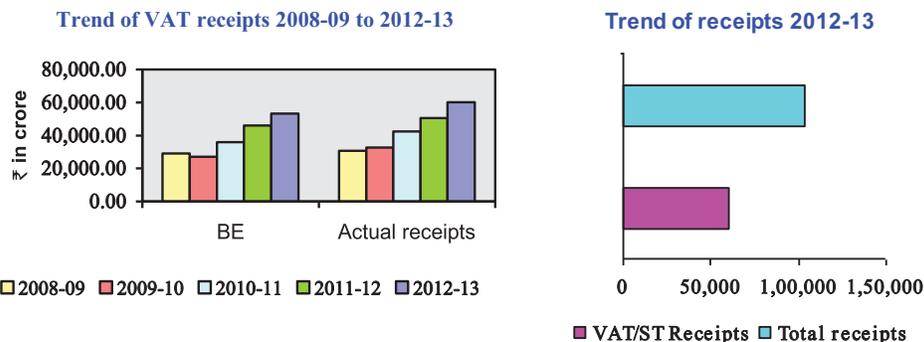
Actual receipts from Sales tax, Value Added Tax (VAT), etc., during the years 2008-09 to 2012-13 along with the total tax receipts during the same period is exhibited in the following table and graphs:

(₹ in crore)

Year	Budget estimates ¹	Actual receipts ¹	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2008-09	29,039.00	30,680.53	(+) 1,641.53	(+) 5.65	52,029.94	58.97
2009-10	27,006.00	32,676.02	(+) 5,670.02	(+) 21.00	59,106.33	55.28
2010-11	35,986.18	42,482.72	(+) 6,496.54	(+) 18.05	75,027.09	56.62
2011-12	46,000.00	50,596.36	(+)4,596.36	(+) 9.99	87,608.46	57.75
2012-13	53,361.68	60,079.72	(+)6,718.04	(+) 12.59	1,03,448.52	58.08

As can be seen from the above table, the revenue collection under VAT increased by 96 *per cent* in 2012-13 as compared to 2008-09. The Department stated (June 2013) that the increase of revenue receipts over the Budget Estimates was due to the effective implementation of various e-services and administrative reforms.

¹ Source: Finance Accounts.



2.1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2013 in respect of Sales Tax/VAT as furnished by the Department amounted to ₹49,333.71 crore, of which ₹16,362.87 crore had been outstanding for more than five years as mentioned in the following table:

(₹ in crore)

Sl. no.	Head of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than five years as on 31 March 2013	Remarks
1	Sales Tax, etc.	49,333.71	16,362.87	Stay orders were granted by the appellate authorities for ₹23,788.48 crore, recovery proceedings for ₹13,464.04 crore were not initiated as the time limit was not over and the remaining amount was in different stages of recovery

2.1.4 Arrears in assessment

The following table shows the details of pending assessment cases under the Bombay Sales Tax Act, 1959 and allied Acts for the years 2010-11, 2011-12 and 2012-13 as furnished by the Sales Tax Department:

Year	Opening balance	New cases due for assessment	Total assessments due (Col. 2+Col. 3)	Cases not to be assessed ²	Disposal Cases disposed off	Total (Col 5 + Col. 6)	Balance at the end of the year (Col. 4 – Col 7)	Percentage of column 8 to 4
1	2	3	4	5	6	7	8	9
Sales Tax								
2010-11	82,726	45,935	1,28,661	24,743	80,877	1,05,620	23,041	18
2011-12	23,041	9,634	32,675	10,982	11,565	22,547	10,128	31
2012-13	10,128	9,576	19,704	4,006	4,269	8,275	11,429	58

² These cases were not to be assessed according to the Government Resolution dated 5 January 2007.

1	2	3	4	5	6	7	8	9
Motor Spirit Tax								
2010-11	3,249	77	3,326	1,998	199	2,197	1,129	34
2011-12	1,129	142	1,271	478	29	507	764	60
2012-13	764	47	811	62	0	62	749	92
Purchase Tax on sugarcane								
2010-11	917	75	992	115	179	294	698	70
2011-12	698	128	826	364	219	583	243	29
2012-13	243	145	388	49	110	159	229	59
Entry Tax								
2010-11	78	175	253	10	193	203	50	20
2011-12	50	264	314	44	247	291	23	7
2012-13	23	43	66	0	41	41	25	38
Lease Tax								
2010-11	3,136	284	3,420	1,596	600	2,196	1,224	36
2011-12	1,224	1,149	2,373	1,306	127	1,433	940	40
2012-13	940	120	1,060	30	50	80	980	92
Luxury tax								
2010-11	4,743	1,730	6,473	1,030	2,125	3,155	3,318	51
2011-12	3,318	1,828	5,146	2,741	1,146	3,887	1,259	24
2012-13	1,259	1,038	2,297	527	563	1,090	1,207	53
Tax on works contracts								
2010-11	88,279	10,424	98,703	41,568	21,238	62,806	35,897	36
2011-12	35,897	3,510	39,407	12,303	5,471	17,774	21,633	55
2012-13	21,633	2,974	24,607	4,596	2,026	6,622	17,985	73
Total								
2010-11	1,83,128	58,700	2,41,828	71,060	1,05,411	1,76,471	65,357	27
2011-12	65,357	16,655	82,012	28,218	18,804	47,022	34,990	43
2012-13	34,990	13,943	48,933	9,270	7,059	16,329	32,604	67

Source: Figures furnished by the Department.

Thus, it would be seen from the above that although progress has been made in disposal of cases, 32,604 assessments pertaining to erstwhile Bombay Sales Tax Act and allied Acts are still pending. Immediate steps may be taken to complete these assessments within a definite time frame so that the recovery of dues does not get difficult with the passage of time.

2.1.5 Returns filed under VAT

The VAT system relies on self assessment and envisages departmental audit of returns filed by the dealer, with the necessity of assessment arising only in case of the audit findings being disputed by the dealers. When the findings of the departmental audit are accepted by the dealer, the case is treated as closed after the dealer accepts the findings and pays up the dues, if any, arising out of such audit. This is in complete departure from the process under the erstwhile BST Act, where the assessments were mandatory. In the VAT regime, dealers

having tax liability exceeding ₹ One crore are subject to departmental audit (business audit in case of tax liability and refund audit in case of refunds) on an annual basis by the Large Taxpayers Unit (LTU). A percentage of other dealers, selected at random by Maharashtra Vikrikar Automation System or MAHAVIKAS, is subjected to departmental audit by the Business Audit Branch in case of tax liability or the Refund and Refund Audit Branch in case of refunds.

The pendency of cases under the Large Taxpayers Units, Business Audit and Refund and Refund Audit branches of the Sales Tax Department is shown in the following tables:

Large Taxpayers Unit

Period	Cases selected	Cases closed	Cases pending	Percentage of column 4 to 2
1	2	3	4	5
2010-11	1,345	948	397	29.52
2011-12	1,062	969	93	8.76
2012-13	1,829	774	1,055	57.68

Source : Figures furnished by the Department.

As seen from the above table, the percentage of pending cases showed a sharp decline from 29.52 *per cent* in 2010-11 to 8.76 *per cent* in 2011-12 and a steep increase to 57.68 *per cent* in 2012-13. Reasons for increase in the pending cases at the end of March 2013 though called for from the Department have not been received (January 2014).

Business Audit

Period	Cases selected	Cases closed	Cases pending	Percentage of column 4 to 2
1	2	3	4	5
2010-11	41,144	13,330	27,814	67.60
2011-12	36,782	7,593	29,189	79.35
2012-13	49,601	8,698	40,903	82.46

Source : Figures furnished by the Department.

As seen from the above table, the percentage of pending cases gradually increased to 82.46 *per cent* between 2010-11 and 2012-13. The Department attributed the pendency to deployment of personnel for Refund Audit cases, cross-checking of Input Tax Credit (ITC) claims and taking up issue based audit relating to claim of ITC on purchases from bogus dealers.

Refund and Refund Audit

(₹ in crore)

Period	Cases selected	Cases closed	Cases pending	Amount	Percentage of column 4 to 2
1	2	3	4	5	6
2010-11	57,868	26,839	31,029	2,261.48	53.62
2011-12	86,887	54,721	32,166	2,658.32	37.02
2012-13	1,02,646	43,196	59,450	8,276.38	57.92

Source : Figures furnished by the Department.

As seen from the above table, the percentage in pendency of allotted cases of refund and refund audit increased to 58 per cent in 2012-13 as compared to 37.02 per cent in 2011-12.

The reason for pendency was attributed to mismatch of ITC claimed by the dealer in his refund application (Form 501) as compared to the ITC admissible on the purchases which was reflected on MAHAVIKAS.

The high pendency of cases under LTUs, Business Audit and Refund and Refund audit revealed that the mechanism to have an effective check on the dealers through departmental audits remains largely unfulfilled and needs remedial action.

2.1.6 Assessee Profile

The position regarding number of dealers and the dealers who failed to file returns in time and action taken by the Department during the period from 2010-11 to 2012-13 is as follows:

Year	No of dealers	No of defaulters	Action Taken by the Department			Pending Action	No. of cases/ Penalty levied Amount (₹ in crore)
			Show cause notice ³ issued	Unilateral Assessment Order passed	Prosecution lodged		
2010-11	5,67,061	93,344	45,289	10,178	21	- ⁴	2,73,172 - ⁴
2011-12	6,61,899	2,46,006	- ⁵	1,915	5	412	30,333 523.58
2012-13	7,18,963	1,39,120	- ⁵	88,632	126	Nil	Nil

Source : Figures furnished by the Department.

It is seen from the above table that 1,39,120 dealers had defaulted in the payment of tax during 2012-13. The Department may take necessary steps to minimize the number of defaulters.

³ Depending upon the periodicity of returns, namely: monthly, quarterly or six monthly.

⁴ Information not furnished by the Department.

⁵ Show cause notice not issued in view of imposition of penalty vide Section 29(8) of the MVAT Act 2002.

2.1.7 Cost of collection

The gross collection in respect of Value Added Tax, the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years 2010-11 to 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collection for the corresponding preceding years are given in the following table:

(₹ in crore)

Year	Gross collection	Expenditure on collection ⁶	Percentage of expenditure to gross collection	All India average percentage for the year preceding the year shown in column 1
1	2	3	4	5
2010-11	42,482.72	298.08	0.70	0.96
2011-12	50,596.36	346.02	0.68	0.75
2012-13	60,079.72	353.56	0.59	0.83

As seen from the above, the cost of collection in the State of Maharashtra, during the periods 2010-11 to 2012-13 is less as compared to the all India average for the corresponding preceding years.

2.1.8 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessments of Sales Tax, Entry Tax and Luxury Tax for the year 2012-13 and the corresponding figures for the preceding two years as furnished by the Department is as mentioned in the following table:

(₹ in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment through additional demand of tax, interest and penalties	Amount refunded	Net collection (col 3 + col 4 - col 6)	Percentage of column 3 to 7
(1)	(2)	(3)	(4)	(6)	(7)	(8)
Sales tax/VAT, etc.	2010-11	41,572.13	88.93	3,190.30	38,470.76	108
	2011-12	50,157.59	429.98	4,217.73	46,369.84	108
	2012-13	60,867.69	2,207.40	3,477.70	59,597.39	97
Entry tax	2010-11	12.77	0.44	--	13.21	97
	2011-12	11.21	1.71	--	12.92	87
	2012-13	16.03	0.00	0.00	16.03	100
Luxury tax	2010-11	267.86	1.07	--	268.93	100
	2011-12	300.37	17.02	0.25	317.14	95
	2012-13	346.38	0.69	0.00	347.07	100

⁶ Source: Figures furnished by the Department.

The above table shows that collection of revenue at the pre-assessment stage in respect of Sales Tax/VAT ranged between 108 and 97 *per cent* during 2010-11 to 2012-13. Thus VAT collection is mainly through voluntary compliance. During the years 2010-11 to 2012-13, the amount collected at the pre-assessment stage was more than the amount due to the Government resulting in refunds aggregating ₹ 10,885.98 crore. The revenue collected after regular assessment was quite low.

2.1.9 Impact of Audit Reports

Revenue impact

During the last five years, i.e. 2007-08 to 2011-12, we had pointed out under-assessments/non/short levy/loss of revenue of Sales Tax, etc., interest and other irregularities with revenue implication of ₹ 1,884.85 crore in 1,141 cases. Of these, the Department had accepted audit observations in 264 cases involving ₹ 502.67 crore and had recovered only ₹ 69 lakh in 31 cases. The details are shown in the following table:

(₹ in crore)

Year	Amount objected		Amount accepted		Amount recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2007-08	187	41.74	167	9.21	27	0.53
2008-09	577	1,814.22	66	488.46	1	-. ⁷
2009-10	10	0.65	10	0.65	1	-. ⁸
2010-11	360	14.01	18	2.98	2	0.16
2011-12	7 ⁹	14.23	3	1.37	-	-
Total	1,141	1,884.85	264	502.67	31	0.69

The Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority.

2.1.10 Results of audit

During the year we audited 228 units and conducted a Performance Audit of the “**Maharashtra Vikrikar Automation System (MAHAVIKAS)**” and reported underassessment/short levy/loss of revenue and potential tax revenue, etc., amounting to ₹ 241.81 crore in 877 cases as shown below on the basis of test check of the records of the Sales Tax Department:

⁷ An amount of ₹ 84,071 was recovered. The amount cannot be rounded into crores of Rupees.

⁸ An amount of ₹ 40,000 was recovered. The amount cannot be rounded into crores of Rupees.

⁹ One Performance Audit with 546 cases and six DPs with 20 cases

(₹ in crore)

Sl. no.	Category	No. of cases	Amount
1	Performance Audit of “Maharashtra Vikrikar Automation System (MAHAVIKAS)”	1	238.64
2	Non/short levy of tax	96	2.14
3	Incorrect grant/excess set off	27	0.29
4	Non/short levy of interest/penalty	19	0.16
5	Non-forfeiture of excess collection of tax	7	0.04
6	Other irregularities	33	0.54
7	Observations where money value could not be ascertained	694	-
Total		877	241.81

In response to our observations made in the local audit reports during the year 2012-13 as well as during earlier years, the Department accepted under-assessments/other deficiencies involving ₹ 1.95 crore in 77 cases. Out of this, seven cases involving ₹ 76,035 were pointed out during 2012-13 and the rest during earlier years. During the year 2012-13, the Department recovered ₹ 53.76 lakh in 89 cases out of which ₹ 1.53 lakh in seven cases were pointed out during 2012-13 and the rest in earlier years.

After issue of draft paragraphs, the Department recovered ₹ 5.21 lakh in one case, which has not been included in this Report.

The Performance Audit of “Maharashtra Vikrikar Automation System (MAHAVIKAS)” with total financial effect of ₹ 238.64 crore and a few audit observations involving ₹ 8.59 crore are mentioned in the succeeding paragraphs.

2.2 Performance Audit of “Maharashtra Vikrikar Automation System (MAHAVIKAS)”

Highlights

Only 11 out of the 22 modules planned were in use even after a period of seven years and incurring an expenditure of ₹ 127.18 crore.

(Paragraph 2.2.10.1)

Absence of necessary validation checks to prevent entry of duplicate PAN records resulted in multiple registrations of 1,138 PAN holder-dealers and in 3,970 cases blank/incomplete/incorrect PAN was recorded.

(Paragraph 2.2.11.1)

Irregular claim of excess credit amounting to ₹ 1,059.03 crore in 54,513 returns remained undetected in the system due to lack of validation checks.

(Paragraph 2.2.11.2)

Credit brought forward in 43,466 returns under Maharashtra Value Added Tax Act, 2002 (MVAT Act)/Central Sales Tax Act, 1956 (CST Act) was claimed in excess by ₹ 184.81 crore from the returns of the preceding periods.

(Paragraph 2.2.11.3)

Absence of cross-linkage of returns in the system resulted in non-detection of claims of excess tax credits of ₹ 200.04 crore in 6,755 returns.

(Paragraph 2.2.11.4)

Absence of appropriate MIS reports resulted in non-detection of claims of inter-state transactions amounting ₹ 2,364.85 crore in 3,773 returns filed by dealers registered under the MVAT Act but not registered under the CST Act.

(Paragraph 2.2.11.5)

Absence of a system for detection and rejection of more than one refund application for the same period resulted in 294 dealers filing multiple refund applications amounting to ₹ 434.54 crore.

(Paragraph 2.2.11.7)

Absence of facility to verify the authenticity of refund adjustments claimed by the dealers in their returns and Refund Adjustment Orders (RAOs) issued by the Department resulted in claims of refund adjustments aggregating ₹ 154.04 crore in 5,973 returns remaining unverified with the data of issued RAOs available in the system.

(Paragraph 2.2.11.8)

Failure to timely implement the required programme to generate interest on delayed payment of tax and failure to issue demand notices where interest was generated by the system resulted in non-realisation of ₹ 238.16 crore.

(Paragraph 2.2.11.9)

Refund claims aggregating ₹ 3,809.01 crore in respect of 25,372 applications were pending in the system for periods ranging from 19 to 40 months.

(Paragraph 2.2.11.13)

Objective of providing better services to the dealers was affected as the system did not reconcile payments with the tax liability of the dealers.

(Paragraph 2.2.11.15)

Security measures adopted were not adequate as 2,193 generic users had accessed the system to enter/modify data.

(Paragraph 2.2.12.2)

Internal control of the system was weak as MIS reports for monitoring data integrity and security was not designed covering all the vital areas.

(Paragraph 2.2.14)

2.2.1 Introduction

Sales Tax Department (STD) is a major revenue earning Department of the State. The Government of Maharashtra (GoM) implemented the Maharashtra Value Added Tax Act, 2002 (MVAT Act) with effect from 1 April 2005.

The revenue collected by the STD during the years 2008-09 to 2012-13 as per the Finance Accounts is as follows:

(₹ in crore)

Year	Amount ¹⁰
2008-09	30,680.53
2009-10	32,676.02
2010-11	42,482.72
2011-12	50,596.36
2012-13	60,079.72

2.2.2 Organisational setup

The STD functions under the administrative control of the Principal Secretary, Finance Department (FD) at the Government level. At the departmental level the Commissioner of Sales Tax heads the STD and is assisted by Additional Commissioners/Joint Commissioners (JCs)/Deputy Commissioners (DCs)/Assistant Commissioners (ACs) and Sales Tax Officers (STOs) at various levels. VAT is being implemented in Maharashtra with functional jurisdiction unlike the repealed Bombay Sales tax Act, 1959 which was being administered with territorial jurisdiction. The State is divided into 13 Divisions headed by JCs except Mumbai and Pune where separate JC level officers are heading each functional branch.

2.2.3 MAHAVIKAS system

Maharashtra Vikrikar Automation System (MAHAVIKAS) is a web based integrated intranet application for Departments' use. STD had initiated the development of application software in 2001 and same was implemented from 2006-07. The broad objectives were to (i) provide speedy and better services

¹⁰ Source: Finance Accounts

to the dealers (ii) provide online information to the dealers (iii) provide facility for electronic filing of tax returns (iv) prevent evasion of tax and ensure better compliance (v) enhance Sales Tax/VAT revenue (vi) bring about transparency in operation (vii) provide a reliable, responsive and flexible computer application and (viii) provide easily accessible management and executive information through efficient and appropriate reporting mechanism and interfaces. Dealers use the web portal namely MAHAVAT for submission of returns, audit report, various applications and making payments electronically and the data is transferred to MAHAVIKAS on a daily basis.

MAHAVIKAS is a three tier web based application with Web sphere 6.0.2 as the front end, DB2 as the RDBMS on AIX 5.3L platform. The central server is located in Mumbai and connected to 42 locations covering all the offices across the state.

2.2.4 Funding for computerisation project

The computerisation project was initially funded by the State Government and subsequently by the Central Government from 2010 onwards under Mission Mode Project for Computerisation of Commercial Taxes (MMPCT) as part of National e-Governance plan. For implementation of the project the STD has received an amount ₹ 138.68 crore (Central share of ₹ 95.18 crore and State share of ₹ 43.50 crore) during the period from 2010 to March 2013. An amount of ₹ 43.50 crore was incurred up to 2010 by the State Government and the same was treated as State share.

2.2.5 Agencies for project planning and management

The State Government appointed three agencies for the project planning and management. These were (i) M/s Mastek Ltd., for development of the application software MAHAVIKAS (payment made ₹ 9.05 crore during the period 2001 to March 2013) (ii) M/s PricewaterhouseCoopers (PwC), as a consultant for automation of the Department (payment made ₹ 2.11 crore for the period from December 2010 to 2012) and (iii) M/s Electronic Corporation of India Ltd. (ECIL), for setting up IT infrastructure (payment made ₹ 108.84 crore for the period from 2006-07 to March 2013).

2.2.6 Audit objectives

The Performance Audit was taken up with a view to ascertain whether:

- (i) the system has achieved its intended objectives, supports the business process and ensures compliance with applicable rules and regulations;
- (ii) necessary organisational controls were in place for effective management of the system;
- (iii) the system documentation incorporated user requirements for smooth and continuous operation of the system;
- (iv) the input, processing and output controls were adequate to ensure integrity of the system and that it complied with the rules and procedures;

- (v) reliable controls were in place to ensure data security and necessary audit trails have been incorporated in the system; and
- (vi) system provides for checks to be carried out by the internal audit wing.

2.2.7 Audit scope and methodology

Audit of the MAHAVIKAS system was conducted between March 2013 and July 2013 involving analysis of data for the period April 2005 to March 2013. Four¹¹ of the 13 Divisional offices were selected on the basis of simple random sampling. MAHAVIKAS wing of the STD was selected for reviewing the planning, implementation and monitoring of the computerisation work.

Data analysis was done relating to Registration, Return and Refund module with the help of Computer Assisted Audit Techniques (CAATs).

An entry conference was held on 5 July 2013 with the Principal Secretary (Finance) and the Commissioner of Sales Tax, Maharashtra State (Commissioner) in which the objectives, scope and methodology of audit were discussed. The STD explained the background, achievements and benefits of computerization. The draft Performance Audit Report was forwarded to the Government and Department in August 2013. The reply has not been received from the Government/Department.

However, the audit findings and recommendations were discussed in the exit conference held in November 2013. The Commissioner and other senior officers from the STD attended the meeting. The replies given during the exit conference and at other points of time have been appropriately included in the relevant paragraphs.

2.2.8 Audit criteria

The planning and implementation of the MAHAVIKAS system, methodology for development of the application packages, data management and monitoring were examined with reference to-

- the agreements made with the Agencies;
- guidelines on Mission Mode Project for Computerization of Commercial Taxes administrations issued by Ministry of Finance, Government of India;
- the Maharashtra Value Added Tax Act, 2002 (MVAT Act);
- the Maharashtra Value Added Tax Rules, 2005 (MVAT Rules); and
- Departmental Manuals.

¹¹ Aurangabad, Mumbai, Nashik and Pune.

2.2.9 Acknowledgement

We acknowledge the co-operation of STD in providing the necessary information and records to audit.

Audit observations

2.2.10 General controls

We examined the general controls relating to system development, strategy and policies, documentation, project monitoring associated with the IT system. Weaknesses noticed in audit are discussed as follows.

Planning and management

2.2.10.1 Completeness of the system

The contracts for software development with respect to project of automation of STD and for providing infrastructure support were awarded to M/s. Mastek Ltd. and M/s. ECIL in 2001 and 2005 respectively.

Information received from the Department revealed that in all 22 software modules were developed and these modules were to be implemented in a phased manner from 2006. The total expenditure incurred for computerization up to March 2013 was ₹ 127.18 crore.

In the Explanatory memorandum received (June 2013) from the FD with respect to the paragraph 2.3.7.3 relating to the computerization of the STD in the Review on “Transition from Sales Tax to VAT” [Audit Report (Revenue Receipts-Government of Maharashtra) for the year ended 31 March 2009] it was stated that out of 22 modules developed 19 were fully operational and three were partly operational. Verification (April to July 2013) of the information furnished by the Department revealed that 11 modules were still not operational (**Appendix I**).

Thus, even after a period of seven years after implementation of the system and incurring an expenditure of ₹ 127.18 crore, the non-operationalisation of the 11 modules for monitoring Package Scheme of Incentives, Recovery, Legal, Tribunal, Legislative Assembly Questions, Complaints, Grievances, Enforcement, Rewards, Survey and Advisory Visit resulted in under achievement of the desired objectives of computerisation for increased transparency and increased accountability. The vulnerability due to continuing with the manual system for incentives given to dealers through the Package Scheme of Incentives (PSI) was highlighted in our review “Sales Tax incentives under Package Scheme of Incentives” for the year 2008-09 wherein (paragraph 2.2.6) we had observed that a database of unit-wise incentives sanctioned, progressive incentives availed of by the units, units closed prematurely, incentives availed of by the closed units, recoveries effected from these closed units and recoveries made from the deferral units after the moratorium period provided under the schemes was most vital to keep a proper watch on the implementation of the PSI schemes. However, the

Sales Tax Department had not maintained a database in this regard, in the absence of which it could not monitor the performance of the PSI units effectively.

The recovery branch is to recover arrears by taking recovery actions in the cases referred to it under all Acts administered by the Department. In our Performance audit on Arrears of Sales Tax for the year 2009-10 we had commented (paragraph 3.5) that large accumulation of arrears was a result of lack of follow up action for recovery, failure in attaching property, delay in auctioning the attached property, absence of coordination with their counterparts in other States, delay in pursuing the matter with the other agencies and lack of monitoring at the higher levels. Due to non-implementation of the Recovery Module, the Department could not effectively use the information technology to achieve the objective of enhancing the Sales Tax/Vat revenue. Thus, the objective of automation of the VAT functions which has a vital role in effective implementation of VAT was hindered.

In the exit conference the Commissioner stated that during the implementation of the MAHAVIKAS system, it was decided to focus on the core functions such as Registration, Returns, Refund etc. and the modules not implemented were ancillary to VAT functions. However, it may be mentioned here that the other modules of the system are equally important and their non-implementation has resulted in non-achievement of the objectives for which MAHAVIKAS was launched.

2.2.10.2 System implementation and performance assessment

The amount received by STD under National e-Governance Plan (NeGP) was for the period from 2009-10 to 2012-13 according to the guidelines for implementation of the project issued in March 2010 by the Department of Revenue, Ministry of Finance, Government of India. The guidelines, inter alia, advised the following:

- (i) an advisory committee comprising of users and stake holders to determine services to be provided and service levels for each of such service was required to be set up by the State Government (Item 4.4).
- (ii) to get the performance of the service delivery assessed on annual basis by an external agency and put up the findings in the public domain preferably the state portal itself (item 4.6).

Audit observed that these guidelines were not followed. JC, MAHAVIKAS (June 2013) stated that advisory committee/working group consisting of members of trade, practitioners and MSTD officers is formed for taking decisions about various e-services at the time of introduction of any new e-service. As regards assessment of performance of service delivery by an external agency it was stated that the same has not been assigned till date.

In the exit conference, the Commissioner stated that a working group consisting of members of trade, practitioners and departmental officers has been constituted and meetings held have also been minuted, however, assessment of performance of service delivery by an external agency had not been carried out.

The fact remains that till date the Department has not assessed the performance of the service though they were supposed to do it annually from 2009-10. Further the records relating to the working group as well as the minutes of the meetings, though called for, have not been made available to audit.

2.2.10.3 Quality of software not tested by independent agency

The guidelines issued by the Department of Revenue, Ministry of Finance, Government of India advised that application software was required to be tested by an independent agency like Standardisation Testing and Quality Certification (STQC) as soon as the application was ready for use (item no. 3.5).

Audit observed that software was not tested by an independent agency. JC, MAHAVIKAS stated (June 2013) that the re-architecture of the MAHAVIKAS application was under proposal and since the present application will not be used after developing new application, it has been decided that the certification by agency like STQC will not be done for the present application.

In the exit conference, the Commissioner accepted that the software had not been tested by STQC. He stated that development of the software is a continuous process and that the most important change requests are taken into consideration. He further stated that the Department had sought exemption of such testing from the Government of India. This exemption by Government of India has not been made available to audit.

The fact remains that the Government of India guidelines have not been followed and the quality of the application software has not been tested.

Documentation

2.2.10.4 Deficiencies in documentation

As per the agreement with the system developer M/s Mastek Ltd., documentation at various stages of system design and development was to be prepared and handed over to the STD. The documentations should *inter alia* include the following:

- (i) Requirement Definition Document (RDD) relating to user requirements of VAT system which would ultimately form the basis and design of software (clause 8.1.1 of agreement with M/s Mastek Ltd.).
- (ii) Technical Software Documentation¹² (TSD) such as Entity Relation Diagrams¹³ (ERD) etc., should comply with the Institute of Electrical

¹² Technical Software Documentation includes ERDs, Data dependencies, Programming conventions etc.

¹³ Entity Relation Diagram describes a database and shows relation between data stored in different data tables.

and Electronics Engineers (IEEE¹⁴) specifications. The documentation should sufficiently explain the step by step functionality of the system.

- (iii) Data dictionary¹⁵ containing the definitions of all the schema objects in the database such as tables, views, indexes, etc.

The documentation relating to TSD and Data Dictionary were furnished to audit and we observed that-

- Though a soft copy of the ERD was made available, it did not show the linkage between the different data tables in a module. For instances, the ERD of Refund module did not show the relation between refund applications and refunds sanctioned. The list of all the tables relating to Refund and their relation is not shown. This will have an effect on future use and maintenance of the application by the Department and all other stakeholders.
- Data Dictionary showed that though Table Name and fields in short form under the table were listed, the description of the fields were not mentioned. For example, table RET_CALC_DET_TB relating to return is having field name AMOUNT_1 to AMOUNT_156, which is not having description of the related amount in the return form. In the absence of details of data stored in a particular field, the use of this data and the maintenance of application will be difficult.

Further, a hard copy of the fully updated software documentation was not made available to audit. A report prepared by M/s. PwC on the review of documentation also confirmed the fact that the documentations were not according to the agreed IEEE standards.

In the absence of proper documentations relating to various stages of system development, the extent to which the user requirements were incorporated in the system could not be ascertained. Lack of documentation would not only result in dependency on the system developer but also pose a major risk for the future maintenance of the application system, system upgradation by other agencies and usage of data.

In the exit conference, the JC, MAHAVIKAS stated that the consultant M/s PwC had reviewed the system documentation and based upon their findings, Mastek had provided revised documentation.

A scrutiny of the revised documentation (December 2013) revealed that the deficiencies still remained.

2.2.11 Application controls

Application controls pertain to specific computer applications. They consist of Input, Output and Processing controls and help to ensure rule mapping, proper authorisation, completeness, accuracy and validity of transaction.

¹⁴ The Institute of Electrical and Electronics Engineers (IEEE) is one of the leading standards making organisations.

¹⁵ Data dictionary defines all objects relating to a database including data tables, views etc. It is mainly used by designers, Administrators and users for information.

Input Controls

Input controls ensure that the data entered is complete and accurate. The accuracy of data input in a system could be controlled by imposing computerised validity checks. Weaknesses in the input controls noticed in audit are discussed below:

2.2.11.1 Multiple Registrations

According to Rule 8 (3) of the MVAT Rules, a dealer who has more than one place of business within the State, shall make a single application in respect of all such places. Further, as per Rule 8(12) a dealer or a person applying for registration, shall submit his Permanent Account Number (PAN) to the registering authority at the time of making the application. The Department made it mandatory from October 2009 for dealers to file their application for registration electronically. In Maharashtra 7,19,255 dealers are registered under the MVAT Act.

Scrutiny of the database relating to Registration, revealed that during the period 2005 to 2012, under MVAT, 2,299 registration numbers were allotted to 1,138 PAN holder-dealers. The multiple registrations were due to data entry errors. The breakup of the instances of multiple registrations is as follows:

Instances of registrations	No. of PAN holders	Total No. of registrations
2	1,121	2,242
3	12	36
4	4	16
5	1	5
Total	1,138	2,299

Further, in respect of 3,970 dealers cases of blank/ incomplete/incorrect PAN were recorded.

This indicated that the necessary validation checks to prevent entry of duplicate/incorrect/blank PAN records were not present in the system. The cases found are just an illustration that these control risks exists.

On this being pointed out (July 2013) JC, Pune stated that the system permits issuing of another registration number for the same PAN.

The fact remains that multiple registrations against the same PAN could have been avoided had necessary validation checks existed in the system. The absence of these checks can render the Department susceptible to business risks such as incorrect claim admittance, short collection of revenue etc. Further, splitting up of transactions between multiple registration numbers may help the dealer to avoid audit by CA/ICWA and submission of audit report as the turnover of sales amounting to ₹ 60 lakh in a year and liable for audit could be suppressed.

The Department needs to address these control weaknesses in the system to plug the possibility of exploitation of this vulnerability by both internal and external stakeholders.

The reply of the Department is silent on the aspect of incorrect/blank PAN recorded in the system, which should not have been processed by the application. This indicates weak input controls with inadequate validation leading to vulnerability in the system.

In the exit conference the Commissioner stated that the identified cases of duplicate registrations were being resolved and the system had been modified and it no longer allowed more than one registration number against the same PAN.

The cases pointed out by us are illustrative, hence the Department may identify all the cases of duplicate registration for remedial action.

Processing controls

Process controls inbuilt in the system must ensure that process was complete and accurate and processed data was updated in the relevant files. Data analysis revealed the following weaknesses:-

Inadequate validation checks for compliance to rules

2.2.11.2 Non-detection of claims of excess credit by the system

Section 20(1) of the MVAT Act provides for registered dealers to file correct, complete and self-consistent returns and defect notice is to be intimated to the dealer within four months of the date of filing the return. Further, Rule 20(2) of MVAT Rules provides for amount of excess credit carried forward and amount of excess credit claimed as refund to be filled in their appropriate places and the returns should be arithmetically self-consistent. Also, Section 50(2) of the Act requires that the dealer has to claim refund at the end of the financial year and cannot carry it forward to the next year. However, the Commissioner of Sales Tax has, through Trade Circulars, (18T of 2006, 41T of 2007, 15T of 2010, 6T of 2011 and 6T of 2012) permitted the carrying forward of excess credits across financial years between 2005-06 and 2007-08 and for excess credits up to 1 lakh across financial years between 2009-10 and 2012-13.

After the introduction of MVAT Act, the dealer filed returns manually (physical returns) for the periods 2005-06 and 2007-08 and the data in those returns was transferred to MAHAVIKAS. From April 2008, the facility to file returns through the system (electronic returns) was introduced. These electronic returns comprised of templates in MS Excel provided by the Department to ensure arithmetical accuracy of the return. The returns uploaded by the dealers in the MAHAVAT website are transferred to MAHAVIKAS. With effect from October 2008, the filing of electronic returns was made mandatory, even for filing revised return for a return filed physically prior to October 2008.

The system does not provide for detection of incorrect returns with regard to excess credits brought forward irregularly from the last return of the previous financial year and to issue defect notices for the same. This indicates that business rules in this regard have not been validated in the system.

We scrutinised the returns of period commencing April of a financial year and the observations in this regard are discussed below:

i) Excess credit brought forward in April Returns filed under MVAT Act amounting to ₹ 1,049.26 crore

Analysis of data in respect of Physical and Electronic returns filed under the MVAT Act, revealed that in 53,692 instances, amounts aggregating ₹ 1,049.26 crore had been brought forward in the returns in violation of Rule 20(2) of MVAT Rules and Section 20(1) of MVAT Act for the month of April from the returns for the month of March of the preceding financial year.

The year-wise details are as follows:

(₹ in crore)

Excess credit brought forward in April of the years	Physical returns		Electronic returns		Total	
	Number of returns	Amount brought forward	Number of returns	Amount brought forward	Number of returns	Amount brought forward
2005-06	3,190	35.45	349 ¹⁶	5.04	3,539	40.49
2008-09	10,046	60.89	13,350	213.65	23,396	274.54
2009-10	4	0.00 ¹⁷	20,810	258.63	20,814	258.63
2010-11	--	--	2,080	188.87	2,080	188.87
2011-12	--	--	1,971	147.05	1,971	147.05
2012-13	--	--	1,892	139.68	1,892	139.68
Total	13,240	96.34	40,452	952.92	53,692	1,049.26

(ii) Excess credit brought forward in April Returns filed under CST Act amounting to ₹ 9.77 crore

There is no provision of credits in the CST Act and the return prescribed under the CST Act allows for adjustment of tax payable under the CST Act for any period against the credits available under the MVAT Act for the same period. If the credits are more than the tax payable, the return in the CST Act exhibits a credit balance in that case.

Analysis of data in respect of Physical and Electronic returns filed under the CST Act, revealed that in 821 instances amounts aggregating ₹ 9.77 crore had been brought forward in the returns for the month of April from the returns from the month of March of the preceding financial year contrary to the instructions issued in the Trade circulars and provisions of the MVAT Act.

The year-wise details are as follows:

¹⁶ Returns/revised returns submitted after the introduction of electronic returns.

¹⁷ Actual amount is ₹ 12,308.

(₹ in crore)

Excess credit brought forward in April of the years	Physical returns		Electronic returns		Total	
	Number of returns	Amount brought forward	Number of returns	Amount brought forward	Number of returns	Amount brought forward
2005-06	2	0.11	2 ¹⁸	0.00 ¹⁹	4	0.11
2008-09	131	0.50	219	1.35	350	1.85
2009-10	--	--	380	2.48	380	2.48
2010-11	--	--	20	0.75	20	0.75
2011-12	--	--	27	1.08	27	1.08
2012-13	--	--	40	3.50	40	3.50
Total	133	0.61	688	9.16	821	9.77

The carrying forward of excess tax credit is not only irregular but also provides for such tax credits to escape scrutiny by the Department in view of the fact that had the said amounts been claimed as refund, the cases would have been audited by the Department as per the regulations governing refunds.

This has also led to one of the objective of computerisation to prevent evasion of tax and ensuring better tax compliance not being fully achieved even after seven years.

In the exit conference, the Commissioner agreed that the system does not have validations to prevent claims of excess credit and stated that the necessary validation controls will be put in place in the new system which is under consideration.

2.2.11.3 Credit brought forward in April returns more than the balance credit available in the previous return

Credit brought forward by a dealer in April returns should not be more than the balance credit available in his previous return. We noticed that there is no provision in the system to cross-validate the correctness of excess credit carried forward from any one period to subsequent period.

We compared the returns of period ending March of a year with the returns of period commencing from April of the subsequent year and the observations in this regard are discussed below:

(i) Extra credit of ₹ 183.53 crore claimed under the MVAT Act

In the returns for the month of April during the years 2006-07, 2007-08 and 2010-11 to 2012-13, ₹ 395.52 crore pertaining to 42,468 cases were brought forward as against a credit of ₹ 211.99 crore available for carrying forward from the returns for the year ending March of the corresponding preceding years. This resulted in amounts aggregating ₹ 183.53 crore being incorrectly brought forward and claimed. This also included 21,155 cases wherein no

¹⁸ Returns/revised returns submitted after the introduction of electronic returns

¹⁹ Actual amount is ₹ 10,000.

amounts were available in the year ending March of the corresponding preceding years. An illustrative example of a dealer with registration number 27920281615V, showed that even though there was no amount of excess credit to be carried forward in the return for the period ending March 2012, the dealer had brought forward an amount of ₹ 99,724 in the return for the period beginning April 2012.

The year-wise details of cases of excess claims are as shown as follows:

(₹ in crore)

Excess credit brought forward in April of the years	Physical returns		Electronic returns		Total	
	Number of returns	Difference in amount brought forward and excess credit of previous period	Number of returns	Difference in amount brought forward and excess credit of previous period	Number of returns	Difference in amount brought forward and excess credit of previous period
2006-07	7,545	65.93	93	0.48	7,638	66.41
2007-08	8,846	74.26	326	5.28	9,172	79.54
2010-11	3	0.00 ²⁰	6,215	8.68	6,218	8.68
2011-12	--	--	7,873	11.79	7,873	11.79
2012-13	--	--	11,567	17.11	11,567	17.11
Total	16,394	140.19	26,074	43.34	42,468	183.53

The above mismatch of credit balances indicates necessary validation checks have not been incorporated in the system to detect such cases.

(ii) Extra credit of ₹ 1.28 crore claimed under the CST Act

In the returns filed under CST Act for the month of April during the years 2006-07, 2007-08 and 2010-11 to 2012-13, ₹ 1.39 crore pertaining to 998 cases were brought forward as against ₹ 0.11 crore credits available for carrying forward from the returns for the year ending March of the corresponding preceding years. This resulted in amounts aggregating ₹ 1.28 crore being incorrectly brought forward and claimed. This also included 821 cases wherein no amounts were available in the year ending March of the corresponding preceding years.

The year-wise details of excess claims are as shown as follows:

²⁰ Actual amount is ₹ 8,139

(₹ in lakh)

Excess credit brought forward in April of the years	Physical returns		Electronic returns		Total	
	Number of returns	Difference in Amount brought forward and excess credit of previous period	Number of returns	Difference in Amount brought forward and excess credit of previous period	Number of returns	Difference in Amount brought forward and excess credit of previous period
2006-07	1	0.07	1	0.01	2	0.08
2007-08	17	1.61	7	0.76	24	2.37
2010-11	--	--	264	35.68	264	35.68
2011-12	--	--	311	39.40	311	39.40
2012-13	--	--	397	50.19	397	50.19
Total	18	1.68	980	126.04	998	127.72

This indicates that the system lacked the facility to verify the correctness of extra credit brought forward. The Department failed to detect such cases and initiate necessary action.

In the exit conference, the Commissioner agreed with the observations and stated that the matter would be taken care of in the new system.

2.2.11.4 Availment of excess credit across return forms

The registered dealers, depending upon their category and business activity, file returns using different forms prescribed under rule 17 of MVAT Rules. Dealers opting for composition scheme use Form 232²¹, other dealers executing works contract and leasing business use Form 233, dealers under Package Scheme of Incentives (PSI) use Form 234 and notified oil companies use Form 235. Returns in Form 231 are used by dealers as enumerated under the above said Rules. The dealers under PSI having more than one type of business activity are permitted to file more than one return using different forms for the same period. The excess credit in one type of return was permitted to be adjusted against the tax payable in any other type of return.

We analysed the data of dealers who had claimed adjustment of liabilities in Form 231 or Form 233 against credits available in Form 234, for the same period. We found that either there were no corresponding returns in Form 234 or the tax credits claimed in Form 231 or 233 was more than the tax credit in the corresponding Form 234. This resulted in excess claim of credits aggregating ₹ 200.04 crore in 6,755 cases as detailed as follows:

²¹ Corresponding to the Forms 231 to 235, Forms 221 to 225 were in use prior to 14 March 2008.

(₹ in crore)

Year	Tax credit adjusted across					
	Forms 231 and 234		Forms 233 and 234		Total	
	Number of returns	Excess tax credit claimed	Number of returns	Excess tax credit claimed	Number of returns	Excess tax credit claimed
2005-06	41	2.37	9	0.52	50	2.89
2006-07	69	1.38	16	0.44	85	1.82
2007-08	370	16.92	84	2.28	454	19.20
2008-09	1,203	16.93	217	4.90	1,420	21.83
2009-10	982	34.34	248	4.44	1,230	38.78
2010-11	1,345	30.92	255	20.18	1,600	51.10
2011-12	1,203	24.61	241	16.78	1,444	41.39
2012-13	403	5.91	69	17.12	472	23.03
Total	5,616	133.38	1,139	66.66	6,755	200.04

The system should have provided for cross-linkage of the returns which would have enabled necessary checks to be applied for detection of incorrect adjustment of credits made in the returns by the dealers in order to prevent circumvention of the prescribed rules.

The Department should consider enforcement of validation checks in the system to ensure correctness of the dealers' claims of credits across the forms.

In the exit conference, the Commissioner agreed with the audit observation.

Lack of verification of transactions against master files

2.2.11.5 Dealers not registered under the CST Act claimed deduction of inter-state transactions in VAT returns

As per the provisions of Section 8(1) of the MVAT Act, for sales/ branch transfers etc. outside the state, the dealer is required to get registration under the CST Act and file separate returns. We found that the dealers who had claimed deductions of turnover of sales under the CST Act from MVAT returns were not found to have been separately registered under the CST Act and as such had not filed returns under this Act. Due to absence of appropriate cross validation, the system had no means to check the validity of the claim of deductions before admitting the same. Providing for such a check in the system would have ensured that the turnover of sales for which deductions are claimed do not escape taxation.

Analysis of data relating to MVAT returns revealed that dealers had claimed deductions towards interstate transactions amounting to ₹ 2,364.85 crore in respect of 3,773 returns though the details regarding the registration of these dealers under the CST Act as well as payment of taxes thereunder was not available in the system. The year-wise details of deductions claimed on account of inter-state transactions is as shown below:

(₹ in crore)

Year	Physical returns		Electronic returns		Total	
	Number of returns	Inter-state transactions claimed	Number of returns	Inter-state transactions claimed	Number of returns	Inter-state transactions claimed
2005-06	18	104.22	15	0.63	33	104.85
2006-07	54	85.21	44	2.43	98	87.64
2007-08	192	54.94	126	122.89	318	177.83
2008-09	174	37.64	497	185.04	671	222.68
2009-10	--	--	740	485.91	740	485.91
2010-11	--	--	781	453.58	781	453.58
2011-12	--	--	734	523.11	734	523.11
2012-13	--	--	398	309.25	398	309.25
Total	438	282.01	3,335	2,082.84	3,773	2,364.85

Under the circumstances the deductions claimed under MVAT returns were inadmissible. Detection of such irregular claims in the returns would have come to light had provisions been made in the system for generating MIS reports in respect of the same. This also reflected weakness in the system's design.

Absence of MIS Reports and inadequate monitoring

2.2.11.6 Incorrect availment of benefits by claiming refunds and also bringing forward the same into the next financial year

Section 50 of MVAT Act, provides for the registered dealer to adjust the refund due to him against the amount due as per any return in the said year. The dealer cannot carry forward the excess credit to the next financial year. Further, as per refund audit manual, a certificate should be obtained from the dealer at the time of processing of refund, certifying that, no dues are outstanding against him and he has not carried forward this refund in any of the earlier or subsequent year's returns. Certified copy of the return of immediate next period should also be obtained from the dealer to confirm the excess credit is not carried forward. Further, as per Section 20(4) of MVAT Act, a dealer is required to revise the returns in case of any omission or incorrect statement.

We found that necessary checks are not present in the system to restrict the sanctioning of refund where the dealer has also brought forward the said amount as excess credit in the subsequent returns. Further, neither the requisite certificate nor certified copy of the return were being obtained from the dealer before sanctioning the refund.

We noticed in audit that at least in four cases where dealers had claimed refund aggregating ₹ 88.07 lakh in the returns for the year 2007-08 (three cases) and 2010-11 (one case), the Department had sanctioned refund of ₹ 87.68 lakh (in two cases Refund Adjustment Orders were issued and in two cases the refund was paid to the dealer) between June 2011 and December 2012. Scrutiny of the returns in respect of these dealers for the subsequent

years revealed that these amounts had also been brought forward (**Appendix II**). Thus, by irregularly bringing forward the excess credit to the next year, the liability of the dealers towards payment of tax got reduced to that extent for that year.

In two cases where RAOs had been issued and in one case where the dealer had repaid the irregularly claimed excess credit at a later stage, revised returns to show the correct liability was required to be filed by these dealers. As the returns had not been revised (July 2013), the correct tax liability of the dealers were not reflected in their returns resulting in their interest liability not being calculated by the system. The undue benefit availed by the dealers would also entail recovery of dues along with interest corresponding to the sanctioned refund of ₹ 47.90 lakh.

This indicates that the dealers availing the same benefits twice, once by claiming the refunds and again by carrying forward the same to the subsequent financial year.

In the exit conference, the Commissioner agreed that the system lacked the functionality to prevent such cases of incorrect availment of benefits and they would try to resolve the problem.

2.2.11.7 Improper monitoring of allocation of refund applications

As per the Refund and Refund Audit Manual, the concerned JCs, Refund and Refund Audit (R&RA) are responsible for overall management of R&RA for a division. They are also required to ensure that the audit and sanctioning of refund claims are being carried out in an effective manner, which includes maintenance of prescribed registers such as centralised register for acceptance of refund application in Form 501 (Register no. R&RA-1). From October 2009 it is made mandatory to file refund applications electronically. Refund application received electronically in the MAHAVIKAS system is auto allocated to the respective refund authorities.

The first level of check should be an input validation which is linked to refund application filed by a dealer for a defined period. The system should not be accepting multiple refund applications. We found control weakness in terms of both absence of validations while accepting refund application and also non-designing of MIS report in lieu of a centralised register.

Test check of records of four divisions revealed that the centralised register was not maintained by the respective JCs. The comparison between the Refund Auto Allocation Report generated from the system and Register No. R & RA-1 revealed that the report contains only details of refund application and its allocation but details like refund sanction number, date and amount of refund sanctioned and details of its payment etc. were not available.

Detailed analysis of data of refund applications for the period from January 2010 to March 2013 revealed that due to these application control weakness, the system allowed 242 dealers to file multiple refund applications (amounting to ₹ 425.38 crore) ranging from two to five times for the same periods which were allocated to same Desks²². Similarly, 52 dealers had filed refund

²² The term “Desk” denotes the charge to which the refund application is finally allotted.

applications (amounting to ₹ 9.16 crore) twice for the same period which were allocated to different Desks.

These examples in audit are given to substantiate that control weaknesses exist.

Absence of proper system for detection and rejection of receipts of additional refund applications for the same period may have implications relating to risk of granting more than one refund against the same application. Also, absence of supporting MIS reports from MAHAVIKAS indicated that the receipt and allocation of refund applications was not properly monitored. The Department therefore needs to address these control weaknesses in the system to plug the possibility of further exploitation of this vulnerability by both internal and external stakeholders.

In the exit conference, the Commissioner stated that the matter is being verified.

2.2.11.8 Refund Adjustments claimed in returns

The Refund Adjustment Order (RAO) in Form 506 issued by the Department stipulates that any dealer filing a return should attach the RAO along with the return to be furnished by him for the period against which the adjustment is sought. However, dealers filing e-returns in forms 231 to 235 are required to furnish the details of the RAO wherever applicable instead of physically submitting the RAO. The correctness of adjustments made in the e>Returns with respect to the RAOs issued is to be checked by the return branches concerned.

In the manual system, the dealer had to attach the RAO along with the return. In the electronic system, whenever the dealer quotes the RAO number, this should be matched by the system with the RAO database. As the system is not verifying the authenticity of refund adjustments claimed in return, it is reflective of absence of control which could lead to a business/revenue risk. For this we compared the data available in the system with respect to the e>Returns with the RAOs issued by the Department and noticed that during the period 2005-06 to 2012-13 the adjustments actually carried out in the individual e>Returns varied with the RAOs issued to the extent of ₹ 154.04 crore in 5,973 returns as follows:

(₹ in crore)

Year	No. of returns	Amount of RAO
2005-06	87	2.61
2006-07	125	5.01
2007-08	407	9.64
2008-09	1,517	30.71
2009-10	1,728	43.51
2010-11	1,052	26.76
2011-12	743	24.72
2012-13	314	11.08
Total	5,973	154.04

This indicated possible adjustments in excess of what was admissible.

After this being pointed out in audit, the Department (Pune Division) stated that at present no procedure is being followed by the Return branch in respect of verification of refund adjustments claimed in the e-Return. Further, no Controls/MIS reports are available in the MAHAVIKAS for reconciliation of refund adjustments claimed in the returns and RAOs issued by the Department.

The above situation is reflective of deficiencies in controls in the electronic system against the manual system.

The Department should maintain in the system a complete record of RAOs issued so as to enable the Department to authenticate the refund adjustments claimed in the returns by the dealers.

Under-utilisation of system

2.2.11.9 Non-levy of interest on delayed payment of tax

As per Section 30(2) of the MVAT Act, a registered dealer becomes liable for payment of interest on delayed payment of tax. As per the Manual of Procedure of Return Branch, 2007 a Register of interest orders is to be maintained to record the demand notices issued to dealers for such interest. A facility to generate orders for such interest is also available in the system. As per the departmental instructions (2007) interest orders are to be generated centrally through MAHAVIKAS which would be available to the divisional offices for serving demand notices in order to effect recovery from the dealers.

A test check carried out in four divisions namely, Aurangabad, Mumbai, Nashik and Pune to ascertain the levy and recovery of interest on delayed payment of tax by field offices and maintenance of Interest Order Registers revealed that only Nashik division had maintained the said registers up to 2007-08 and manual procedure of maintaining registers has been discontinued. As per the procedure prescribed in the Manual of Procedure of Return Branch, 2007, the interest orders should be generated on MAHAVIKAS and issued to the dealers. We, however, noticed that such notices were not generated for the period 2008-09 to 2010-11. Further, though the notices were generated for 2011-12 and 2012-13 they were not issued to the dealers. Our analysis of the cases²³ relating to payment made against VAT returns revealed that for the period 2008-09 to 2010-11 the interest leviable worked out to ₹ 125.03 crore as shown below :

²³ We calculated the interest leviable only in respect of returns where dealer has not indicated any interest liability for delayed payment of tax and has filed returns for a period using single forms. The due dates of payment were calculated on the basis of the dealer's returns frequency as given in the MAHAVIKAS database and tax payments matching the prescribed periodicity of dealer's returns were considered. The interest was calculated for the number of months or part of a month of delay at the prescribed rate of one quarter per cent for each month or part thereof of delay.

(₹ in crore)

Financial Year	No. of delayed payments	Interest amount
2008-09	15,962	27.36
2009-10	13,286	61.41
2010-11	17,136	36.26
Total	46,384	125.03

The Department had not calculated the interest leviable for issue of demand notices.

We also noticed that though interest amounting to ₹ 113.13 crore on delayed payments pertaining to various returns (VAT and CST) for the years 2011-12 and 2012-13 had been processed in the MAHAVIKAS system, no demand notices had been generated and issued as detailed below:

(₹ in crore)

Financial Year	No. of delayed payments	Interest amount
2011-12	1,10,902	54.15
2012-13	1,66,689	58.98
Total	2,77,591	113.13

Failure of the Department to utilise the facility provided in the system fully resulted in non-raising of demand amounting to ₹ 238.16 crore.

2.2.11.10 Non-usage of Unilateral Assessment Order facility of MAHAVIKAS

Section 23 of the MVAT Act empowers an assessing authority to assess a dealer to the best of his judgment by passing a Unilateral Assessment Order (UAO) in the event of the dealer not filing returns (non-filer) or not complying with the terms of notice issued to him. MAHAVIKAS provides a facility to generate UAOs through its Returns module.

We noticed from the Returns branch of Aurangabad, Mumbai, Nashik and Pune that in respect of non-filers, the UAOs still continued to be prepared by manually calculating the amounts recoverable, despite the fact that the facility to prepare these UAOs was available in MAHAVIKAS itself. After we pointed out this issue JC (VAT Admn), Pune Division, stated that due to the sluggish response of the system the same could not be utilized for creating the UAOs.

The non-utilisation of this facility will lead to preparation of UAOs manually with probable risks such as incorrect tax liabilities being assessed, delayed generation of UAOs, cases being selected at the discretion of the assessing authority, etc. Further, this would also amount to utilisation of manpower in repetitive tasks. Thus, the system was deficient in meeting the objectives to that extent.

In the exit conference, the Commissioner agreed with the audit observation and stated that systemic deficiencies in this regard would be set right and it would be made mandatory for assessing authorities to use this facility.

Output controls

Output controls ensure that computer output is complete and accurate. Weaknesses in the output controls noticed in audit are discussed below:

2.2.11.11 Reconciliation of online payments

Electronic payment (e-Payment) of VAT was introduced in February 2010 and it was made mandatory for all dealers from April 2011. Such e-Payments are subsequently transferred by the authorised banks into Reserve Bank of India and data transferred to MAHAVIKAS.

Scrutiny of reconciliation reports furnished to audit, revealed that during certain periods between September 2011 and January 2013 the amounts transferred to MAHAVIKAS was less by ₹ 6.56 crore as compared to the amounts credited into RBI. Further, during certain other periods between May 2011 and January 2013 the amounts transferred to MAHAVIKAS was more by ₹ 1.10 crore as compared to amounts credited into RBI.

Reconciliation needs to be carried out and a provision in the application for corrective action to update the dealers' payment details as a result of reconciliation should also be provided for.

In the exit conference the Commissioner stated that the facility for reconciliation of the payments is not available in MAHAVIKAS and the same will be considered in the proposed new application system.

2.2.11.12 Incomplete data

A computerised tax administration system should ensure that all necessary data should be captured correctly and any invalid data in this regard should be reconciled in a timely manner so as to provide a reliable and responsive system.

Dealers are required to make their payments into Government Treasury. E-payment facility was made mandatory from April 2011 whereby dealers could make payments either through the e-payment facility available in the MAHAVAT website or directly through the website of the authorised banks.

(i) Registration number not available in the dealer master

The payments made by the dealers should be against authorised registration numbers to avoid the risk of mismatch of payments and dealer registration numbers resulting in incorrect reflection of arrears.

Analysis of data relating to payments revealed that the dealers registration number quoted in the payment transaction is not available in the Master table of registered dealers in 4,507 cases amounting to ₹ 37.43 crore for the period 2005-06 to 2012-13 as shown below:

(₹ in crore)

Transaction year	Manual Payments		Electronic Payments		Total	
	Number of payments	Amount	Number of payments	Amount	Number of payments	Amount
-	70	0.11	-	-	70	0.11
2005-2006	26	0.18	-	-	26	0.18
2006-2007	639	3.30	-	-	639	3.30
2007-2008	1,752	7.18	-	-	1,752	7.18
2008-2009	2,015	7.24	-	-	2,015	7.24
2009-2010	1,337	5.39	2	0.00 ²⁴	1,339	5.39
2010-2011	1,374	7.16	116	0.36	1,490	7.52
2011-2012	1,064	2.09	804	1.17	1,868	3.26
2012-2013	334	1.68	759	1.57	1,093	3.25
Total	8,611	34.33	1,681	3.10	10,292	37.43

The Department needs to introduce adequate validations in the system to ensure that payments are properly accounted for in the system.

(ii) Invalid payment dates

Apart from e-Payments, payments are continued to be made by the dealers through challans which are also entered into the system manually. Along with the amounts, the date of payment is also required to be entered into the system so that any delay in payment of tax could be identified for levy of interest.

We downloaded the data in April 2013 and noticed that in respect of 47,127 payment transactions involving amounts aggregating ₹ 487.85 crore, the challan dates which were recorded related either to periods prior to commencement of VAT (1-4-2005) or dates subsequent to the month in which MAHAVIKAS data was downloaded or were not recorded at all. This indicated that incorrect/incomplete data was being recorded in the system. The year-wise details are as shown below:

(₹ in crore)

Transaction Created Year	Nos. of payments	Total Amount
2006-2007	837	8.00
2007-2008	3,224	25.18
2008-2009	558	5.67
2009-2010	362	2.79
2010-2011	42,061	445.26
2011-2012	49	0.88
2012-2013	36	0.07
Total	47,127	487.85

²⁴ Actual Amount is ₹ 31,896

Under the circumstances the Department could not work out the correct amount of interest leviable in case of delayed payment of tax through the system. Appropriate provision should be made in the system to ensure that the actual payment dates are recorded and any deviation in recording the dates in the system is detected.

In the exit conference the Commissioner in respect of (i) and (ii) above stated that the matter is under verification.

Inadequate delivery of services to dealers

2.2.11.13 Pending refund applications

Section 51 of the MVAT Act provides for a registered dealer to make an application in the prescribed form (501) for grant of refund of the amount claimed in the return after the end of the year to which the return relates. The Commissioner shall grant refund under this section within 18 months from the end of the month in which the application relates. Further, in respect of cases taken up for assessment or where part refund payment has been granted, the Department generates Form 501 for granting refund after assessment or releasing the balance amount in respect of part payment.

Analysis of data relating to pending refund applications revealed the following observations:

(i) Refund applications filed by the dealer.

A total of 59,917 refund applications involving refund claim of ₹ 9,291.29 crore which were filed by the dealers were pending in the system as of 31 March 2013. Out of this, 25,372 applications involving ₹ 3,809.01 crore were pending in the system for periods ranging from 19 to 40 months i.e. beyond the prescribed period of 18 months.

(ii) Refund applications generated by the Department.

A total of 30,656 refund applications generated by the Department were pending in the system in respect of refunds aggregating ₹ 6,847.1 crore. Out of this 27,074 applications involving ₹ 3,698.35 crore were pending in the system for a period ranging from 19 to 95 from the month of their generation.

It was also observed that MIS reports to monitor the processing of refund applications were not available.

On this being pointed out (July 2013), the DC Nasik stated that due to huge pendency of refund applications it was not possible to issue refund within the prescribed period of 18 months.

This indicated that the objective of computerisation for efficient delivery of services to the stakeholders was not fully achieved. Further, the delay in processing of refunds may also result in extra expenditure to the Government by way of payment of interest on such delays.

In the exit conference the Commissioner stated that due to adoption of stringent measures for processing of refunds, the grant of refunds was delayed.

2.2.11.14 Non-clearance of dues from MAHAVIKAS despite recoveries having been made

As per Section 50 of MVAT Act any refund arising out of the returns for any period may be adjusted against any dues recoverable from the dealer. These adjustments are carried out by passing RAOs. The system provides for sensitizing the departmental authorities towards the recoverable dues in respect of a dealer whenever refund orders are to be issued with respect to the excess credit shown in his return.

Test check of refund records maintained manually with the data available in the system in four divisions for the year 2012-13 revealed that though the system provides a list of recoverable dues in respect of the dealers same continues to remain in the system even after these dues are adjusted by the Department through RAOs. A few illustrative cases are given in **Appendix III**.

This indicated deficiency in the system relating to linking of recoveries with the dues. This has implications relating to issue of demand notices despite the liability being discharged and also inflation in figures relating to arrears of recoverable tax. Immediate steps may be taken to rectify the above defects.

In the exit conference, the Commissioner agreed with the audit observation and stated that a functionality to clear such dues from the system was being tested and was proposed to be implemented within a month.

2.2.11.15 Incorrect Tax arrears of dealers

Section 32 of the MVAT Act requires a dealer to make payments at prescribed intervals. Rule 46 of MVAT Rules mandates the Department to issue notices in Form 213 to dealers with tax dues (short-filers²⁵). A MIS report is also available in the system for listing out the short-filers and their tax due for a return period. Further, monitoring of tax demands raised against dealers by individual offices is through a prescribed monthly consolidated report known as Key Key Performance Indicator (KKPI) indicating the total number and amount of tax demands raised against dealers in a month and the total amount of tax arrears. A comparison of short-filer data of March 2013 generated through the MIS report and the KKPI report pertaining to the same month in Aurangabad, Pune and Nashik showed huge variation in the tax arrears reported as shown below-

(₹ in crore)

Location	Amount involved with short filers as per MAHAVIKAS MIS report	Arrears of tax recoverable as per KKPI statement	Excess of MIS figures over KKPI figures
Aurangabad	498.62	117.31	381.31
Pune	1,490.23	1,345.61	144.62
Nashik	267.47	59.72	207.75
Total	2,256.32	1,522.64	733.68

²⁵ Short filers are dealers who have not paid their tax dues fully.

The huge variation in figures between the MIS and KKPI reports needs to be addressed as one is related to monitoring the performance of the Department and the other to the stakeholders. In this regard, the fact that the Aurangabad office was in receipt of numerous representations from the dealers claiming that though they had made payment of tax towards a particular amount due, they were continued to be wrongly projected as short-filers towards the said dues. This was on account of the payments not being matched with the dues as per the returns.

On this being pointed out (July 2013), the JC(LTU-2), Pune stated that the mismatch in figures is either due to the dealer indicating invalid periods in the payment challans or making payments against wrong registration numbers or under different Act or with wrong periodicity. KKPI information regarding short filers for the entire State for March 2013 was thereafter sought from the Commissionerate (July 2013) and in reply it was stated that the KKPI is prepared manually on the basis of the MIS report of short filers generated through MAHAVIKAS.

Thus, it is evident that the prescribed periodicity of payment according to business rule is not enforced at the time of making payments. The return and payment data is reconciled in the MAHAVIKAS system at the time of identifying short-filers. Adjustments of payments against the dues does not take place in case the dealers payments does not match the periodicity of the return even though the payment pertains to that financial year.

By depicting dealers who had no tax dues as short-filers, the objective of the MAHAVIKAS system to provide better service to the dealers as well as reduce the official-dealer interface has not been fully achieved.

In the exit conference, the Commissioner agreed with the audit observation and stated that a proposal to enforce filing of returns and payments by dealers as per their prescribed periodicity was under consideration.

2.2.12 IT security

Every organisation is required to adopt an IT security policy clearly identifying the organisation's priorities and necessary controls need to be based on the IT security policy.

2.2.12.1 Incomplete IT security policy

It is of importance to protect Information assets. By way of enunciating an IT security policy, the organisation demonstrates its ability to reasonably protect all business critical information and related information processing assets from loss, damage; aims to enhance the trust and confidence between organisations, and external agencies as well as within the organisation and assure conformity to applicable contractual and regulatory requirements. There should be specific statements in an IT security policy indicating minimum standards and compliance requirements for specific areas such as assets classification, data security, personal security, physical, logical and environmental security, communications security, contractual requirements, business continuity planning, security awareness and training, security breach detection and reporting requirements.

The Department has a Business Continuity and Disaster Recovery Plans. A primary data centre is in Mumbai and a secondary data centre has been established at Hyderabad.

We noticed that STD has formulated IT security policy only for the vendor (M/s. ECIL), but did not have an approved security policy for its employees and third parties having access and usage rights to STD's Information Systems.

IT security policy for all the concerned stakeholders, has not been formulated resulting in the staff members of the Department using the computer systems not being adequately aware of their role and responsibility in safeguarding IT assets due to which safety and security of IT assets were at high risk.

In the exit conference, the Commissioner agreed with the audit observation and stated that the IT security would be implemented.

2.2.12.2 Generic users

In the computerised system, access to data was required to be restricted to authorised individual users only. We found 2,193 instances of use of generic user IDs where in users with generic names, such as, VACANT, VACANT_A, VACANT_B, VACANT_C and VACANT_E had entered/modified the data in the system as detailed below:

Name of the Module	Name of the Task	No. of transactions done with generic user ID
Registration	Registration	2
Main Scroll	Returns	1,085
Case Transfer	Case transfer	1
Maker Checker	Case transfer	1,087
Registration	Case transfer	18
Total		2,193

The above is indicative of violations of the security system leading to creation of User IDs that could not be linked to individuals responsible for transactions.

In the exit conference, the Commissioner stated that users executing transactions should be identifiable and necessary changes would be made in the system to prevent creation of generic users.

2.2.12.3 Audit trail

Audit trails depict the flow of transactions necessary in a system in order to track the history of transactions, changes/modifications in data, system failures, erroneous transactions, etc. It was observed that audit trails available in the system were not adequate as detailed below:

(i) Audit trail of front end changes made in Payment challans and Returns data

Returns module has a tool namely, "Ind validate" to carry out the changes in VAT returns and payment challans. This tool is made use of in cases where the

returns and payment challans could not be co-related due to mismatch of information such as dealer registration numbers (TINs) and period of returns. Data in returns, such as figures in the returns including tax liability, TIN, period of Return and date of challan excluding challan number could be changed. Similarly data in the payment challans such as the TIN number, period of challan and date of challan excluding amount and challan number could be changed.

We observed that there is no session based user logs for recording the details of users making these changes and generation of MIS reports which could be utilised for monitoring the authenticity and correctness of the changes carried out.

The JC, MAHAVIKAS stated that the officers up to the rank of Joint Commissioner are authorised to carry out these changes and neither history sheet of changes made is being maintained nor any MIS report in this regard is available in the system.

(ii) Audit trail of backend modifications

Auditing log is to be enabled for recording audit trail of important events in the database such as deleting or modifying sensitive data through the backend and it could be useful for gathering historical data for particular database activities. Data relating to MAHAVIKAS in the DB2 database, which is a database system that stores data, can be accessed indirectly through by low level modification of the data (e.g. through SQL commands) than by application programme.

We observed that auditing log is not enabled in the DB2 database. Hence important events were not being recorded which increased the risk of unauthorised system actions, such as deleting or modifying sensitive data.

These discrepancies indicated lack of audit trails and controls over modification and deletion of data. Thus, the system was insecure and vulnerable to manipulation.

In the exit conference, the Commissioner agreed with the audit observation and said that the Department would try to resolve the issues raised.

2.2.13 Audit module

Internal audit system both in the manual as well as computerised environment is to provide assurance that the controls are in place. It is important to embed electronic controls and digital trails at the design stage. Further, as per the guidelines of Mission Mode Project for Computerisation of Commercial Taxes administrations, the computerised system should be capable of 'Internal audit'.

We observed that audit query module to enable the audit in computerised environment was not designed and internal audit was not involved in the development of the application software.

This indicates that though internal audit is an intrinsic part of a system, the requirements of audit for facilitation of audit of electronic data were not elicited and incorporated in the system.

In the exit conference, the Commissioner accepted the audit observation and agreed to implement the same in the proposed new system.

2.2.14 Internal Control

Every department is required to institute appropriate internal control for its efficient functioning by ensuring proper enforcement of laws, rules and departmental instructions. It helps in creation of reliable financial and Management Information System which could act as a tool at the senior management level to monitor the tax administration and take remedial action. For this the application system should provide for various Management Information System (MIS) reports and access to MIS reports relating to data security could be limited to those who need to review the same.

We observed that crucial MIS report to monitor data integrity and data security was not designed with respect to duplicate registration, irregular claim of excess credit, dealers effecting inter-state transactions but not obtaining registration under the CST Act, delay in processing of refund applications, allotment of duplicate refund applications, RAOs claimed in returns, changes made in payment challans and returns, etc. Due to non-availability of MIS reports in this regard, the Department could not monitor exceptional data entries, inaccurate data and unauthorised data intervention.

We may also recommend that the access to certain kinds of MIS reports can be limited to those who need to review data security, etc.

In the exit conference, the Commissioner accepted the audit observation and agreed to implement the same for both internal and external auditors in the proposed new system.

The Government may direct the Department to identify the MIS reports required so that data integrity and data security could be monitored.

2.2.15 Conclusion

The MAHAVIKAS System has been implemented since 2006 with a view to provide a reliable and responsible computer application. However, many modules of the system still continued to be under development even after seven years of computerisation and incurring a total expenditure of ₹ 127.18 crore. Many deficiencies persist primarily due to poor documentation and weak implementation thus making the system not fully reliable. Deficient mapping of business rules and validation checks resulting in large number of cases of availment of tax benefits in violation of Tax rules remained undetected in the system. There were huge amount of tax arrears shown wrongly pending against the dealers due to non-reconciliation of tax liability in the returns and payments. Inadequate IT Security especially for facilities for audit and audit trails made the system vulnerable to manipulation.

2.2.16 Recommendations

STD may consider-

- reviewing and modifying the application system with reference to provisions of the Act and the user requirements/business rules;
- introducing a mechanism to monitor the implementation and utilisation of various modules of the application system;
- enforcement of validation checks in the system to ensure reliability of data and prevent revenue loss;
- analyze the requirement of MIS reports and audit and design appropriate MIS to make effective use of the system; and
- creation of audit trails to track changes made in the data and configure the database logs to record modifications of data through back-end.

In the exit conference, the Commissioner accepted all the recommendations.

2.3 Other audit observations

Our scrutiny of the assessment records finalised under Bombay Sales Tax Act, 1959 (BST Act), Maharashtra Value Added Tax, 2002 (MVAT Act), Central Sales Tax Act, 1956 (CST Act) and Maharashtra Tax on Luxury Act, 1987 (MTL Act) in the Sales Tax Department revealed cases of non-observance of provisions of Acts/Rules, non/short levy of tax, irregular grant of exemptions 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 Assessing Authorities (AAs) are pointed out in audit each year, but not only do the irregularities persist; these remain undetected till we conduct audit. There is need for the Government to improve the internal control system including strengthening of internal audit.

2.4 Non-observance of the provisions of Acts/Rules

The BST/MVAT/CST/MTL Acts and Rules empower/provide for:

- (i) levy of tax/interest/penalty at the rates prescribed in the Acts;*
- (ii) adjustment of refunds under MVAT Act against dues under CST Act.*
- (iii) Recovery of arrears of tax.*

We noticed that the AAs, did not observe some of the provisions of the Act/Rules and notification issued thereunder while finalising the assessments, as mentioned in the paragraphs 2.4.1 to 2.4.14.

Maharashtra Value Added Tax Act, 2002

2.4.1 Short levy of tax on works contract transaction

DCST E-602, Large Tax Payer's Unit, Mazgaon division

Under the provisions of Section 42(3) of the MVAT Act, a dealer can discharge his liability towards payment of tax, in lump-sum by way of composition, in lieu of amount of tax payable on the sales effected by way of transfer of property in goods involved in the execution of a Works Contract, whether in respect of the entire turnover of sales or in respect of any portion of the turnover. However, no deduction shall be allowed from the total contract value except the amount payable towards sub-contract. Further, as per Rule 57(1) of the MVAT Rules, a registered dealer may be allowed deduction in respect of sales tax not separately collected from the sale price of the goods equal to the sum collected calculated in accordance with the formula provided in the said Rule.

During test check (September 2011) of a case closed in Business Audit (October 2010) and detailed scrutiny of documents received in July 2012, we noticed that in respect of a dealer engaged in civil contracts, for the period 2008-09, the net turnover of sales (TOS) under works contract after deduction of job work receipts, sale value of fixed assets, etc., was at ₹ 34,014 lakh. Out of this, TOS of ₹ 26,116.54 lakh was considered for levy of tax under the

composition scheme. However, as against the admissible deductions of tax collected separately at of ₹ 273.24 lakh, deduction of ₹ 1,242.01 lakh was incorrectly allowed resulting in excess deduction of ₹ 968.77 lakh. Thus further resulted in short levy of composition tax of ₹ 72.05 lakh including interest of ₹ 23.61 lakh under Sections 30(3) and 30(4).

After we pointed out the case in September 2012, the Department accepted the observation in June 2013 and raised additional demand of ₹ 72.05 lakh including interest of ₹ 23.61 lakh. A report on recovery is awaited.

We reported the matter to the Government in August 2013; their reply is awaited (January 2014).

2.4.2 Allowance of excess set-off

Deputy Commissioner of Sales Tax E-001, Large Taxpayer's Unit, Kolhapur Division

Under the provisions of Rule 54(1) of the MVAT Rules, no set-off or refund as provided by any rules made under this Act shall be granted to any dealer in respect of purchases of electrical installation by a claimant dealer during the period commencing from 1 April 2005 and ending on 7 September 2006 if such goods purchased are treated by the claimant dealer as capital assets and the claimant dealer is not engaged in the business of transferring the right to use the said goods.

During test check of assessment and other related records in June 2009 we noticed in respect of a dealer, engaged in manufacture of iron castings etc. that set-off was allowed @12.5 per cent on purchases of electrical installations valued at ₹ 14.48 lakh which were capitalised during 2005-06. However, these items are enumerated in the list of goods on which no set-off is admissible. This resulted in excess allowance of set-off of ₹ 5.11 lakh including interest

and penalty.

After the case was pointed out in July 2009, the Department accepted the observation and passed an assessment order (August 2011) raising additional demand of ₹ 5.11 lakh including interest at ₹ 1.49 lakh and penalty at ₹ 1.81 lakh. A report on the recovery is awaited.

We reported the matter to the Government in April 2013; their reply is awaited (January 2014).

2.4.3 Non/short levy of penalty

(a) DCST, Large Tax Payer's Unit E-014, Mumbai division

Under Section 29(3) of the MVAT Act, while passing any order under this Act, in respect of a dealer, the Commissioner, on noticing or being brought to his notice, that the dealer has concealed the particulars or has knowingly furnished inaccurate particulars of any transaction liable to tax, may, after giving the person or dealer a reasonable opportunity of being heard, by order in writing, impose upon him, in addition to any tax due from him, a penalty equal to the amount of tax found due as a result of any of the aforesaid acts of commission or omission.

Test check (September 2010) of the assessment records, for the period 2005-06, indicated that the dealer was engaged in the manufacture of non-ferrous metal powder in his units at Tamil Nadu and Madhya Pradesh which was received by way of branch/stock transfer in his Mumbai unit for sale. Scrutiny of the best judgment assessment order passed in

March 2010 revealed that during Business Audit conducted earlier as well as during assessment the Department had noticed discrepancies in the accounts/returns, such as –

- 1) short reflection of branch transfer of ₹ 1.02 crore in the return filed by the dealer as compared to the Audit Report furnished by the chartered accountant in Form 704,
- 2) variance in the figures of branch transfers received and sent as per the Trial Balances of the manufacturing units for the relevant period, and
- 3) payment of tax at a lower rate (four *per cent*) on certain sales though tax was leviable at 12.5 *per cent*.

The dealer could not explain the above discrepancies during the hearing due to which the highest turnover amongst all the Trial Balances submitted by the dealer was taken for assessment of tax under Section 23(2) which resulted in differential dues of ₹ 97.58 lakh. We noticed that though the dealer had furnished inaccurate particulars, concealed the turnover, etc., no notice for levy of penalty under Section 29(3) was issued by the assessing authority to the dealer in this regard. This resulted in non-levy of penalty of ₹ 97.58 lakh.

After we pointed out the case in October 2010, the Department accepted the audit observation and raised demand ₹ 97.58 lakh (May 2013). However, the dealer has appealed against the original assessment order dated March 2010 and subsequent assessment order dated May 2013.

We reported the matter to the Government in August 2013. In reply the Government communicated (October 2013) that the concerned appellate authority had granted an interim stay on recovery of the dues of the dealer up to September 2013. Further progress in the matter is awaited (January 2014).

(b) Deputy Commissioner, Investigation E-001, Raigad division

During test check of the records of the unit in March 2010, we noticed in the assessment of a dealer finalised in April 2007, for the period August-

September 2005, dealing in medical care equipment that penalty was levied at ₹ 3.52 lakh as against the dues of ₹ 10.62 lakh. The dealer had evaded tax on sales of ₹ 85 lakh claiming it as high sea sales but due to non-production of any documentary evidence the assessing officer had levied tax at ₹ 10.62 lakh. Therefore, penalty should have also been levied equal to the amount of tax i.e. at ₹ 10.62 lakh. This resulted in short recovery of penalty of ₹ 7.10 lakh.

After we pointed out the case in April 2010, the Department accepted the audit observation and rectified the mistake by increasing the penalty from ₹ 3.52 lakh to ₹ 10.62 lakh while finalizing the appeal order in September 2011. A report on recovery is awaited.

We reported the matter to the Government in April 2013; their reply is awaited (January 2014).

2.4.4 Incorrect adjustment of MVAT refund against CST dues

Deputy Commissioner of Sales Tax E-024, Business Audit and Deputy Commissioner of Sales tax E-025, Business Audit, Pune Division

Every dealer is required to furnish separate returns in respect of the local sales under MVAT Act and inter-State transactions under the CST Act. Further, a dealer whose turnover of sales or purchases exceeds ₹ 40 lakh in a year is required to submit an audit report in form 704 prepared by a chartered accountant.

As per rule 55 of the MVAT Rules, if the dealer has claimed refund in the MVAT returns and dues in respect of inter-State transaction in the CST returns then the refund under MVAT can be adjusted against the dues under CST provided a refund adjustment order for the amount adjustable is issued in respect of that period.

Mention was made in paragraph 2.4.4 of the Report of the Comptroller and Auditor General of India for the year ending 31 March 2012 regarding incorrect adjustment of MVAT refund against CST dues. No action has been taken in this regard (November 2013) even though the irregularity continues as discussed below.

During test check of the business audit files in December 2011 and January 2012, we noticed that for the periods 2005-06, 2006-07 and 2007-08, audit reports in form 704 prepared by chartered accountants indicated refunds aggregating ₹ 71.06 lakh in respect

of 15 dealers under MVAT Act. In all these cases the dealers concerned had shown dues in the returns filed under the CST Act for the corresponding periods. While passing the assessment orders of the dealers under the CST Act, between June 2010 and August 2010, the Department had adjusted the refunds payable under MVAT Act aggregating ₹ 71.06 lakh against their corresponding dues under CST Act. However, in none of these cases the business audits had been completed or refund adjustment orders had been passed as prescribed in the rules. This resulted in incorrect adjustment of refunds aggregating ₹ 71.06 lakh under MVAT Act against the tax payable under the CST Act.

After we pointed out the cases in January 2012, the Dy. Commissioner E-024 stated that the allowance of adjustment of refunds against CST dues was correct as per internal circular issued by the Commissioner of Sales Tax.

The reply is not tenable as Rule 55 of MVAT Rules require refund adjustment order to be passed before adjustment of refund against the dues which are invariably to be followed.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

Bombay Sales Tax Act, 1959

2.4.5 Short levy of tax

Deputy Commissioner of Sales Tax B-231, Kolhapur division

Under the provisions of the BST Act, the rate of tax applicable on any commodity is determined with reference to the relevant entry in schedule 'B' or 'C' of the Act. Further, the Government, by notification from time to time, exempts certain sales or purchases from payment of tax in full or any part thereof, which are payable under the provisions of the Act, subject to such conditions as are prescribed. Besides, turnover tax (TOT), surcharge (SC) and interest are also leviable as per the provisions of the Act. Further, resale tax at the rate of 0.5 *per cent* is also leviable on the turnover of resale of goods specified in Schedule C where the goods resold were purchased from a registered dealer with effect from 1 May 2002.

The Commissioner of Sales Tax, as per determination order dated 31 January 2003 issued under Section 52 of the BST Act, had held medicinal oxygen liable for tax @13 *per cent*, along with surcharge @ 10 *per cent* of the tax amount and turnover tax @ one *per cent* of the sale turnover.

resale tax was levied on the resale of these gases valued at ₹ 2.90 crore. This resulted in short levy of tax of ₹ 39.55 lakh including interest.

After we pointed out the case in January 2009, the Department revised the assessment in December 2012 raising additional demand of ₹ 39.55 lakh including interest of ₹ 11.70 lakh. A report on the recovery is awaited.

We reported the matter to the Government in April 2013; their reply is awaited (January 2014).

During test check (November-December 2008) of the assessment and other related records of a dealer engaged in the manufacture of gases, we noticed in the assessment for the period 2004-05 (finalized in December 2007), that on sale of gases like Argon, Nitrogen and Oxygen valued at ₹ 2.51 crore, tax was levied at the rate of 5.4 *per cent* against the applicable rate of 15.3 *per cent*. Also sales of medical oxygen valued at ₹ 24.22 lakh tax was levied at the rate of 9 *per cent* instead of 15.3 *per cent*. Further, no

2.4.6 Short levy of Turnover Tax (TOT)

Deputy Commissioner of Sales Tax M-67, Pune and Assistant Commissioner of Sales Tax C-901, Aurangabad

Under the provisions of Section 9 of the BST Act, turnover of taxable sales of Schedule C goods exceeding ₹ 12 lakh was liable for levy of turnover tax at the rate of one *per cent* as per amendment of 31 March 1999. Further, it was leviable at the rate of one and half *per cent* with effect from 1 May 2002 if the tax liability of the dealer exceeded ₹ one crore in the immediate preceding year or in the current year. Besides, interest at the prescribed rate was also leviable under the provisions of the Act.

During test check of the assessment and other relevant records, between September 2009 and February 2010, we noticed in the assessments finalized between September 2008 and January 2009, that there was non/short levy of TOT in two cases as shown below:

Assessing Authority	Date of audit	Activity of dealer and Period of assessment	Nature of irregularity	Short levy (₹ in lakh)
Deputy Commissioner of Sales Tax M-67, Pune Division	February 2010	Manufacture of auto parts 2004-05	Turnover tax was levied @ 1 <i>per cent</i> on turnover of goods of ₹ 12.76 crore instead of 1.5 <i>per cent</i> although the tax liability of the dealer had exceeded ₹ 1 crore	6.38
The Department in May 2010 raised additional demand of ₹ 7.81 lakh. Report on the recovery is awaited.				
Assistant Commissioner of Sales Tax C-901, Aurangabad Division	September 2009	Manufacture of auto parts 2002-03 2003-04	Turnover tax was not levied on turnover of sale of ₹ 4.53 crore.	4.92
The Department in November 2010 raised additional demand of ₹ 4.92 lakh. Report on the recovery is awaited.				

We reported the matter to the Government in April 2013; their reply is awaited (January 2014).

2.4.7 Excess allowance of deferment

Deputy Commissioner of Sales Tax B-101, Nariman Point Division

Under the provisions of the BST Act and the rules made thereunder, an industrial unit which is registered under the Act and which has been certified as an eligible industrial unit in the Eligibility Certificate (EC) granted by the Maharashtra Energy Development Agency (MEDA) under the Power Generation Promotion Policy, 1998 is permitted to defer the payment of purchase tax payable on purchase of raw materials and sales tax payable on sales of finished products, as mentioned in Eligibility Certificate, which are manufactured in the said unit, up to the period by which monetary ceiling, specified in Entitlement Certificate, gets exhausted or till the last date of the period mentioned in the Entitlement Certificate whichever event occurs first.

During test check of assessment and other related records in May 2009 we noticed that a dealer, who was granted EC by MEDA in respect of his two units engaged in the manufacture of adhesives, chemicals, dyes and pigments, with a monetary ceiling of ₹ 23 lakh for each unit, had claimed deferment of tax of ₹ 23.00 lakh and ₹ 16.93 lakh against the respective tax liabilities of ₹ 32.00 lakh and ₹ 16.93 lakh for the two units for the assessment year 2001-02.

However the AA in his order allowed deferment tax of ₹ 46 lakh for both the units considering the monetary ceiling of the units put together. This was not correct as the monetary ceilings of both units were to be considered separately and the deferment of one unit was to be restricted to ₹ 16.93 lakh only. This resulted in excess grant of deferment of ₹ 6.07 lakh.

After the case was pointed out in June 2009, the appellate authority who was hearing the appeal of the dealer, withdrew (March 2012) the excess benefit of deferral granted to the dealer at ₹ 8.25 lakh including interest of ₹ 2.18 lakh and directed the AA to recover the dues.

We reported the matter to the Government in April 2013. The Government communicated (September 2013) that the dues have been recovered from the dealer.

2.4.8 Non-recovery of sales tax dues due to belated assessment, ineffective recovery proceeding, etc.

Under the BST Act, tax assessed was required to be paid by the assessee in a manner and within the time specified in the notice of demand. In case of failure on the part of the assessee to pay the amount within the date mentioned in the demand notice, the Department could recover the amount which remains unpaid as if it was arrears of land revenue. Any dealer not satisfied with the demand could prefer an appeal with the Appellate Authority or in a Court of law.

(i) During test check of recovery files in Nashik Division in September 2012, we noticed that a dealer company was in arrears of assessed sales tax dues of ₹ 3.58

crore for the periods from 1997-98 to 2000-01. The assessment orders for the said periods were passed *ex-parte* in October and November 2008 i.e. after a delay of seven to ten years. As per report submitted by the Sales Tax Inspector in November 2008 the company was already closed in February 2002 and sold out by State Bank of India, Dindori Branch in August 2005 through auction. Thereafter, the Department requested the Tahsildar, Dindori in August 2009 and March 2011 to record the sales tax dues on the “7/12 extract”²⁶ of the dealer’s factory plot as auction of the said plot was to be initiated under the Maharashtra Land Revenue Code, 1966 (MLR Code). The Talathi intimated (March 2011) that the factory premises of the dealer was already sold to another party in 2005 in auction and hence no action was possible on that plot.

The Department in July 2009 and November 2010 issued notices to the Directors of the company for payment of sales tax dues through registered post. In February 2012, the Department requested the Vani Police Station, Nasik to trace the whereabouts of Directors of the company so as to facilitate recovery of sales tax dues.

Thus belated action in assessing the dealer and ineffective follow up action of recovery proceedings resulted in non-recovery of arrears of ₹ 3.58 crore.

(ii) During test check of recovery files in Thane Division in August 2012, we noticed that Private Limited Company, an importer and reseller of automobiles and spares, was in arrears of assessed sales tax dues of ₹ 2.64 crore for the period 1997-98 to 2001-02. The assessment orders for the said periods were passed *ex-parte* in between July 2004 and February 2007 as shown in the table below-

(₹ in lakh)

Period	Additional demand raised (₹ in lakh)	Dates of Assessment	Delay (in years)
1997-98	41.76	21/07/2004	6
1998-99	41.28	17/03/2006	7
1999-00	43.48	23/03/2006	6
2000-01	26.79	23/03/2006	5
2001-02	110.60	28/02/2007	5
Total	263.91		

Meanwhile, the dealer had closed his business in June 2003 and left the place of business without intimating the Department. The Department in March 2004 intimated the Directors of the company that they would become liable for action under Sections 406 and 409 of the Indian Penal Code for non-payment of sales tax which was already collected by them but not paid into Government account.

Later, the Department issued order under Section 62A of the BST Act in March 2005 and July 2011 to the Directors of the company prohibiting them from transfer of assets of the business. However, the same order could not be

²⁶ Record indicating the occupant of the land and the purpose for which the land is utilised.

served upon the Directors as they had left the place of business. Again in July 2012 a letter was written to the Sr. Police Inspector, Kharghar police station to trace out the Directors at their residential address at Kharghar.

Thus, non-assessment of the dealer immediately after closure of business, non-initiation of recovery proceeding under the MLR Code and absence of follow up of recovery action has resulted in non-realisation of sales tax dues of ₹ 2.64 crore.

(iii) During test check of recovery files in Andheri Division in July 2012, we noticed that a dealer company, a manufacturer and reseller in automobile parts, stainless steel utensils and plastic goods was in arrears of sales tax dues of ₹ 3.60 crore for the periods 1999-00 and 2000-01. The assessment order for the period 1999-00 was not available on the record hence date of assessment, etc., could not be ascertained. The period 2000-01 was initially assessed *ex-parte* in March 2008 which was subsequently reassessed in April 2011.

Detailed scrutiny of the recovery file revealed that according to the visit report (15 March 2005) of the Sales Tax Inspector, the dealer had already closed his business and the factory premises at Vasai, District Thane was sealed by the Bank of India and the investigation of the dealer was going on. Despite being aware of this fact, the Department had not intimated the bank to lay claim on its dues as amount payable to the Government formed the first charge on the property of the dealer. Even the notice for recovery under the MLR Code was issued almost after six years in January 2011 and that too for recovery of dues of ₹ 1.52 crore pertaining to the year 1999-00.

From the above facts it is clear that the Department had not kept track of the dealers activities, delayed assessing the dealer, did not stake claim with the bank which had sealed the property and followed up the matter in a routine manner placing the revenue of ₹ 3.60 crore due to Government at risk.

(iv) During test check of recovery files in Andheri Division in July 2012, we noticed that a dealer company was in arrears of assessed sales tax dues of ₹ 68.75 lakh for the periods 2000-01 and 2001-02. The assessment orders for the said periods were passed *ex-parte* in December 2006 i.e. after delays ranging from 21 to 33 months. The dealer had filed appeal against the above orders which were dismissed in December 2008 by Appellate Authorities with a direction to recover the balance dues after confirming the part payment made in appeal. In January 2011, i.e. two years later, the person from the Department deputed to serve the demand notice at the address of the dealer noticed that the dealer had left the place of business as well as his residence. Meanwhile, ICICI Bank had attached the place of business and residence respectively and sold it to third parties. The Jt. Commissioner of Sales Tax, Andheri Division finally issued RRC and referred the same to Jt. Commissioner of Sales Tax, Pune Division for taking recovery action under MLR Code in April 2011 as the dealer's factory and another residential address was at Pune. A reminder to Jt. Commissioner of Sales Tax, Pune Division was issued only in July 2012, i.e. after 14 months. Thereafter no action has been taken by the Department.

Thus, delay in assessing the case and not taking timely action for recovery resulted in the Department losing possession of part of the property for auction etc., to the bank and jeopardising the recovery of dues of ₹ 68.75 lakh.

(v) During test check of recovery files in Nashik Division in September 2012, we noticed that a dealer dealing in manufacturer of plates, couplers, girders and span etc., was in arrears of assessed sales tax dues of ₹ 55.02 lakh for the period 1998-99 to 1999-00 and 2001-02 to 2003-04. The assessment orders for the said periods were passed *ex-parte* in January 2009 except for the period 2000-01 which was assessed in March 2006.

We noticed that though the dealer held an entitlement certificate, the Department did not keep track of the returns filed by the dealer and the assessments were done after five to ten years instead of on priority basis. After doing *ex-parte* assessments in January 2009 i.e. after a delay of five to ten years, the demand notices were pasted on the premises of the dealer's manufacturing unit in February 2009 and Sales Tax Inspector (STI) reported that the business was already closed long back. The Department did not initiate recovery proceedings till February 2012. In March 2012, a letter was issued to the Manager, Sinnar Taluka. Audyogik Sahakari Vasahat Maryadit, for claim of plot No. 79, the place of business of the dealer. In reply, it was stated that the aforesaid plot was already transferred to another party in February 2004.

From the above facts it is clear that the Department had failed to monitor the case. Further, delay in assessment and initiating timely recovery proceedings resulted in loss of its claim over properties of the dealer and non-realisation of ₹ 55.02 lakh.

(vi) During test check of recovery files in Nashik Division in October 2012, we noticed that a reseller in medicine and pharmaceuticals was in arrears of assessed sales tax dues of ₹ 4.39 crore for the period 2000-01 to 2003-04. We noticed that assessment proceedings were initiated in March 2003, however, assessment orders were passed in February 2009 after a lapse of six years. In the assessment order it was stated that the dealer was absconding since last two years. When, after assessment, the dealer was not found at the place of business, the Department lodged a police complaint against the dealer. The police informed the Department that the dealer had already sold his assets and absconded two years before the police complaint was lodged.

Thus, belated action in assessing the dealer and ineffective follow up action of recovery proceedings resulted in non-recovery of arrears of ₹ 4.39 crore.

(vii) During test check of recovery files in Borivali Division in December 2012, we noticed that a reseller of chemicals and oils, was in arrears of sales tax dues of ₹ 16.13 lakh for the period April 1989 to August 1989. The assessment of the dealer for the said period was passed in April 1996 i.e. after a lapse of seven years. For effecting this outstanding recovery a proposal for prosecution was put up by the assessing authority to AC (Admn), Borivali Division in April 1999. The same was returned by AC (Admn) in June 1999 with instructions to put up the same to the appropriate authority. However,

after the prosecution proposal was returned, no further action was taken by the Department to effect the outstanding recovery of ₹ 16.13 lakh.

Thus, inaction by the Department in assessing the dealer on priority and pursuing the recovery matter resulted in non-recovery of sales tax dues.

We reported the above cases to the Government in May 2013; their reply is awaited (January 2014).

2.4.9 Non-recovery of sales tax dues due to improper follow up of RRC case

Sales Tax Officer, D-1122, Andheri Division

Under the BST Act, tax assessed was required to be paid by the assesseees in a manner and within the time specified in the notice of demand. Any dealer not satisfied with the demand could prefer an appeal with the Appellate Authority or in a Court of law. In case of failure on the part of the assesseees to pay the amount within the date mentioned in the demand notice, the Department can recover the amount which remains unpaid as if it was arrears of land revenue.

In cases where the defaulters do not own any property in the state but have property in some other state then the concerned assessing authority is required to address the revenue authority of the other state for collecting the arrears as per the provisions of the Revenue Recovery Act, 1890. For this, the Revenue Recovery Certificates (RRC) are required to be forwarded to the Collectors of the districts of the states in which the defaulters possess properties.

During test check (December 2012) of recovery files in Andheri Division, we noticed that an importer and reseller of soaps, detergents and manufacturer of poly set PVC-oriented yarn and chemicals was in arrears of assessed sales tax dues of ₹ 13.83 crore for the periods 1996-97 and 1997-98. On scrutiny of recovery files it was noticed that assessments for the years 1996-97 and 1997-98 were completed in March 2003. However, as the dealer had closed the place of business and left, notice of demand was pasted on the premises of the dealer in May 2003.

In September 2003, demand notices for recovery were sent to dealer's Delhi address as it had come to notice that the dealer had shifted his business to Delhi. However, the recovery notices were returned unserved. Hence, RRC was issued and sent to Assistant Collector, New Delhi in April 2004. Reminders were issued in August 2006 and January 2011. No further action has been taken by the Department.

From the above details it could be seen that after RRC was issued in April 2004, till the date of audit only two reminders were issued during the last eight and a half years. Considering the huge amount of recovery involved (₹ 13.83 crore), regular follow up was required to be done at higher level. However, the same was not done resulting in non-realisation of arrears.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

2.4.10 Non-recovery of sales tax dues due to non-follow up of case with BIFR

Assistant Commissioner of Sales Tax, C-464, Andheri Division

As per the Sick Industrial Companies (Special Provision Act) Act, 1985, (SIC Act) where a reference for declaration as sick unit is filed and proceedings thereon are pending before the Board for Industrial and Financial Reconstruction (BIFR), no suit for recovery or enforcement of any dues against the company shall lie or be proceeded further, except with the consent of the Board. Where a Company has been declared sick by the Board, the Department has to ensure inclusion of all the arrears in the statement of liabilities of the Company furnished to the Board.

During test check of recovery files in Andheri Division in July 2012, we noticed that a pharmaceutical company was in arrears of assessed sales tax dues of ₹ 2.21 crore for the periods 1984-85 to 1999-00. The details of assessments were not available on record. In February 2004 the Department made a reference to the dealer for recovery of admitted dues and tax collected but not yet paid in Government treasury. In reply, the dealer stated that the company's financial position had become so weak that it had already been declared sick under SIC Act and it was under rehabilitation programme

of BIFR vide case no. 79/2002.

Despite being aware of the facts as early as in February 2004 that the dealer was declared a sick firm and registered with BIFR since 2002, the Department sent only one letter to the BIFR in May 2011 after lapse of seven years enquiring about the current status of the case and that letter too was returned back unserved for reasons not available on record. Thereafter no further action has been taken by the Department to recover the dues.

We enquired (July 2012) for comments and further action taken in the matter of recovery. The response of the Department is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

Central Sales Tax, 1956

2.4.11 Short levy of Central Sales Tax

Under the provisions of Section 8(1) (b) of the CST Act and rules made thereunder, tax on sales in the course of inter-State trade or commerce, supported by valid declarations in form "C", is leviable at the rate of four *per cent* (three *per cent* from 1 April 2007 and two *per cent* from 1 June 2008) of the sale price. Otherwise, according to sub-Sections (2) (a) & (b) of Section 8, tax is leviable at twice the rate applicable to the sales inside the state in respect of declared goods and on goods other than declared goods at 10 *per cent* or at the rate of tax applicable to the sale or purchase of such goods inside the state, whichever is higher. Further, according to Rule 12(1) of the CST (Registration and Turnover) Rules, 1957 the purchasing dealer or his representative should have signed the declaration form. Besides, interest is also leviable as per Section 30(3) of the MVAT Act.

Our scrutiny of the assessment records in four offices between September 2008 and August 2012 revealed the following instances of short levy of Central Sales Tax on account of various reasons:

Assessing Authority	Date of audit	Activity of dealer and Period of assessment	Nature of irregularity	Short levy of Central Sales Tax (₹ in lakh)
1	2	3	4	5
Deputy Commissioner of Sales Tax E-010, Refund & Refund Audit, Nasik Division	August 2012	Manufacture of machine tools 2007-08	Sale of ₹ 68.11 lakh was not supported with C Form and sales of ₹ 8.60 lakh were allowed on photocopies of C Forms	7.29
The Department in December 2012 raised additional demand of ₹ 7.16 lakh and deferred the same.				
Assistant Commissioner of Sales Tax C-456 Andheri Division	June 2011	Manufacture of perfumes 2004-05	Sales of ₹ 16.65 lakh to M/s C. D. India, Mehrauli, New Delhi, the "C" Form was not authenticated by the purchaser but by the seller himself	5.90
The Department in May 2012 raised additional demand of ₹ 6.54 lakh. We brought the matter to the notice of the Government in April 2013. In reply the Government stated that (September 2013) that dealer had appealed against the order and obtained stay on the recovery of dues till the finalisation of the appeal. Further progress in the matter is awaited (January 2014).				

1	2	3	4	5
Sr. Deputy Commissioner of Sales Tax A-08, Worli Division	September 2008	Manufacture of pharmaceutical goods, bulk drugs animal feeds, cosmetics, etc. 2001-02	Sale amounting to ₹ 362.60 lakh was taxed @10 per cent being not supported with form C, however, the products sold were diagnostics and other than notified chemicals which were taxable @15.3 per cent within the State	19.22
<p>The Department in May 2012 raised additional demand of ₹ 99.86 lakh including interest of ₹ 47.92 lakh.</p> <p>We brought the matter to the notice of the Government in April 2013. In reply the Government stated that (September 2013) that dealer had appealed against the order in the Tribunal. Further progress in the matter is awaited.</p>				
Assistant Commissioner of Sales Tax C-472, Andheri Division	November 2009	Manufacturer of moulds 2003-04	Sale amounting to ₹ 35.04 lakh was allowed against duplicate form 'C' in contravention of the provisions of the CST Act	7.02
<p>The Department in July 2011 raised additional demand of ₹ 7.16 lakh including interest of ₹ 3.06 lakh and penalty of ₹ 0.14 lakh.</p> <p>We reported the matter to the Government in April 2013. The Government endorsed (September 2013) the reply of the Department which stated the dealer had gone in appeal against the order of additional demand and the appellate authority concerned had granted stay on the recoveries till the case is finalised. Further progress in the matter is awaited.</p>				

We reported the matter to the Government in April 2013; their reply is awaited (January 2014).

2.4.12 Incorrect allowance of export

As per the provisions of Section 5(1) of the CST Act, sale or purchase of goods shall be deemed to have been taken in the course of export of goods out of the territory of India only if the sale or purchase either occasions such export or is effected by a transfer of documents of title to the goods such as bill of lading, dock warrant, railway receipt etc., after the goods have crossed the customs frontiers of India.

Our scrutiny of assessment records in two offices between November 2009 and June 2010 revealed instances of incorrect allowance of export claims as shown in the following table.

Assessing Authority Period	Date of audit	Nature of irregularity	Short levy of Central Sales Tax (₹ in lakh)
Assistant Commissioner of Sales Tax C-472, Andheri Division 2003-04	November 2009	Deduction of ₹ 1.08 crore was allowed on account of sales in the course of export, although no documents were on record for support of such claim	10.81
<p>The Department revised the assessment (July 2011) raising additional demand of ₹ 29.91 lakh including interest of ₹ 12.77 lakh and penalty of ₹ 61,000. A report on the recovery is awaited.</p> <p>We reported the matter to the Government in April 2013. The Government endorsed (September 2013) the reply of the Department which stated the dealer had gone in appeal against the order of additional demand and the appellate authority concerned had granted stay on the recoveries till the case is finalised. Further progress in the matter is awaited.</p>			
Sr. Dy. Commissioner of Sales Tax A-21, Pune Division 2004-05	June 2010	Fifty <i>per cent</i> of claim of sales in the course of export of ₹ 1.79 crore was allowed although there were no documents to support the claim. The reasons for allowing even 50 <i>per cent</i> of the export without requisite documents were also not recorded by the assessing officer.	24.75
<p>The Department allowed (out of the fifty per cent claim of ₹ 89.52 lakh allowed by the assessing officer) the export claim of ₹ 55.36 lakh on the basis of documents produced by the dealer, disallowed the balance claim of ₹ 34.16 lakh and raised a demand under the CST Act of ₹ 9.44 lakh including interest at ₹ 4.05 lakh. A report on the recovery is awaited.</p>			

We reported the matter to the Government in April 2013; their reply is awaited (January 2014).

2.4.13 Incorrect grant of exemption from payment of tax on sales in the course of export

(i) Sales to a local exporter

(a) Deputy Commissioner of Sales Tax B-130, Nariman Point division

Under the provisions of Section 5(3) of the CST Act read with Rule 21A of the BST Act, sale in the course of exports is exempt from tax provided the sale or purchase is preceded by an agreement or order from a foreign buyer for or in relation to such export. The selling dealer is required to produce a certificate in Form 14B duly filled in and signed by the exporter along with evidence of export of goods for claiming exemption of tax on sales.

During test check of assessment and other related records in December 2008, we noticed in respect of a dealer engaged in ship-breaking and selling business that sales valued at ₹ 41.69 lakh for the period 2004-05 was exempted from payment of tax as sales in the course of exports. For this, the selling dealer was required to obtain a certificate in form '14B' and

other documents to confirm that there was a pre-existing order from the foreign buyer and that the goods were actually exported. Our scrutiny revealed that the foreign buyer's agreement order was subsequent to the purchase order of local exporter. This resulted in underassessment of tax of ₹ 6.38 lakh. Besides, interest of ₹ 1.97 lakh was also leviable.

After the case was pointed out in January 2009, the Department revised the assessment (May 2012) raising additional demand at ₹ 8.30 lakh including interest of ₹ 1.97 lakh and penalty of ₹ 2,000.

We reported the matter to the Government in April 2013. The Government communicated (September 2013) that the dealer had appealed against the revision order and the Tribunal had granted stay on recovery of dues till the finalisation of the appeal.

(b) Assistant Commissioner of Sales Tax C-802, Nashik Division

During test check(December 2008) of the assessments(August 2007) and other related records of a dealer, engaged in the manufacture of ball pen tips, for the periods 2003-04 and 2004-05, we noticed that, sales aggregating ₹ 107.24 lakh were allowed as exempt from payment of tax on the basis of certificates in Form "14B" issued by the purchaser-exporter. Detailed scrutiny of these certificates revealed that in respect of sales valued at ₹ 79.28 lakh, the agreement orders of the foreign buyers were subsequent to the date on which the purchase order was placed by the exporter. Thus, in the absence of a pre-existing order from the foreign buyer the condition set forth in Section 5(3) of the CST Act for claiming exemption from tax was not fulfilled. This resulted in under assessment of tax of ₹ 6.08 lakh including interest of ₹ 1.85 lakh.

After we pointed out the case in January 2009, the Department accepted the observation and revised the assessments in July and August 2012 raising additional demands totalling ₹ 6.08 lakh including interest of ₹ 1.85 lakh. A report on recovery is awaited.

We reported the matter to the Government in July 2013; their reply has not been received (January 2014).

(ii) Sales to an exporter located outside the state

Assistant Commissioner of Sales Tax C-472, Andheri Division

Under the provisions of Section 5(3) of the CST Act and the Rules made thereunder, the last sale or purchase of any goods preceding the sale or purchase occasioning the export of those goods out of the territory of India is deemed to be in the course of export and is exempt from tax, provided, the last sale or purchase took place after, and was for the purpose of complying with a pre-existing agreement or order for or in relation to such export. Also, the selling dealer is required to produce a certificate in form 'H' duly filled in and signed by the exporter along with the evidence of export of goods.

During test check of assessment and other related records in November 2009, we noticed in respect of a dealer engaged in manufacture of moulds that sales valued at ₹ 44.39 lakh for the period 2003-04 was exempted from payment of tax as sales in the course of

exports. For this, the selling dealer was required to obtain a certificate in form 'H' and other documents to confirm that there was a pre-existing order from the foreign buyer and that the goods were actually exported. Our scrutiny revealed that the declarations in form 'H' were kept in duplicate instead of original and details like dates of foreign buyer's agreement order and local buyer's purchase order were not on record. Therefore, the allowance of deemed export was not in accordance with the provisions of the Act and Rules which resulted in underassessment of tax of ₹ 12.04 lakh including interest of ₹ 5.25 lakh.

After the case was pointed out in December 2009, the Department revised (July 2011) the assessment raising additional demand at ₹ 12.29 lakh including interest of ₹ 5.25 lakh and penalty of ₹ 25,000.

We reported the matter to the Government in April 2013. The Government forwarded (September 2013) the reply of the Department which stated that the dealer had gone in appeal against the order of additional demand and the appellate authority concerned had granted stay on the recoveries till the case is finalised. Further progress in the matter is awaited (January 2014).

Maharashtra Tax on Luxury Act

2.4.14 Loss of revenue due to issue of circular *ultra vires* to the provision of the Act

Assistant Commissioner of Sales Tax C-368, Nariman Point division

Under the provisions of the Maharashtra Tax on Luxury Act, 1987 there shall be levied a tax on the turnover of receipts in respect of luxuries provided in a hotel. The luxury provided in a hotel means accommodation and other services provided in a hotel, the rates or charges for which including the charges for air-conditioning, telephone, television, radio, music, entertainment, extra beds and the like, exceed rupees two hundred or more, per day per residential accommodation.

During test check of assessment and other related records in February 2012 we noticed that two dealers, engaged in hotel²⁷ business had received charges of ₹ 53.37 crore for laundry sales, membership, executive centre, internet sales, banquet sales, internet services, conference hall, telephone, audio visual equipment, secretariat services, etc., in the hotel during the year 2007-08. Though these receipts form part of the turnover of receipts

²⁷ Section 2(e) defines "hotel" as a residential accommodation, a club, a lodging house, an inn, a public house or a building or part of a building, where a residential accommodation is provided by way of **business**;

Section 2(b) defines "business" as the activity of providing residential accommodation and any other service in connection with or incidental or ancillary to such activity of providing residential accommodation, by a hotelier for monetary consideration;

Whether or not such activity, other services or supply is carried on with a motive to make a gain or profit and whether or not any gain or profit accrues from such activity, other services or supply.

for levy of tax, same was not included in the turnover of receipts. This resulted in short levy of tax ₹ 5.34 crore.

After the case was pointed out in March 2012, the Department stated that these charges were not included in the turnover of receipt as per the Commissioner's circular 20 T of 2005 dated 23 September 2005.

The reply of the Department is not tenable as the Act provides for levy of tax on the accommodation and other services provided in the hotel which are in connection with or incidental or ancillary to the activity of providing residential accommodation by a hotelier for monetary consideration, whether or not such other services is carried on with a motive to make a gain or profit and whether or not any gain or profit accrues from such other services.

We reported the matter to the Government in June 2013; their reply is awaited (January 2014).

CHAPTER III EXECUTIVE SUMMARY

Trend of receipts The revenue collection of the State under Stamp duty and Registration Fee increased by 111.74 *per cent* in 2012-13 as compared to 2008-09.

Revenue impact of Audit Reports During the last five years, 2007-08 to 2011-12, we had pointed out in our Audit Reports cases of under assessments/non/short levy/loss of revenue of stamp duty, etc., interest and other irregularities with revenue implication of ₹ 53.89 crore in 90 cases. Of these, the Department had accepted audit observations in 79 cases involving ₹ 28.00 crore and had recovered ₹ 0.67 crore in eight cases. The recovery position as compared to acceptance of objection was negligible.

Results of audit During the year 2012-13, we reported underassessment, short levy, non-levy of stamp duty, loss of revenue etc., amounting to ₹ 191.08 crore in 392 cases of which the department accepted and recovered short levy and other deficiencies in 49 cases involving ₹ 0.55 crore.

What we have highlighted in this Chapter A paragraph on ‘**Levy of Stamp duty and Registration fee on Development Agreements**’ revealed the following :

Misclassification of instruments in 15 cases resulted in short levy of stamp duty of ₹ 66.24 lakh.

(Paragraphs 3.2.4.1 and 3.2.4.2)

As against levy of stamp duty of ₹ 3.25 crore, stamp duty was levied at ₹ 2.18 crore due to under valuation of property resulting in short levy of ₹ 1.07 crore.

(Paragraph 3.4.4)

Incorrect grant of benefit of tenancy for determination of market value resulted in short levy of stamp duty and penalty of ₹ 2.94 crore in one case.

(Paragraph 3.4.6)

Incorrect determination of market value in

respect of several distinct matters involved in an instrument resulted in short levy of stamp duty of ₹ 50.56 lakh in one case.

(Paragraph 3.4.8)

CHAPTER III: STAMP DUTY AND REGISTRATION FEES

3.1 Introduction

3.1.1 Tax Administration

At the apex level, Principal Secretary, Relief and Rehabilitation (R&R) heads the Department. The responsibility for overall administration of stamp duty and registration fee is entrusted with the Inspector General of Registration (IGR), Pune. He is assisted by the Additional Controller of Stamps, Mumbai, ten¹ Deputy Inspectors General of Registration (DIGs), nine² Assistant IGRs, six Collector of Stamps (COS) at Mumbai and Mumbai Suburban District, 32 Joint District Registrars and Collector of Stamps (JDRs and COS) and 465 Sub-Registrars (SRs) at district and taluka levels.

3.1.2 Trend of receipts

Actual receipts from Stamp Duty and Registration Fee etc., during the years 2008-09 to 2012-13 along with the total tax receipts during the same period is exhibited in the following table.

(₹ in crore)

Year	Budget estimates ³	Actual receipts ³	Variation of receipt excess(+) / shortfall (-)	Percentage of variation of receipt from Budget	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2008-09	9,600.00	8,287.63	(-) 1,312.37	(-) 13.67	52,029.94	15.93
2009-10	9,600.00	10,773.65	(+) 1,173.65	(+) 12.23	59,106.33	18.23
2010-11	10,478.86	13,515.99	(+) 3,037.13	(+) 28.98	75,027.10	18.01
2011-12	15,677.14	14,407.49	(-) 1,269.65	(-) 8.09	87,608.46	16.44
2012-13	15,730.00	17,548.25	(+) 1,818.25	(+) 11.56	1,03,448.52	16.96

As can be seen from the above table, the revenue collection of the State under Stamp duty and Registration Fee increased by 111.74 *per cent* in 2012-13 as compared to 2008-09.

3.1.3 Cost of collection

The gross collection in respect of Stamp duty and Registration Fee, the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years 2010-11, 2011-12 and 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collection for the preceding years are given in the following table:

¹ Including one Dy. IGR, Headquarter at Pune and one Dy. IGR (Computerisation)

² Including one Assistant IGR in Stamp Office, Mumbai.

³ Source: Finance Accounts.

(₹ in crore)

Sl No	Head of revenue	Year	Gross collection	Expenditure on collection ⁴	Percentage of expenditure to gross collection	All India average percentage of the preceding year
1.	Stamp duty and Registration Fee	2010-11	13,515.99	100.00	0.74	2.47
		2011-12	14,407.49	122.35	0.85	1.60
		2012-13	17,548.25	172.00	0.98	1.89

As seen from the above, the cost of collection in the State of Maharashtra, during the periods 2010-11 to 2012-13 is less as compared to the all India average for the corresponding preceding years.

3.1.4 Impact of audit reports

Revenue impact

During the last five years, 2007-08 to 2011-12, we had pointed out in our Audit Reports cases of under assessments/non/short levy/loss of revenue of stamp duty, etc., interest and other irregularities with revenue implication of ₹ 53.89 crore in 90 cases. Of these, the Department had accepted audit observations in 79 cases involving ₹ 28.00 crore and had recovered ₹ 67.12 lakh in eight cases. The details are shown in the following table:

(₹ in lakh)

Year	Amount objected		Amount accepted		Amount recovered	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
2007-08	9	2,582.00	3	56.00	1	11.00
2008-09	16	335.00	11	272.00	Nil	Nil
2009-10	28	496.84	28	496.84	1	2.70
2010-11	15	517.60	15	517.60	3	23.60
2011-12	22	1,457.91	22	1,457.91	3	29.82
Total	90	5,389.35	79	2,800.35	8	67.12

As would be seen from the above the amount recovered is only 2.40 per cent of the amount of the accepted cases. The Department needs to take effective steps to recover the amount at least in those cases which have been accepted by the Department.

We recommend that the Government may consider issuing instructions to the Department for effecting recoveries at least in those cases which have been accepted by the Department.

3.1.5 Results of audit

We reported underassessment, short levy, non-levy of stamp duty, loss of revenue etc., amounting to ₹ 191.08 crore in 392 cases as shown below, on the

⁴ Source: Information furnished by the Department.

basis of test check of records of stamp duty and registration fees conducted during the year 2012-13 :

(₹ in crore)

Sl. No	Category	No. of cases	Amount
1	Audit of "Levy of Stamp duty and Registration fee on Development Agreements"	1	0.66
2	Short levy due to under valuation of property	267	15.39
3	Short levy due to misclassification of documents	18	7.36
4	Incorrect grant of exemption of stamp duty and registration fees	5	0.09
5	Non-levy of stamp duty and registration fee	87	167.03
6	Other irregularities	14	0.55
	Total	392	191.08

In response to the observations made in the local audit through Inspection Reports during the year 2012-13 as well as during earlier years, the Department accepted and recovered short levy and other deficiencies in 324 cases involving ₹ 6.43 crore, of which 49 cases involving ₹ 55.21 lakh were pointed out during 2012-13 and rest during earlier years.

A paragraph on "Levy of Stamp duty and Registration fee on Development Agreements" with a total financial effect of ₹ 66.24 lakh and few audit observations involving ₹ 5.13 crore are included in the succeeding paragraphs.

3.2 Paragraph on “Levy of stamp duty and registration fee on Development Agreements”

3.2.1 Introduction

In Maharashtra, levy of stamp duty is governed by the Bombay Stamp Act, 1958 (Act) and registration fee by the Registration Act, 1908. Under the Act, agreement to sell is deemed as conveyance deed and is chargeable at the rate of five *per cent* for properties situated in Municipal Corporation area and two *per cent* for properties situated in rural residential area.

Maharashtra Registration Manual Part-II prescribes that a development agreement includes the essential conditions, (i) the possession of the property is handed over as a licensee, (ii) the developer is required to construct residential/non-residential components on the property, and (iii) the developer is allowed to enter into agreements to sell the residential and non-residential components to the prospective purchasers. Further, in an instrument of development, if the owner agrees to sell the property to the developer, then it should be treated as an agreement to sell and charged under Article 25.

The State Government in order to avoid misclassification of conveyance deed as development agreements inserted the incidence of levy of stamp duty at the rate of one *per cent* on instrument of development agreement/power of attorneys by an Amendment Act of 1997 retrospectively applicable from 7 February 1990. With effect from 5 June 2008, the State Government had brought the levy of stamp duty on development agreement at par with the conveyance.

3.2.2 Audit objective

Audit was conducted with a view to ascertain whether the instruments of development agreement/power of attorney were classified as conveyance deed and stamp duty levied correctly.

3.2.3 Scope of audit

The scope of this audit was restricted to the period between 1 April 2007 and 4 June 2008 as the State Government, on the basis of the findings in Paragraph 3.2- “Evasion of stamp duty due to misclassification of documents”, included in the Report of the Comptroller and Auditor General of India on the Revenue Receipts of the Government of Maharashtra for the year ended 31 March 2006 and subsequent discussion of the said Report by the Public Accounts Committee, amended the Bombay Stamp Act, 1958 and brought the levy of stamp duty on development agreement/power of attorneys at par with the conveyance deed with effect from 5 June 2008. The issue of short levy of stamp duty due to misclassification of conveyance deeds as development agreement/power of attorneys before this amendment was raised during the course of local audit of units conducted between the period 1 January 2006 and 4 June 2008.

3.2.4 Audit findings

Stamp duty on instruments is levied as per articles described in Schedule I of the Act. Further, if any instruments is so framed as to come within two or more descriptions of the Schedule I of the act and is chargeable with duties at different rates then highest of the duty is to be charged.

3.2.4.1 Short levy of stamp duty due to misclassification of instruments

Under the provisions of the Act, instrument of conveyance includes every instrument by which property, whether movable or immovable, or any estate or interest therein is not only sold but otherwise transferred to any other person with or without consideration and is chargeable under Article 25 of the Schedule-I of the Act. Further, as per instructions of Maharashtra Registration Manual-II, if the owner of the land agrees to sell the property to the developers under the instrument of development agreement, it should be treated as agreement to sell and charged as conveyance deed.

Recitals of instruments indicated that in 10 cases, the owner of the land authorised the developers to sell the land either partially or wholly for a consideration of ₹ 14.74 crore, the instruments were classifiable as agreement to sell and stamp duty was chargeable under Article 25 of Schedule I of the Act. However, the instruments were classified as development agreements and stamp duty was levied at ₹ 15 lakh i.e. at the rate of one *per cent.* instead of ₹ 65 lakh, which has resulted in short levy of ₹ 50 lakh as detailed in **Appendix IV.**

The Department had accepted the short levy in seven cases, out of which in one case the proceedings of revenue recovery certificate has been completed and in remaining cases recovery is in progress. Further in three cases first compliance is awaited from the Department (January 2014).

3.2.4.2 Short levy of stamp duty due to misclassification of instruments of power of attorney

As per Maharashtra Registration Manual Part-II, a development agreement shall essentially include the conditions that (i) the possession of the property is handed over as a licensee, (ii) the developer is required to construct residential/non-residential components on the property, and (iii) the developer is allowed to enter into agreements to sell the residential and non-residential components to the prospective purchasers. Further, in an instrument of development if the owner agrees to sell the property to the developer, then it should be treated as an agreement to sell and charged under Article 25 of Schedule-I of the Act.

Recitals of instruments in five cases titled as “Development agreement” indicated that the owner of five property valued at ₹ 8.73 crore has executed five power of attorneys in favour of developers, which authorise the developers to sell the open land/plots. The instruments were classifiable as agreement to sell and accordingly stamp duty of ₹ 24.70 lakh was leviable under Article 25 of Schedule-I of the Act. Thus, misclassification of

agreement to sell as power of attorney has resulted in short levy of stamp duty of ₹ 15.97 lakh as detailed in **Appendix V**.

In reply the Department stated that detailed reply would be furnished.

We reported the matter to the Government in October 2013; their reply is awaited (January 2014).

3.3 Audit observations

During scrutiny of records of the various registration offices, we noticed several cases of non-compliance of the provisions of the Bombay Stamp Act, 1958 and Government notifications and instructions and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on our test check of records. The Government/ Department need to improve internal control mechanisms so that such cases can be avoided, detected and corrected.

3.4 Non-observance of provisions of Acts/Rules

The provisions of the Bombay Stamp Act, 1958 and Government notifications and instructions require:-

- i. levy of stamp duty on market value of property;*
- ii. levy of stamp duty at prescribed rate; and*
- iii. levy of stamp duty as per the substance and real nature of transaction.*

We observed that the registering authorities did not observe some of the above provisions at the time of registration of documents in cases as mentioned in paragraphs 3.4.1 to 3.4.8.

3.4.1 Short levy of stamp duty and registration fee due to misclassification of document

Joint Sub-Registrar Haveli XVII Pune.

As per Article 48(d) of Schedule I to the Bombay Stamp Act 1958, Power of Attorney when authorizing one person to act in more than one transaction or generally stamp duty of ₹ 100 is leviable and as per amended provisions of article 48(g) *ibid* effective from 5 June 2008, where a power of attorney is given to promoter or developer by whatever name called, for construction on development, or sale or transfer (in any manner whatsoever) of any immovable property in such case the same duty as is leviable on conveyance under clause (b), (c) or (d) as the case may be of Article 25, on the market value of property at the rates applicable to the area in which the property is situated is leviable. These rates are prescribed in the Annual Statement of Rates (ASR).

During test check of records in February 2010, we observed that a document of Power of Attorney was executed on 6 June 2008 for development of land situated within Municipal Corporation limits of Pimpri Chinchwad wherein the developer was authorized to sell, execute sale deed/ conveyances from the above property to the prospective purchaser/ co-operative society for which the executants had acquired the right of development of land and power of attorney from the land owner in February

1994. Hence, the document was classifiable u/a 48 (g) as amended and stamp duty was leviable at ₹ 9.75 lakh on the market value of ₹ 1.95 crore. In

addition registration fee of ₹ 0.30 lakh was also leviable. However, the Department had misclassified the document u/a 48 (d) and levied stamp duty of ₹ 100 and registration fee of ₹ 100 only. This has resulted in short levy of stamp duty of ₹ 9.75 lakh and Registration fee of ₹ 0.30 lakh.

After we pointed out the case in February 2010, Joint District Registrar and Collector of Stamps, Pune accepted the observation (April 2011) and instructed to the Joint Sub Registrar Haveli-XVII, Pune to recover deficit stamp duty.

The matter was reported to the Government in May 2013; their reply is awaited (January 2014)

3.4.2 Short levy of stamp duty and penalty due to application of incorrect rate of stamp duty

Collector of Stamps, Borivali

As per provisions of Article 34 and 25 (b) (vi) (a) of Schedule- I to Bombay Stamp Act, 1958, on the instrument of gift (not being a settlement or will or transfer), if relating to immovable property situated within the limits of Municipal Corporation of Greater Bombay, the stamp duty @ 10 per cent is leviable on the market value of the property which is the subject matter of the gift provided that, if the property is gifted to a family member being the husband, wife, brother or sister of the donor or any lineal ascendant or descendant of the donor, then the amount of duty chargeable shall be @ two per cent on the market value. Further as per section 34 (a) (ii) of BS Act 1958 a penalty at the rate of two per cent of the deficit portion of the stamp duty for every month from the date of execution of such instrument is leviable provided that in no case the amount of penalty shall exceed double the deficient portion of stamp duty.

During test check of adjudicated cases in December 2010, we noticed that a Memorandum of understanding - cum gift deed was executed on 22 October 1996 between the religious entity as donor and two individuals as donee on stamp paper of ₹ 75 which was notarised. The donor gifted to donee three rooms having built up area of 2,782.80 square feet (sq. ft.)

situated within Municipal Corporation limits of Mumbai Suburban District. The Department adjudicated the document in April 2009 and considered incorrectly the relation of donor and donee as family member and allowed to levy stamp duty at concessional rate of two per cent amounting to ₹ 0.89 lakh on the market value of ₹ 44.52 lakh with penalty of ₹ 1.78 lakh. We noticed that the donor and donee were not family members therefore stamp duty was leviable @ 10 per cent amounting to ₹ 4.45 lakh. Thus, application of incorrect rate of stamp duty resulted in short levy of stamp duty of ₹ 3.56 lakh. Further, penalty @ two per cent per month subject to a maximum of twice the amount of deficit stamp duty amounting to ₹ 7.12 lakh was leviable. Thus, there was total short levy of ₹ 10.69 lakh.

After we pointed out the case in December 2010, the Collector of Stamps, Borivali accepted the observation (February 2011) and stated that the case has been referred to IGR Pune for taking action under section 53-A.

The matter was reported to the Government in May 2013; their reply is awaited (January 2014)

3.4.3 Short levy of stamp duty due to incorrect determination of market value of property

Joint Sub Registrar-VI, Nagpur

As per article 25 (b) (v) of the Bombay Stamp Act, 1958, stamp duty @ 5 per cent shall be levied on the true market value of the property which is the subject matter of conveyance or the consideration stated in the instrument whichever is higher. These rates are prescribed in ASR. Cess at the rate of one half per cent is leviable on the true market value of the property situated within the limits of Nagpur Municipal Corporation.

During test check of records in November 2011, we noticed that two Sale Deeds were executed on 31 December 2009 for sale of 6,170.24 square meter (sqm) of land situated within Nagpur Municipal Corporation limits. The Department had worked out market value of the property at ₹ 1.22 crore, however since the sale consideration of ₹ 2.09 crore was higher, levied stamp duty of ₹ 11.47 lakh on sale

consideration.

We noticed that correct market value of land by applying the rate applicable to the zone in which properties are situated worked out to ₹ 4 crore on which stamp duty of ₹ 22.01 lakh was leviable. Thus, incorrect determination of market value of property has resulted in short levy of stamp duty of ₹ 10.54 lakh.

After we pointed out these cases in November 2011, the Joint District Registrar and Collector of Stamps, Nagpur, accepted the observation (April 2012) and instructed the Joint Sub Registrar-VI, Nagpur to take action under section 32-A of BS Act 1958 for recovery.

The matter was reported to the Government in May 2013; their reply is awaited (January 2014).

3.4.4 Short levy of stamp duty due to undervaluation of property

During the test check (between June 2010 and December 2011) of documents registered (between June 2008 and September 2010), we noticed that under valuation of property by the Department resulted in short levy of stamp duty of ₹ 106.64 lakh. The details are mentioned in the

The market value of the property is worked out by applying the rates of the ASR applicable to the area in which property is situated.

following table:

Sl. no	Name of the Sub-Registrar	Document No. and Date of Execution/Registration	Market Value as per ASR (₹ in crore)	SD Leviable (₹ in lakh)	SD Levied (₹ in lakh)	Short levy of SD (₹ in lakh)
1.	SR-I Borivali	179 24-12-2008	22.54	112.69	100.55	12.14
2.	JSR-IV Thane	5367 21-06-2008	2.76	13.79	5.01	8.78
3.	JSR-IV Thane	5518 26-06-2008	3.97	19.85	13.90	5.95
4	JSR-IV Thane	9505 07-11-2008	4.38	21.91	8.12	13.79
5.	JSR-IV Thane	5057 11-06-2008	4.22	21.07	14.76	6.31
6	JSR-IV Thane	9727 14-11-2008	7.33	36.64	11.65	24.99
7	JSR-IV Thane	6577 02-08-2008	15.08	75.41	52.79	22.62
8	JSR-IV Nagpur	2651 13-05-2008	1.52	8.36	1.74	6.62
9	JSR-V Thane	10178 23-09-2010	7.68	15.36	9.92	5.44
Total			69.48	325.08	218.44	106.64

After we pointed these cases, the Department accepted (between January 2012 and January 2013) the omission and agreed to recover the deficit stamp duty.

The matter was reported to Government in May–June 2013; their reply was awaited (January 2014). However, JSR-IV Nagpur intimated that full recovery has been made in respect of case at serial number 8 and JSR-V Thane intimated that recovery of ₹ 5.32 lakh has been made in respect of case at serial number 9.

3.4.5 Short levy of stamp duty due to incorrect computation of market value

As per article 36 (iii) & (iv) of schedule-I of Bombay Stamp Act, 1958, where such lease period purports to be (a) for a period exceeding ten years but not exceeding twenty-nine years with a renewal clause contingent or otherwise and (b) for a period exceeding twenty-nine years or in perpetuity, or does not purport for any definite period or for lease for period exceeding twenty-nine years with a renewal clause contingent or otherwise, stamp duty is leviable as conveyance under article 25 (b) (v) *ibid* on 50 per cent / 90 per cent respectively of market value worked out by applying the rates of ready reckoner applicable to the area in which the property is situated.

During the test check of records in November-December 2011, we found that incorrect computation of market value of property for levy of stamp duty resulted in short levy of ₹ 11.93 lakh. The details of which are mentioned in the following table.

Sl. No.	Name of the office	Document Number and date of execution	S.D. leviable (₹ in lakh)	S.D. levied (₹ in lakh)	Short levy (₹ in lakh)	Irregularity in brief.
1	JSR (City) 2 Nagpur.	1522 13/04/2010	9.47	3.01	6.46	On an instrument of lease of commercial building even though separate rates for valuation of commercial building were given in ASR, market value was incorrectly computed taking in to account rate of open land and construction cost.
2	JSR-VI, Nagpur	2168 31/03/2010	6.61	2.30	4.31	On an instrument of lease of building for a period of 10 years renewable for further two period of 10 years, stamp duty was levied on 25 per cent instead of 90 per cent of market value of the property.
3	JSR-VI, Nagpur	4726 03/08/2010	2.32	1.16	1.16	On an instrument of lease of building for the first block of 10 years period with renewable clause of subsequent block of five year, stamp duty was levied on 25 per cent instead of 50 per cent of market value of the property.
Total			18.40	6.47	11.93	

After we pointed these cases in November 2011 the Department accepted (between April and August 2012) the omission and agreed to recover the deficit stamp duty.

The matter was reported to Government in May 2013; their reply is awaited. However, SR intimated that full recovery has been made in cases at serial number 1 and 2 and a note of encumbrance has been made in the property card in respect of case at serial number 3. The details of recovery is awaited (January 2014).

3.4.6 Short levy of stamp duty and penalty due to incorrect grant of benefit of tenancy for determination of market value

Collector of Stamps, Mumbai

As per instruction 2.2 of ASR, benefit of tenanted property is available only if tenants gives at least two of the eight prescribed documents in support of tenancy for last five years and should from part of instrument. Further the area occupied by tenant is required to be stated in detail in the recital of the instrument. As per section 34 (a) (ii) of BS Act 1958, a penalty at the rate of two *per cent* of the deficit portion of the stamp duty for every month from the date of execution of such instrument is leviable provided that in no case the amount of penalty shall exceed double the amount deficient portion of stamp duty.

During test check of records in April 2012, we noticed that an instrument of development agreement executed on 5 June 2008 for inbuilt area of 4,227.31 sqm situated in Tardeo division within Mumbai Municipal Corporation limits was adjudicated by Collector of Stamps, Mumbai in February 2011.

Though the property was stated to be tenanted, the area occupied by tenants,

rent recovered, proof of tenancy and area to be allotted to these tenants in new building were not mentioned in the body of the instrument. The Department had worked out the market value of property at ₹ 1.09 crore incorrectly by giving the benefit of tenancy and levied stamp duty of ₹ 5.44 lakh and penalty of ₹ 3.48 lakh. We noticed that the correct market value of property works out to ₹ 28.62 crore at the rate of 67,700 per sqm on which stamp duty of ₹ 1.43 crore and penalty of ₹ 1.59 crore for the period from June 2008 to March 2013 was leviable. This has resulted in short levy of stamp duty of ₹ 1.38 crore and penalty of ₹ 1.56 crore (upto March 2013)

After we pointed out the case in April 2012, the Collector of Stamps, Mumbai, accepted the observation (September 2012) for deficit stamp duty of ₹ 1.38 crore and penalty recoverable of ₹ 0.85 crore (June 2008 to January 2011) and stated that demand notice to the party for recovery for the amounts pointed out by audit will be issued.

The matter was reported to the Government in June 2013; their reply is awaited (January 2014).

3.4.7 Short levy of stamp duty due to non-consideration of market value of property on the date of execution of instrument

Joint Sub Registrar VII, Haveli, Pune.

As per Section 2 (na) of Bombay Stamp Act 1958, market value in relation to any property which is the subject matter of an instrument, means the price which such property would have fetched if sold in open market on the date of execution of such instrument. Further as per Article-25 (b) (vi) of Schedule –I of Bombay Stamp Act 1958, stamp duty at the rate of five *per cent* is leviable on the true market value of property which is the subject matter of conveyance or the consideration stated in the instrument whichever is higher.

3.4.7.1 During test check of records in February 2010, we noticed that a deed was executed on 23 December 2008 for conveyance of a land admeasuring 5,650 sqm situated at Baner, within the Pune Municipal Corporation limits between vendor and purchaser for a consideration of ₹ 33.90 lakh. The Department worked out the market value of property at ₹ 43.90 lakh and levied stamp duty of ₹ 2.20 lakh on

it. The details of working of market value were not available on record.

We noticed that the correct market value of the property as per the ASR for the year 2008 works out to ₹ 2.61 crore on which stamp duty of ₹ 13.06 lakh at the rate of five per cent was leviable. This has resulted in short levy of stamp duty of ₹ 10.86 lakh.

After we pointed out the case in February 2010, the Joint District Registrar and Collector of Stamps, Pune accepted the observation (January 2013) and instructed Joint Sub Registrar- VII, Haveli, Pune to take action under section 32-A of BS Act 1958 for recovery.

3.4.7.2 During test check of records in February 2010, we noticed that a deed was executed on 21 August 2008 for conveyance of a land admeasuring 15,290.97 sqm situated at Ghorpadi, within the Pune Municipal Corporation limits between vendor and purchaser for a consideration of ₹ 3.50 crore. The Department worked out the market value of property at ₹ 3.31 crore and levied stamp duty of ₹ 17.50 lakh on consideration amount being higher than market value.

We noticed that the correct market value of the property as per the ASR for the year 2008 works out to ₹ 5.09 crore on which stamp duty of ₹ 25.44 lakh at the rate of five *per cent* was leviable. This has resulted in short levy of stamp duty of ₹ 7.94 lakh.

After we pointed out the case in February 2010, the Joint District Registrar and Collector of Stamps, Pune accepted the observation (January 2013) and instructed Joint Sub Registrar- VII, Haveli, Pune to take action for recovery.

The matter was reported to the Government in June 2013; their reply is awaited (January 2014).

3.4.8 Short levy of stamp duty due to incorrect determination of market value in respect of several distinct matters involved in an instrument

Joint Sub Registrar (City)-II, Mumbai.

As per Section 5 of Bombay Stamp Act 1958, any instrument comprising or relating to several distinct matters shall be chargeable with the aggregate amount of duties with which separate instruments, each comprising or relating to one of such matter would be chargeable. As per Section 34 (a) (ii) *ibid*, penalty at the rate of two *per cent* per month is also leviable on the amount of the deficit stamp duty subject to maximum of two times of deficit portion of stamp duty.

During scrutiny of registered documents in April 2008, we noticed that a memorandum of understanding and consent terms were executed in March 2005 between the Bombay Cricket Association and Garware Club House, Mumbai for four distinct matters such as (i) Sub-Lease of an area of 58,398.364 sq. ft. for

indefinite period (ii) Transfer of rights in 6000 seats for the members of Garware Club House by way of Permanent reservation at payment of ₹ 1.20 crore; (iii) Construction of FSI 1,00,000 sq. ft. and (iv) Utilization of lawn. The Collector of Stamps, Mumbai worked out the valuation of property as ₹ 5.53 crore and levied stamp duty of ₹ 27.64 lakh at the rate of five *per cent*.

However, in this case, several distinct matters were involved, hence, for the purpose of levy of stamp duty, the valuation of immovable property works out to ₹ 12.24 crore on which stamp duty at the rate of five *per cent* amounting to ₹ 61.20 lakh was leviable. The valuation of moveable property works out to ₹ 1.20 crore on which stamp duty @ three *per cent* amounting to ₹ 3.60 lakh was leviable. Thus, total stamp duty of ₹ 64.80 lakh was leviable. In addition, penalty of ₹ 17.83 lakh is also leviable. As against this, stamp duty of ₹ 27.64 lakh and penalty of ₹ 4.42 lakh was levied and recovered. This has resulted in short levy of SD of ₹ 37.15 lakh and penalty of ₹ 13.41 lakh.

After we pointed out the case in April 2008, Inspector General of Registration and Chief Controlling Revenue Authority (M.S.), Pune has accepted the observation (April 2013). Further, the matter was reported to the Government in June 2013; their reply is awaited (January 2014). However IGR Pune has intimated that full recovery has been made.

CHAPTER IV

EXECUTIVE SUMMARY

Trend of receipts	The revenue collection of the State under Land Revenue was increased by 96.63 <i>per cent</i> in 2012-13 as compared to 2008-09.
Revenue impact of Audit Reports	During the last five years, 2007-08 to 2011-12, we had pointed out in our Audit Reports cases of under assessments/non/short levy/loss of revenue of land revenue, etc., interest and other irregularities with revenue implication of ₹ 599.65 crore in 193 cases. Of these, the Department had accepted audit observations in 125 cases involving ₹ 99.08 crore and had recovered ₹ 7.01 crore in 54 cases.
Results of audit	<p>We reported underassessment, short levy, non-levy of Land Revenue, loss of revenue etc., amounting to ₹ 50.01 crore in 174 cases on basis of test check of records relating to land revenue conducted during the year 2012-13.</p> <p>The Department accepted and recovered under assessments and other deficiencies involving ₹ 11.29 crore in 225 cases, of which 29 cases involving ₹ 0.83 crore were pointed out during 2012-13 and rest during earlier years.</p>
What we have highlighted in this Chapter	<p>A paragraph on “Determination of market value of allotted Government land for levy of occupancy price, lease rent and unearned income” revealed the following :</p> <p>Application of agricultural rates instead of non-agriculture (NA) rates for determination of occupancy price of land allotted to Central Reserve Police Force resulted in short realisation of occupancy price of ₹ 2.08 crore.</p> <p style="text-align: right;">(Paragraph 4.2.4.1)</p> <p>The market rates were not fixed in accordance with the Annual Schedule of Rates in six cases resulting in short recovery of occupancy price of ₹ 39.67 lakh.</p> <p style="text-align: right;">(Paragraph 4.2.4.2)</p>

NA rates were not applied while calculating market value of land for levy of lease rent which resulted in non/ short recovery of lease rent of ₹ 65.92 lakh.

(Paragraph 4.2.4.3)

Due to incorrect classification by the Government, unearned income of ₹ 5.15 crore from land owners was not recovered.

(Paragraph 4.2.7.1)

Incorrect determination of market value of land by two Divisional Commissioners resulted in short recovery of unearned income of ₹ 3.83 crore.

(Paragraph 4.2.7.2)

Government norms were not adhered to at the time of registering the agreement which resulted in loss of revenue amounting to ₹ 40.02 lakh.

(Paragraph 4.2.8)

Apart from this audit observations on short levy of *nazrana* / unearned income involving ₹ 1.27 crore are also included in the report.

(Paragraphs 4.4.1 to 4.4.3)

CHAPTER IV: LAND REVENUE

4.1 Introduction

4.1.1 Tax Administration

The administration and revenue collection of Land Revenue Department vests with the Principal Secretary, Revenue Department. For the purpose of administration, the State has been divided into six divisions and each division is headed by the Divisional Commissioner who is assisted by district Collectors. There are 35 district Collectors, 110 revenue sub divisions, 370 Talukas headed by the Tahsildar. The Revenue Inspector and Village Officers (Talathi) are responsible at the grass root level for collecting the land revenue and dues recoverable as arrears of land revenue.

4.1.2 Trend of receipts

Actual receipts from Land Revenue during the years 2008-09 to 2012-13 along with the total tax receipts during the same period is exhibited in the following table.

(₹ in crore)

Year	Budget estimates ¹	Actual receipts ¹	Variation Excess(+)/shortfall(-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2008-09	700.00	546.22	(-) 153.78	(-) 21.97	52,029.94	1.05
2009-10	770.00	714.04	(-) 55.96	(-) 7.27	59,106.33	1.21
2010-11	1,647.74	1,094.98	(-) 552.76	(-) 33.54	75,027.10	1.46
2011-12	1,497.13	963.81	(-) 533.32	(-) 35.62	87,608.46	1.10
2012-13	1,600.86	1,074.02	(-) 526.84	(-) 32.90	1,03,448.52	1.04

As can be seen from the above table, the revenue collection under Land Revenue increased by 96.63 *per cent* in 2012-13 as compared to 2008-09 and the percentage shortfall for the periods 2010-11 to 2012-13 was more than 30 *per cent*, which indicate that the budget estimates were not framed on a realistic basis.

4.1.3 Impact of Audit Reports

Revenue impact

During the last five years, 2007-08 to 2011-12, we had pointed out in our Audit Reports cases of underassessments/non/short levy/loss of revenue of land revenue, etc., interest and other irregularities with revenue implication of ₹ 599.65 crore in 193 cases. Of these, the Department had accepted audit

¹ Source: Finance Accounts.

observations in 125 cases involving ₹ 99.08 crore and had recovered ₹ 7.01 crore in 54 cases. The details are shown in the following table:

(₹ in crore)

Year	Amount objected		Amount accepted		Amount recovered	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
2007-08	141	365.68	84	9.51	54	7.01
2008-09	26	140.51	25	1.57	Nil	Nil
2009-10	1	2.80	Nil	Nil	Nil	Nil
2010-11	13	1.57	7	1.15	Nil	Nil
2011-12	12	89.09	09	86.85	Nil	Nil
Total	193	599.65	125	99.08	54	7.01

The Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority.

4.1.4 Results of audit

We reported under assessment, short levy, non-levy of Land Revenue, loss of revenue etc., amounting to ₹ 50.01 crore in 174 cases as shown below, on the basis of test check of records relating to land revenue conducted during the year 2012-13 :

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1	Audit of "Determination of market value of allotted Government land for levy of occupancy price, lease rent and unearned income"	1	12.71
2	Non-levy/short levy of measurement fees, sanad fees, license fee etc.	4	0.54
3	Non-levy/short levy of fine, non-auction/short recovery of surface rent on account of sand ghats, royalty etc.	42	16.35
4	Non-levy/short levy/incorrect levy of Non-Agriculture Assessment (NAA), ZP/VP cess and conversion tax.	76	3.75
5	Non-levy/short levy of occupancy price, lease rent, unearned income etc.	37	14.64
6	Other irregularities	14	2.02
Total		174	50.01

In response to the observation made in the local audit during the year 2012-13 as well as during earlier years, the department accepted and recovered under assessments and other deficiencies involving ₹ 11.29 crore in 225 cases, of which 29 cases involving ₹ 83.01 lakh were pointed out during 2012-13 and rest during earlier years.

A paragraph on “Determination of market value of allotted Government land for levy of occupancy price, lease rent and unearned income” with a total financial effect of ₹ 12.71 crore including amount of ₹ 5.15 crore contested by the Department and audit observations involving ₹ 1.27 crore are included the succeeding paragraphs.

4.2 Paragraph on “Determination of market value of allotted Government land for levy of occupancy price, lease rent and unearned income”

4.2.1 Introduction

Maharashtra Land Revenue Code, 1966 (MLR Code) empowers the Government to allot any land vested in it, on such terms and conditions, as it may deem fit. The allotment of land includes revenue free allotment, allotment on payment of occupancy price (also called market value), allotment on lease hold right in accordance with the policy adopted by the Government and rules framed there under for the purpose, as envisaged in Government Resolutions (GRs) issued from time-to-time.

4.2.2 Audit objective

The audit was conducted to ensure that the market value of Government land determined for levy of occupancy price²/lease rent³/un-earned income⁴ has been correctly assessed, levied and recovered by the authorities in accordance with the rules and guidelines framed by the Government.

4.2.3 Audit coverage

The audit covered four⁵ Divisional Commissioners, six⁶ Collectors and 17⁷ Tahsil offices of the selected six districts to check whether levy and recovery of occupancy price, lease rent and unearned income on sale permission for Class-II⁸ land was correct.

Six districts and 17 tahsils from these districts were selected on the basis of number of cases of allotment of land and involving more number of sale permission cases issued in these selected districts/tahsils.

A total of 321 allotment orders of land grant⁹ were issued by the Government of Maharashtra during the period of five years¹⁰ i.e. 2007-2008 to 2011-2012, of which, all 51 land grant orders pertaining to the 17 tahsils, of selected districts were scrutinised and all the 251 sale permission orders¹¹ issued by the four¹² Divisional Commissioners during the same period were scrutinized. The audit was conducted between January and June 2013.

² The price at which Government land is allotted on occupancy basis.

³ The rent determined of the Government land allotted on lease basis.

⁴ Difference between the price at the time of purchase of land and the price realized by way of its sale.

⁵ Konkan, Nagpur, Nashik and Pune.

⁶ Ahmadnagar, Bhandara, Jalgaon, Kolhapur, Raigad and Sangli.

⁷ Alibag, Bhandara, Gadhinglaj, Jalgaon, Karvir, Kopargaon, Miraj, Muktainagar, Palus, Panvel, Radhanagri, Raver, Rahuri, Rahata, Roha, Sakoli and Tasgaon.

⁸ Class-II land: As per section 29 of the MLR Code, occupant class-II means the person who holds un-alienated land in perpetuity subject to restrictions on the right to transfer.

⁹ Memorandum issued by the Revenue and Forest Department for allotment of land to allottees.

¹⁰ Revenue year starts from August.

¹¹ Orders issued by the Divisional Commissioner who is empowered to give sale permission of Class II land to the occupant.

¹² Konkan, Nagpur, Nashik and Pune.

An exit conference with the Additional Chief Secretary (Revenue), Revenue and Forests department, Government of Maharashtra was held on 28 October 2013. The Government replies are incorporated at appropriate places.

Audit findings

4.2.4 Occupancy price and lease rent

As per GR issued in May 2006, for allotment of government land on occupancy basis or on lease basis and in all cases where valuation of government land is to be done, valuation shall be determined as per rates prescribed in Annual Statement of Rates (ASR) as on the date on which order for allotment of government land is passed or other orders regarding valuation are passed. As per instructions of ASR, if Government land situated in rural area is allotted for non-agriculture purpose, market value shall be determined at 50 per cent of non-agriculture (NA) rate prescribed in the ASR for that zone.

4.2.4.1 Short/Non-levy of occupancy price

In September 2009, Revenue and Forests Department (R&FD) sanctioned the allotment of land admeasuring 44.68 ha situated in *mouze*-Chitapur, Taluka and District-Bhandara with advance possession to the Central Reserve Police Force (CRPF) for construction of camp of 206 CoBRA Battalion. The R&FD issued (March 2010) final order on condition of payment of occupancy price at current market rate and directed that the occupancy price may be recovered by deducting the amount of occupancy price paid at the time of advance possession.

During test-check (January 2013) of records of Collector, Bhandara, it was observed that the advance possession of land was given in September 2009, final order was issued by Collector, Bhandara in April 2011 and demand notice issued on same date for depositing the occupancy price ₹ 60.32 lakh, but same was not deposited by the CRPF (January 2013).

The occupancy price was to be calculated at the 50 per cent of NA rate prescribed in ASR as land is allotted for NA purpose i.e. for construction of camp of 206 CoBRA Battalion. However, audit observed that the demand of ₹ 60.32 lakh was determined by considering per hectare rate i.e. at agriculture rate of ASR which is applicable if land is used for agriculture purpose. For NA purpose, the rate prescribed in ASR was 'per square meter (sqm)' i.e. NA rate and market value of the land determined at this rate comes to ₹ 2.08 crore. This resulted in short demand of ₹ 1.48 crore and non recovery of a total amount of ₹ 2.08¹³ crore taking into account the previously unrecovered/unpaid of ₹ 60.32 lakh. The construction work of the unit at above land was nearing completion (January 2013).

¹³ Market value= 10,000 X 77.5 X 70% = ₹ 5,42,500 (For first 10,000 sqm).
4,36,800 X 77.5 X 60% = ₹ 2,03,11,200 (For remaining area).
Total = ₹ 2,08,53,700.

After this was pointed out, the Additional Chief Secretary (ACS), R&FD accepted (October 2013) the observation. However, further action taken was not intimated (January 2014).

4.2.4.2 Short recovery of occupancy price

Test-check of 34 cases of land allotment on occupancy right revealed that in six cases, land was allotted for non-agriculture purposes by Collector, Ahmednagar and Sangli between August 2007 and August 2009 and total occupancy price levied was ₹ 45.79 lakh on the basis of market value intimated by the Sub-Registrar/Joint District Registrar. However, the market value was worked out without following the instruction of the ASR on the date of allotment. The correct occupancy price was worked out as ₹ 85.46 lakh. This resulted in short levy of occupancy price of ₹ 39.67 lakh as detailed in **Appendix VI**.

The ACS, R&FD accepted (October 2013) the observation. However, further action taken has not been received (January 2014).

4.2.4.3 Non/Short recovery of lease rent

As per GR issued in May 2006, where Government land is allotted on lease basis, lease rent shall be levied on market value determined as per rates prescribed in Annual Statement of Rates (ASR) as on date on which order is passed. Further, as per GR of July 1999, the annual lease rent shall be calculated at Prime Lending Rate (PLR) declared by the State Bank of India from time to time on full market value of land.

The R&FD allotted (October 2008) land admeasuring 1,20,000 sqm to Agriculture Produce Marketing Committee (APMC), Tasgaon District-Sangli for construction of market building. The land was allotted on lease for 30 years. The lease rent was to be calculated at Prime Lending Rate (PLR) on market value of the land.

Scrutiny (June 2013) of records of the Collector, Sangli revealed that the Collector, Sangli issued (November 2008) an order of allotment of above land by fixing lease rent of ₹ 8.03 lakh per year on market value of ₹ 62.96 lakh calculated at per ha rate i.e. at agriculture rate instead of the NA rate of the zone in which the land is situated, as land is allotted for NA use. However, the lease rent was not recovered from the APMC since handing over of 1,17,700 sqm land in December 2008. The lease rent of ₹ 61.84 lakh was recoverable for 2008-13.

Similarly, the R&FD permitted (June 2009) Maharashtra State Road Transport Corporation (MSRTC), Palus, District-Sangli for use of 350 sqm land already in possession of MSRTC. The land was permitted for commercial purpose on lease of 30 years on lease rent to be calculated at PLR rate on the market value of land.

The Collector, Sangli issued (August 2009) final permission and recovered lease rent of ₹ 0.29 lakh for the year 2009 but lease rent for subsequent years was not recovered. The lease rent for the year 2009 was also recovered short. The total lease rent recoverable was ₹ 4.37 lakh.

Due to non/short recovery of lease rent in both the cases, lease rent of ₹ 65.92 lakh remained unrecovered as shown in **Appendix VII**.

The Collector, Sangli stated (June 2013) that action would be taken for recovery of lease rent after giving notices to the concerned allottee.

The ACS, R&FD accepted (October 2013) to recover the lease rent through the District Collector. Further reply is awaited (January 2014).

4.2.5 Short recovery of premium

R&FD Government Resolution (GR) dated 21 November 1957, provides for conversion of tenure of non-agriculture plot by levying a premium of 50 per cent of difference between present market value and the occupancy price originally paid plus value of the improvement made to the plot by the grantee.

During test-check (March 2013), we noticed that R&FD granted (August 2009) permission for change in use of class-II land admeasuring 522.18 sqm for commercial purpose by levying premium amount equal to 10 per cent of the cost of the land instead of 50 per cent. The Collector, Kolhapur permitted

(February 2010) change in use of land and recovered premium amount of ₹ 4.76 lakh only against the leviable amount of ₹ 23.83 lakh (i.e. 50 per cent of ₹ 47.66 lakh¹⁴) resulting in short levy of ₹ 19.07 lakh.

The Collector, Kolhapur stated (March 2013) that the premium amount was recovered at 10 per cent as mentioned in the memorandum issued (August 2009) by R&FD. He also stated that matter would be referred to Government for further necessary orders.

This is in contravention of the GR of 1957 and memorandum of August 2009 was not approved by the cabinet.

The ACS, R&FD accepted (October 2013) the observation.

4.2.6 Irregular allotment of land

As per the Rule 6 of the Maharashtra Land Revenue (Disposal of Government Lands) Rules, 1971, land may be allotted by the Collector free of occupancy price if the purpose for which the land is allotted is such that no benefit can be derived i.e. schools, hospitals, dispensaries and other public works. The Collector is empowered to sanction such cases involving market value upto ₹ 2.50 lakh and the Divisional Commissioner can sanction upto ₹ 6.25 lakh. Further, Rule 8 stipulates that every grant of land under Rule 6 shall not be transferred except with the prior sanction of the State Government.

During the test-check (February 2013) we noticed that Collector, Bhandara handed over (April 2012) 1,800 sqm land having market value of ₹ 28.39 lakh under Bhandara city area to the Secretary, Indian Red Cross Society, Bhandara

¹⁴ The occupancy price originally paid was meager amount of ₹ 4,214 only, as such it was not taken into consideration while calculating premium amount for the conversion of land for non-agriculture purpose by the Department and no cost was incurred for improvement of the plot by the grantee.

(Society) for construction of building. Possession of land was given in June 2012 and it was allotted free of cost.

The market value of land allotted by the Collector works out to ₹ 28.39 lakh, for which the Collector is not empowered. The land was transferred by the Collector without prior sanction of the Government and so was irregular. The Collector is ex-officio chairman/president of the society.

The ACS, R&FD accepted (October 2013) the observation.

4.2.7 Unearned income

As per R&FD GR dated 8 September 1983, permission to sell agriculture land held as class-II occupant shall be granted subject to payment of 50 *per cent* of net unearned income. In case of permission to sell agriculture land for non-agriculture purpose unearned income shall be 75 *per cent*. Unearned income means the difference between current market value or the price realised by way of sale whichever is higher and the occupancy price paid at the time of allotment plus cost of improvement. Further, as per GR dated 29 May 2006, the rate of ASR as on date on which the permission to sell is granted shall be considered for determination of market value for recovery of unearned income on transfer of land. The R&FD clarified (September 2006) that in case the market value so determined is less than price realized by way of sale, the unearned income shall be determined on sale price.

4.2.7.1 Non-recovery of unearned income from land owners

During test-check (April 2013) of cases of sale permission at the office of the Divisional Commissioner, Konkan region, we noticed that in two cases (**Appendix VIII**), permission for sale of class-II land was given for selling the land. M/s Zafza Mumbai Business Park (India) Pvt. Ltd. purchased Class-II land from 15 land owners and Karnala Mahila Readymade Garment and Vastra Udyog Industrial Co-operative Society purchased Class-II land from Shri Madhukar Mahadev Bhoir. From none of the land owners, unearned income was recovered.

The consideration in the transaction was ₹ 6.87 crore as per the sale deeds obtained from Sub-Registrar. The land owners were liable to pay ₹ 5.15 crore (75 *per cent* of ₹ 6.87 crore). This was not recovered due to an incorrect clarification issued by the Under Secretary, Government of Maharashtra as detailed below:

The Divisional Commissioner responsible for recovery of unearned income had sought for a clarification (July 2009) for determination of unearned income of the above property. The Under Secretary, R&FD issued a clarification (February 2010) that only 2 *per cent* of sale price may be recovered from purchaser and the provisions of GR of September 1983 were applicable for the NA land. As such no unearned income was recovered from the land owners.

The clarification issued by the Under Secretary was not correct as GR is applicable for agriculture land sold for both agriculture and non-agriculture purposes. The clarification issued was in contravention to the GR where the 50 per cent and 75 per cent of unearned income is recoverable if land is sold for agriculture and non agriculture purpose respectively. Due to issue of a wrong clarification ₹ 5.15 crore not recovered, though recovered in other cases of sale of class-II land. It is recommended that the department may consider issuing fresh clarification in this regard and withdrawing the earlier clarification.

The ACS, R&FD stated (October 2013) that the clarification from Government would be obtained. Further reply is awaited (January 2014).

4.2.7.2 Short recovery of unearned income

The R&FD clarified (September 2006) that in cases of sale of class-II land, if the market value of land is less than price realized by way of sale, the unearned income shall be determined on sale price.

During the test-check (April 2013) of cases of sale permission of class-II land in two¹⁵ Divisional Commissioners, we noticed that out of 251 sale permission cases, in 37 cases, permission for sale of class-II land was given between August 2007 and September 2012 for agriculture and non-agriculture use and unearned income ₹ 2.38 crore was recovered. The Commissioner did not

consider the greater of market value and selling price for recovery of unearned income. The recoverable amount determined considering the greater of market value or sale price was ₹ 6.21 crore. This resulted in short recovery of ₹ 3.83 crore as shown in **Appendix IX**.

After pointing out by audit, the Divisional Commissioner, Konkan Region directed (June 2013) to Collector, Raigad for recovery of amount and Divisional Commissioner, Pune stated (June 2013) that the unearned income was recovered as per the GR dated 29 May 2006 by calculating unearned income on the market value on the date of issuing order of sale permission. The sale transaction of land executed after sale permission order hence recovery of unearned income on higher of market value or consideration was not possible.

The ACS, R&FD accepted (October 2013) to recover the unearned income. Further reply is awaited (January 2014).

Government may consider putting in place a system whereby the sub registrars are required to forward a copy of sale deed in respect of sale of Class-II land to Collector. The order granting permission to sell is verified before taking action on application for mutation of such land by Tahsildars and there is proper follow up by Commissioner granting permission for sale of class-II land.

¹⁵ Konkan and Pune Region.

4.2.8 Non-adherence to Government norms of registering the agreement

As per GR dated 31 October 2006, in all cases of allotment of Government land to various institutions, local bodies, individuals etc. on occupancy rights or on lease, an agreement shall be executed with the allottee and shall be registered under Bombay Stamp Act, 1958. It also stipulated that the possession of land shall not be given unless the agreement is executed and registered.

During scrutiny (January to June 2013) of land grant cases in five¹⁶ Collectorates, we noticed that in 27 out of 34 cases of allotment of Government land on occupancy rights, the Collectors handed over the possession of land without getting the agreements registered. Also it was not on record to indicate that the

documents were executed and registered. The revenue on account of stamp duty and registration fee on these cases worked out to ₹ 40.02 lakh (**Appendix X**). Thus, non-adherence to Government norms resulted in loss of revenue amounting to ₹ 40.02 lakh.

Four¹⁷ Collectors stated that letters would be issued to concerned allottees for registration of documents and Collector, Bhandara stated that concerned Tahsildars were instructed for registration of document with the allottees.

The ACS, R&FD accepted (October 2013) the observation and stated that the issue of registration of agreements from 2006 onwards would be examined in detail and order would be issued for further action by the Collectors. Further reply is awaited (January 2014).

Government may ensure effective implementation of instructions by the executing authorities.

¹⁶ Ahmednagar, Bhandara, Kolhapur, Raigad and Sangli.

¹⁷ Ahmednagar, Kolhapur, Raigad and Sangli.

4.3 Audit observations

During scrutiny of records of the various land records and land revenue offices we noticed several cases of non-compliance of the provisions of the Maharashtra Land Revenue Code, 1966 (MLR code), Government notifications/instructions as mentioned in the succeeding paragraphs of this chapter. These are illustrative cases and are based on the test check carried out by us. As such cases are pointed out by us repeatedly; there is need on the part of the Government to improve the internal control system so that recurrence of such cases can be avoided.

4.4 Non-observance of the provisions of Acts/Rules

The provisions of the Maharashtra Land Revenue Code, 1966 (MLR code), Government notifications/instructions provides for:-

(i) Levy of unearned income on market value as on date of order granting permission to sale Government land or price realised by way of sale whichever is higher.

We noticed non-compliance of the above provision which resulted in short levy of ₹1.27 crore as mentioned in paragraph 4.4.1 to 4.4.3.

4.4.1 Short levy of unearned income and penalty due to non-consideration of sale value

Tahsildar Baramati, District: Pune

As per Government Resolution issued in September 1983, Circular issued in July 2002 and clarification issued in September 2006, where class-II land is transferred by the occupant without permission for non-agriculture purpose and without payment of prescribed *nazrana*/unearned income, in such case, the District Collector shall regularize such transfer by recovering *nazrana*/unearned income at the rate of 50 per cent of market value as per the rates prescribed in the ASR for the area in which property is situated or consideration received whichever is higher and penalty @ 50 per cent of *nazrana*/ unearned income.

During test check of records we noticed that the Divisional Commissioner Pune issued order (3 April 2010) for granting permission to sell the land admeasuring 2.0 Hectare held by the applicant as Class-II land for agriculture purpose with the conditions that the land holder will pay ₹ 1.30 lakh towards 50 per cent of unearned

income to the Government, the purchaser will hold land as class II holder and use land for agricultural purpose. The amount of ₹ 1.30 lakh was paid (April 2010) into the Government account.

A perusal of the records revealed that the class-II land holder already executed an agreement on 18 October 2008 to sell the said land to a Co-operative Housing Society for a consideration of ₹ 36.25 lakh. Subsequently sale deed was executed on 15 April 2010. It was seen from clause 5 of the sale deed that

society had purchased this land for welfare of their members and erection of residential flats / building scheme which is a non agriculture purpose.

As the land was used for non agricultural purpose market value of land as per ASR works out to ₹ 13 lakh but since the consideration amount i.e. ₹ 36.25 lakh is higher, unearned income at the rate of 50 *per cent of* this amount at ₹ 18.12 lakh and penalty on unearned income at ₹ .06 lakh is leviable. This has resulted in short recovery of unearned income of ₹ 16.83 lakh and penalty of ₹ 9.06 lakh.

After we pointed out the case in January 2011, Divisional Commissioner, Pune accepted (May 2012) the observation and ordered to recover deficit unearned income of ₹ 16.83 lakh and penalty of ₹ 9.06 lakh from the party concerned.

The matter was reported to the Government in June 2013; their reply is awaited (January 2014).

4.4.2 Short levy of *nazrana* / unearned income and penalty

Collector, Nashik

As per Government Resolution dated 8 September 1983, Circulars dated 10 March 2000 and dated 9 July 2002, for converting the new tenure of watan lands re-granted (as old tenure), *nazrana* equal to 50 per cent of the market value of the land is to be levied if the land is or is intended to be used for a purpose other than agriculture. Further, if Class II (agricultural) land is transferred for non agricultural (NA) purpose without prior permission of revenue authority and without remitting prescribed amount of *nazrana* by the land holders, such conversion/transfer should be regularized by District Collector on payment of *nazrana* on 50 per cent of current market value of the land and penalty equal to 50 per cent of *nazrana* amount payable. Market value of property is determined as per the instructions and rates mentioned in the ASR.

During test check of land grant/regularization orders in Collector Nashik, we noticed that the Collector regranted the Class II land admeasuring two hectare situated in *mouze* Agartakli, Tahsil and District Nashik. The land owner through his Power of attorney applied to the Collector for conversion of land for Non Agriculture (NA) purpose i.e. residential as well as

commercial in December 2000. Collector Nashik granted (April 2002) permission for residential as well as commercial purpose for an area admeasuring 16050 sqm and levied *nazrana* amounting to ₹ 28.09 lakh, @ 50 *per cent* of market value of agricultural land at the rate of ₹ 35,000 per hectare.

We further noticed that Collector Nashik regularised (April 2006) unauthorized NA use by levying NA charges and penalty of ₹ 3.16 lakh. The land holder was using agriculture land unauthorisedly for non-agricultural purpose since 1975-76 onwards. However, this fact was not taken into

account at the time of re-grant of permission for agricultural purpose in April 2002.

Based on rates of open land as per ASR 2002, the market value of land works out to ₹ 1.61 crore. *Nazrana* amount @ 50 per cent of market value at ₹ 80.25 lakh and penalty of ₹ 40.13 lakh @ 50 per cent of *nazrana* amount was thus leviable. This has resulted in short levy of *nazrana* of ₹ 52.16 lakh and penalty of ₹ 36.97 lakh.

After we pointed out the case in July 2010/January 2013, the Collector, Nashik has accepted (May 2013) the short levy and directed Tahsildar Nashik for recovery of amount, accordingly Tahsildar has issued demand notice (June 2013).

The matter was reported to the Government in July 2013; their reply is awaited (January 2014).

4.4.3 Short levy of unearned income due to incorrect adoption of market value of land

Collector, Dhule

As per Government resolution dated 8 September 1983, permission for conversion of agriculture land for non agricultural purpose can be granted by Divisional Commissioners to the occupants Class II (New tenure). The holder shall pay to the Government an amount equal to 75 per cent of the unearned income on current market value or price realised by way of sale, whichever is higher. Market value of property is determined as per instructions and rates mentioned in the ASR.

During test check of cases of granting permission for change in use of Government land in Collector, Dhule, we noticed (June 2012) that permission was granted by Divisional Commissioner, Nashik (July 2010) to the occupants (Class –II) to convert the agriculture land for non-agricultural use i.e., for plotting purpose.

The Department calculated the market value of land admeasuring 24,700 sqm situated at *mouze* Boradi at ₹ 13.42 lakh. The unearned income of ₹ 10.07 lakh at the rate of 75 per cent of market value was levied and recovered.

Based on rate of ASR 2010 by applying condition 17 (B), the market value of land works out to ₹ 30.04 lakh¹⁸ and unearned income @ 75 per cent of this market value works out to ₹ 22.53 lakh. This has resulted in short levy of unearned income of ₹ 12.46 lakh.

After we pointed out the case in June 2012, the Collector, Dhule stated (November 2012) that the amount of unearned income was recovered based on valuation carried out by Joint District Registrar Class I (Lower Grade) Dhule as per instruction 30 of ASR 2010.

¹⁸ Market value = 10,000 sqm x ₹ 225 x 60% = ₹ 13.50 lakh (for first 10,000 sqm)
 = 14, 700 sqm x ₹ 225 x 50% = ₹ 16.54 lakh (for remaining area)
 Total = ₹ 30.04 lakh (i.e. ₹ 13.50 lakh + ₹ 16.54 lakh)

The reply is not tenable, as instruction 30 of ASR is applicable if there is first sale or allotment of Government land in rural areas for non-agriculture purpose and in this case, the land is in possession of land holder and he is seeking permission for using the land for non agriculture purpose and neither the Government land was sold nor was it allotted, instruction 30 is not applicable.

The matter was reported to the Government in July 2013; their reply is awaited (January 2014).

CHAPTER V EXECUTIVE SUMMARY

Trend of receipts in respect of Taxes on Vehicles The revenue collection under motor vehicle tax increased by 126.44 *per cent* in 2012-13 as compared to 2008-09.

Trend of receipts in respect of State Excise The revenue collection under State Excise increased by 110 *per cent* in 2012-13 as compared to 2008-09.

Revenue impact of Audit Reports in respect of Taxes on Vehicles During the last five years, 2007-08 to 2011-12, we had pointed out cases of under-assessments, loss of revenue, non/short levy/ recovery and other irregularities with revenue implication of ₹ 11.05 crore in 6,153 cases. Of these, the Department had accepted audit observations in 5,529 cases involving ₹ 8.95 crore and had recovered ₹ 1.80 crore in 1,325 cases.

Revenue impact of Audit Reports in respect of State Excise During the last five years, 2007-08 to 2011-12, we had pointed out cases of under-assessments, loss of revenue, non/short levy/ recovery and other irregularities with revenue implication of ₹ 100.94 crore in 884 cases. Of these, the Department had accepted audit observations in 740 cases involving ₹ 35.51 crore and had recovered ₹ 0.99 crore in 280 cases.

Results of audit in respect of Taxes on Vehicles We reported under assessments, non/short levy, non-recovery, etc. of revenue and other similar cases amounting to ₹ 45.23 crore in 2,909 cases on the basis of test check of the records of the motor vehicle Department conducted during the year 2012-13.

During the year 2012-13 as well as during earlier years, the Department accepted underassessments, short levy etc. and recovered ₹ 1.01 crore in 730 cases out of which 114 cases involving ₹ 14.53 lakh were pointed out during 2012-13 and the rest in earlier years.

Results of audit in respect of State Excise We reported under assessments, non/short levy, non-recovery, etc. of revenue and other similar cases amounting to ₹ 3.56 crore in 240 cases on the basis of test check of the records of the State Excise Department conducted during the year 2012-13.

During the year 2012-13 as well as during earlier years, the Department accepted under assessments, short levy, etc. and recovered ₹ 4.56 crore in 208

	cases out of which 61 cases involving ₹ 16.66 lakh were pointed out during 2012-13 and the rest in earlier years.
What we have highlighted in this Chapter	<p>Motor vehicle tax amounting to ₹ 1.72 crore was not recovered from 1,033 transport vehicle owners.</p> <p style="text-align: right;">(Paragraph 5.3.1)</p> <p>Motor vehicle tax was not recovered in cash in 148 cases of dishonoured cheques which resulted in non-realisation of revenue amounting to ₹ 53.29 lakh.</p> <p style="text-align: right;">(Paragraph 5.3.4)</p> <p>Misappropriation of ₹ 1.60 lakh was noticed by audit and in the light of the audit observation, the Department verified the accounts and found misappropriation of ₹ 12.56 lakh.</p> <p style="text-align: right;">(Paragraph 5.3.5)</p>

CHAPTER V TAXES ON VEHICLES AND STATE EXCISE

SECTION A – TAXES ON VEHICLES

5.1 Introduction

5.1.1 Tax administration

Levy and collection of taxes and other receipts under the Motor Vehicles sector are regulated by the Central Motor Vehicles Act, 1988, the Bombay Motor Vehicle Tax Act, 1958, and the Bombay Motor Vehicles Transportation of Passengers Act, 1958, and the Rules made thereunder. These Acts and Rules are implemented by the Transport Commissioner under the overall control of the Principal Secretary (Transport) to the Government in Home Department, assisted by an Additional Commissioner, a Joint Commissioner, Deputy Commissioners and Regional and Deputy Transport Officers. The motor vehicles receipts mainly comprise of taxes on motor vehicles and taxes on goods and passengers.

5.1.2 Trend of receipts

The actual receipts from motor vehicle tax, etc., during the years 2008-09 to 2012-13 and the total tax receipts of the State during the same period are exhibited in the following table:

(₹ in crore)

Year	Budget estimates ¹	Actual receipts ¹	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2008-09	2,426.18	2,220.22	(-) 205.96	(-) 8.49	52,029.94	4.27
2009-10	2,600.00	2,682.30	(+) 82.30	(+) 3.17	59,106.33	4.54
2010-11	2,860.00	3,532.90	(+) 672.90	(+) 23.53	75,027.09	4.70
2011-12	4,000.00	4,137.42	(+)137.42	(+)3.44	87,608.46	4.72
2012-13	4,200.00	5,027.42	(+)827.42	(+)19.70	1,03,448.52	4.86

As can be seen from the above table, the revenue collection from motor vehicles increased by 126.44 *per cent* in 2012-13 as compared to 2008-09. The increase was mainly due to increase in receipts under State Motor Vehicles Taxation Acts.

5.1.3 Cost of collection

The gross collection in respect of motor vehicle tax receipts, the expenditure incurred on their collection and the percentage of such expenditure to the gross

¹ Source: Finance Accounts

collection during the years 2010-11 to 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collection for the corresponding preceding years are mentioned in the following table:

(₹ in crore)

Year	Gross collection	Expenditure on collection ²	Percentage of expenditure to gross collection	All India average percentage for the corresponding preceding years
2010-11	3,532.90	90.62	2.56	3.07
2011-12	4,137.42	92.22	2.28	3.71
2012-13	5,027.42	105.76	2.13	2.96

As can be seen from the above table, the overall cost of collection of taxes on motor vehicles for the year 2010-11 to 2012-13 is lower than the all India average for the corresponding preceding years.

5.1.4 Impact of Audit Reports

Revenue impact

During the last five years i.e. 2007-08 to 2011-12 we had pointed out under-assessments, loss of revenue, non/short levy/recovery and other irregularities with revenue implication of ₹ 11.05 crore in 6,153 cases. Of these, the Department had accepted audit observations in 5,529 cases involving ₹ 8.95 crore and had recovered ₹ 1.80 crore in 1,325 cases. The details are shown in the following table:

(₹ in crore)

Year	Amount objected		Amount accepted		Amount recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2007-08	633	0.91	633	0.91	200	0.16
2008-09	1,080	1.47	1,080	1.47	335	0.33
2009-10	3,196	4.50	2,703	4.15	329	0.67
2010-11	765	3.25	635	1.61	231	0.30
2011-12	479	0.92	478	0.81	230	0.34
Total	6,153	11.05	5,529	8.95	1,325	1.80

As seen from the above table, the recovery position is low, as the recovery made towards accepted cases was only 20 per cent.

The Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority basis.

² Source: Information furnished by the Department.

5.1.5 Results of audit

We reported underassessments, non/short levy, non-recovery, etc. of revenue and other similar cases amounting to ₹ 45.23 crore in 2,909 cases as shown below, on the basis of test check of the records of taxes on motor vehicles conducted during the year 2012-13:

(₹ in crore)

Sl. no.	Category	No. of cases	Amount
1	Non/short levy of tax due to application of incorrect rates	2,114	41.62
2	Short levy of tax due to incorrect exemption/classification	67	0.71
3	Excess refund/miscellaneous	728	2.90
Total		2,909	45.23

In response to our observations in the local audit reports during the year 2012-13 as well as during earlier years, the Department concerned accepted the underassessments, short levy, etc. and recovered ₹ 1.01 crore in 730 cases, out of which 114 cases involving ₹ 14.53 lakh were pointed out during the year 2012-13 and the rest during the earlier years.

A few audit observations involving ₹ 2.72 crore are included in the succeeding paragraphs.

5.2 Audit observations

Scrutiny of the records of Regional Transport Offices (RTOs)/Dy. Regional Transport Offices (Dy. RTOs) revealed several cases of non-observance of provisions of the Bombay Motor Vehicles Tax Act, 1958, as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit every year, but not only the irregularities do persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such instances can be avoided.

5.3 Non-observance of the provisions of the Acts/Rules

The Bombay Motor Vehicles Tax Act, 1958, (BMVT Act) provides for levy and collection of tax on motor vehicles. The vehicle registering authorities did not observe the provisions prescribed in the Acts, Rules, etc., and also the procedure for maintenance of vehicle records in cases as mentioned in the following paragraphs 5.3.1 to 5.3.5.

5.3.1 Non-recovery of Motor Vehicle Tax (MVT)

Eight³ RTOs, 15⁴ Dy. RTOs

Under Section 4 of the BMVT Act, and the rules made thereunder, tax at the prescribed rate is payable on all vehicles used or kept for use in the State, as per their registered laden weight (RLW) or seating capacity. The details of recoveries to be made from the vehicle owners, issue of demand notices, etc., is maintained in the cash balance review register (CBRR).

During scrutiny of the CBRR of above offices between December 2008 and December 2012, we noticed that MVT amounting to ₹ 1.72 crore in respect of Transport Series vehicles was not

recovered from 1,033 transport vehicle owners for periods ranging from three to 33 months between February 2006 and February 2013. Action was taken by the Department only in July 2013 by handing over the list of defaulters to the flying squad in one office whereas in other offices, it was stated (July 2013) that the cases are being pursued by concerned Inspectors of the Motor Vehicle Department. This resulted in non-realisation of MVT of ₹ 1.72 crore. Further, interest at the prescribed rate was also leviable.

After we pointed out these cases the Department accepted the observations and communicated recovery of ₹ 34.67 lakh from 279 vehicle owners between January 2009 and April 2013. Report on recovery of the balance amount is awaited.

³ RTOs: Andheri, Aurangabad, Dhule, Kolhapur, Latur, Nanded, Parbhani and Pune.

⁴ Dy. RTOs: Ahmednagar, Ambejogai, Akluj, Baramati, Hingoli, Jalgaon, Kalyan, Nandurbar, Osmanabad, Pimpri-Chinchwad, Ratnagiri, Satara, Shrirampur, Solapur and Vashi.

We reported the matter to the Government in May and June 2013; their reply is awaited (January 2014).

5.3.2 Short-levy of One Time Tax (OTT) on imported vehicles

RTO Kolhapur and Dy. RTO Baramati, Pune

As per the provisions of BMV Tax Act, 1958, the rates of OTT leviable on motor car imported into India and used or kept for use in the State is leviable at twice the rate applicable for domestic vehicles.

During test check of Form 20 and data available on computerized application system i.e. VAHAN (software which deals with registration of vehicles)

between January 2012 and April 2012, we noticed that six⁵ vehicles registered under the non-transport category during the years 2010-11 and 2011-12, were declared as imported vehicles by Automotive Research Association of India (ARAI). However, the owners of these vehicles paid OTT at domestic rates instead of rates applicable to imported vehicles. This resulted in short-realization of OTT by ₹ 16.48 lakh. Besides, interest at the prescribed rate was also leviable.

We reported the matter to the Department in February 2012 and May 2012. Further progress in the matter is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

5.3.3 Delay in remittances resulting in loss of interest

As per the Rule 8(1) of the Maharashtra Treasury Rule, 1968, all money received by or tendered to the Government Offices on account of the revenues of Maharashtra State, shall without undue delay and that at any rate within two days of the receipt of the money be paid in full into the treasury or into the Bank and shall be included in the treasury accounts. Further, as per the instructions issued by Reserve Bank of India (February 2006), the banks authorised to collect Government revenue should credit the revenue so collected in the Government Account within three days after its realisation, failing which interest at two *per cent* above bank rate (six *per cent*) be chargeable annually. As per para 5.11(B) of the Memorandum of Instructions: Accounting and Reconciliation – State Government Transactions issued by the RBI, it is the duty of the Pay and Accounts Office/treasuries to raise demand for payment of penal interest on delayed remittances.

Mention was made in paragraph 5.3.3 of the Report of the Comptroller and Auditor General of India on the Revenue Receipts of the Government of Maharashtra for the year ending 31 March 2012 regarding delayed remittances of Government revenue into the Government account. No action has been taken in this regard (January 2014) even though

⁵ Five BMW X1 S-Drive and one Range Rover Sports.

the irregularity continues as discussed below.

During scrutiny of the Personal Ledger Account (PLA) and cash book of RTO (Andheri) Mumbai along with reconciliation statements for 2011-12 during September 2012, we noticed that in 137 instances there were delays ranging from two to 21 days in remittance of revenue by the State Bank of India on account of motor vehicle tax aggregating ₹ 89.03 crore. Interest at the prescribed rate on such delays was recoverable from the defaulting bank as per RBI instructions.

The interest so recoverable from the bank worked out to ₹ 15.96 lakh at the rate of eight *per cent* during the year 2011-12. The Department did not take any action for the levy and recovery of the amount from the defaulting bank. This resulted in non-recovery of interest of ₹ 15.96 lakh.

We pointed out the matter to the Department in October 2012; their reply is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

5.3.4 Non-recovery of MVT in cases of dishonoured cheques

RTOs Andheri (West), Vashi (Navi Mumbai) and Thane; Dy. RTO Kalyan

According to the provisions of Section 3 read with section 4 of the BMVT Act, 1958, there shall be levied and collected a tax in advance at rates prescribed by the Government from time to time and credited to Government account. Further, as per provisions under Rule 100(b) of the Maharashtra Treasury Rules, 1968, in the event of the cheque being dishonoured by the collecting bank for any reasons whatsoever the Department has to recover the dues in cash immediately along with interest from the defaulters and also initiate action under the provisions of section 138 of Negotiable Instruments Act (Amended), 1988 (NI Act) i.e. imprisonment up to two years and/or fine up to twice the amount of the cheque.

During scrutiny of the cheque/dishonoured cheque register of the above four offices between November 2010 and September 2012, we noticed that in 148 cases cheques issued by vehicle owners for payment of MVT amounting to ₹ 53.29 lakh were dishonoured by concerned banks during various periods between 2009-10 and 2011-12. These amounts were to be recovered in cash along with interest. The Department neither took any action to recover the amount from the

defaulters nor initiated proceedings as contemplated under the NI Act. This resulted in non-realisation of revenue amounting to ₹ 53.29 lakh and interest thereon.

After we pointed out the cases between December 2010 and October 2012, the Department accepted the observation and communicated recovery of ₹ 2.08

lakh in eight cases between January 2011 and April 2013. A report on recovery of the balance amount is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

5.3.5 Misappropriation of Government money

RTO Dhule

Our scrutiny in November 2011 of applications for registration of motor

As per the provision under Rule 98(2) of the Maharashtra Treasury Rules, 1968, (i) every officer receiving money on behalf of the Government should maintain a cash book in Form MTR 4, and (ii) all monetary transactions should be entered in the cash book as soon as they occur and should be attested by the head of the office in token of check.

vehicles in Form 20 with the cash book revealed that the following three transactions aggregating ₹ 1,59,816 were not entered in the cash book on the respective dates:

Sl. No	Motor vehicle no.	Receipt no.	Date	Amount (₹)
1	MH18W 5520	570388	25/03/2011	46,279
2	MH18W 5933	504856	12/05/2011	84,027
3	MH18W 6181	559216	14/07/2011	29,510
Total				1,59,816

Further scrutiny in February 2012 revealed that the computerised receipts attached with applications in Form 20 had actually been cancelled and the numbers were reused as manual receipt numbers for which there were no entries in the cash book.

After this being pointed out, the Department accepted (February 2013) the observation and recovered the full amount of ₹ 1,59,816. Action was also initiated by the Department against the concerned cashier. The Department further intimated that a verification of all manual entries for the period from January 2009 to March 2011 was carried out in the light of the audit observation and 19 more cases amounting to ₹ 12.56 lakh were traced and recovered.

We reported the matter to the Government in August 2013; their reply is awaited (January 2014).

The Government may evolve a suitable mechanism to prevent re-use of cancelled computerised receipts and also exercise such checks in all RTO offices throughout the State of Maharashtra in order to detect and prevent such type of misappropriation and fraud.

SECTION B - STATE EXCISE

5.4 Introduction

5.4.1 Tax administration

Levy and collection of state excise and other related receipts are regulated by the Bombay Prohibition Act, 1949 (BP Act), Bombay Prohibition (Privilege Fees) Rules, 1954 (BP(PF) Rules) and Maharashtra Potable Liquor (Periodicity and Fees for Grant, Renewal or Continuance of Licence) Rules, 1996 (MPL(PFGRCL) Rules). These Acts and Rules are implemented by the Commissioner of State Excise under the overall control of the Principal Secretary to the Government in Home Department, assisted by Joint Commissioners and Deputy Commissioners. At the district level he is assisted by the Superintendents of State Excise (SSE) working under the Regional Deputy Commissioners. The state excise receipts mainly comprise of excise duty leviable on spirits, fees on licences and privilege fees.

5.4.2 Trend of receipts

The actual receipts from state excise etc., during the years 2008-09 to 2012-13 and the total tax receipts of the State during the same period is exhibited in the following table.

(₹ in crore)

Year	Budget estimates ⁶	Actual receipts ⁶	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2008-09	4,500.00	4,433.76	(-)66.24	(-)1.47	52,029.94	8.53
2009-10	4,800.00	5,056.63	(+)256.63	(+)5.35	59,106.33	8.56
2010-11	5,800.00	5,961.85	(+)161.85	(+)2.79	75,027.09	7.95
2011-12	8,500.00	8,605.47	(+)105.47	(+)1.24	87,608.46	9.82
2012-13	9,450.00	9,297.11	(-)152.89	(-)1.62	1,03,448.52	8.99

As can be seen from the above table, the revenue collection under State Excise increased by 110 *per cent* in 2012-13 as compared to 2008-09.

5.4.3 Cost of collection

The gross collection in respect of state excise receipts, the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years 2010-11 to 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collection for the preceding years are mentioned in the following table:

⁶ Source: Finance Accounts.

(₹ in crore)

Year	Gross collection	Expenditure on collection ⁷	Percentage of expenditure to gross collection	All India average percentage for the corresponding preceding years
2010-11	5,961.85	62.68	1.08	3.64
2011-12	8,605.47	61.58	0.72	3.05
2012-13	9,297.11	109.95	1.16	2.98

As can be seen from the above table, the overall cost of collection of State Excise Duty for the year 2010-11 to 2012-13 is lower than the all India average for the corresponding preceding years.

5.4.4 Impact of Audit Reports

Revenue impact

During the last five years i.e. 2007-08 to 2011-12 we had pointed out under-assessments, loss of revenue, non/short levy/recovery and other irregularities with revenue implication of ₹ 100.94 crore in 884 cases. Of these, the Department had accepted audit observations in 740 cases involving ₹ 35.51 crore and had recovered ₹ 0.99 crore in 280 cases. The details are shown in the following table:

(₹ in crore)

Year	Amount objected		Amount accepted		Amount recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2007-08	524	66.07	390	2.33	249	0.55
2008-09	20	0.19	18	0.18	15	0.18
2009-10	189	1.89	185	1.74	13	0.17
2010-11	1 ⁸	31.36	1	29.89	0	0.00
2011-12	150	1.43	146	1.37	3	0.09
Total	884	100.94	740	35.51	280	0.99

As seen from the above table, the recovery position was low, as the recoveries against accepted cases was only 2.79 per cent.

The Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority basis.

⁷ Source : Information furnished by the Department.

⁸ Actually consists of 333 cases.

5.4.5 Results of audit

We reported underassessments, non/short levy, non-recovery, etc., of revenue and other similar cases amounting to ₹ 3.56 crore in 240 cases on the basis of test check of the records of taxes on state excise conducted during the year 2012-13 as shown below:

(₹ in crore)

Sl. no.	Category	No. of cases	Amount
1	Non-recovery of transport fee	2	0.11
2	Non/short recovery of licence/privilege fees/excise duty/application fee	76	2.13
3	Non-recovery of compounding fees/loss of revenue due to reduction in manufacturing costs, etc.	18	0.64
4	Non/short recovery of supervision charges/interest/bonus	81	0.54
5	Non-recovery of toddy instalments	63	0.14
	Total	240	3.56

In response to the observations in the local audit reports during the year 2012-13 as well as during earlier years, the Department accepted underassessments, short levy, etc. and recovered ₹ 4.56 crore in 208 cases, out of which 61 cases involving ₹ 16.66 lakh were pointed out during the year 2012-13 and the rest during the earlier years.

After issue of the draft paragraph in two cases, the Department communicated (September 2013) recovery of ₹ 3.78 lakh which has not been included in this Report.

An audit observation involving ₹ 19.50 lakh is included in the succeeding paragraph.

5.5 Audit observations

Scrutiny of the records of SSEs/Excise Officers (EOs) revealed cases of non-observance of provisions of the BP Act as mentioned in the succeeding paragraph of this chapter. This case is illustrative and is based on a test check carried out in audit. Such omissions are pointed out in audit every year, but not only the irregularities do persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such instances can be avoided.

5.6 Non-observance of the provisions of the Acts/Rules

The BP Act, BP(PF) Rules and MPL(PFGRCL) Rules provide for levy and collection of licence fees and supervision charges at the rates notified from time to time by the Commissioner of State Excise. The State Excise authorities did not ensure that the correct rates of supervision charges were levied and recovered as mentioned in the succeeding paragraph 5.6.1.

5.6.1 Non-recovery of supervision charges

SSEs at Beed and Osmanabad.

During test check of the supervision charges register maintained in the Excise

As per the provisions of section 58(A) of the BP Act, the cost of deputing the departmental staff at the premises of the licensee is recoverable at the rates prescribed by the Government from time to time. The rates of supervision charges are revised as and when there is revision in the pay scale/dearness allowance. The Government vide its GR dated 28 February 2009 had adopted the recommendation of the Sixth Pay Commission with effect from 1 January 2006.

Offices attached to two distilleries in two districts, between March 2011 and December 2011, we noticed that though the State Government had adopted the revision of pay structure as per the recommendations of the Sixth Pay Commission in February 2009, the revised supervision charges for deployment of the departmental staff at the premises of the licensees for the period from January 2006

to December 2010 had not been recovered. This resulted in non-recovery of supervision charges amounting to ₹ 19.50 lakh.

After we pointed out the cases, the Department accepted the audit observation and Excise Officer, Beed communicated recovery of ₹ 3.85 lakh in March 2012. A report on recovery of the balance amount is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

CHAPTER VI EXECUTIVE SUMMARY

Results of audit We reported short levy, excess grant of refund, loss of revenue etc., amounting to ₹ 761.86 crore in 4,132 cases, on the basis of test check of the records relating to entertainment duty, electricity duty, state education cess, employment guarantee cess, tax on buildings (with larger residential premises), and profession tax conducted during the year 2012-13.

During the year 2012-13 as well as during earlier years, the concerned Departments accepted underassessment, short levy, etc. and recovered ₹ 116.32 crore in 1,826 cases of which 391 cases involving ₹ 1.23 crore related to 2012-13.

What we have highlighted in this Chapter

A. Taxes and duties on Electricity

A Performance Audit on “**Levy and collection of Electricity Duty, Tax on sale of electricity and Inspection Fees**” revealed the following:

Figures of arrears of ₹ 843.36 crore on account of Electricity Duty (ED)/Tax on Sale of Electricity (TOSE)/Inspection fees furnished/collected by the Department was deficient as it did not include the amount of ED and TOSE billed but not collected by the private companies/franchisees.

(Paragraph 6.2.8)

Absence of provisions in the Acts for remittance of the amount of proportionate ED and TOSE inherent in Delayed Payment Charges(DPC) and Interest on Arrears levied by private companies on delayed payments by consumers, resulted in undue benefit of the private companies by at least ₹ 24.98 crore at the cost of Government.

(Paragraph 6.2.9.1)

Variation with respect to the ED/TOSE payable as per the returns and ED/TOSE actually paid was of ₹ 310.80 crore.

(Paragraph 6.2.9.2(b) to (d))

In the office of the Electrical Inspector (EI) Mumbai Central, 66 *per cent* of the returns due were not received from the generating units concerned due to which correctness of ED paid were not monitored.

(Paragraph 6.2.9.2(e))

Cross-linkage of identical data available in returns in Form 'A' and Form 'C' revealed variation in the units reported as sold/consumed, for levy of electricity duty and tax on sale of electricity to the extent of 639.95 crore and 68.12 crore, respectively, reflecting deficiency in monitoring.

(Paragraph 6.2.9.3)

Interest was not levied on delayed payment of ED and TOSE aggregating ₹ 5,773.04 crore by MSEDCL, during the periods 2010-11 and 2011-12, which resulted in non-realisation of interest of ₹ 126.87 crore.

(Paragraph 6.2.10.1)

Incorrect grant of exemption from payment of TOSE to Railways for utilisation of energy on its residential and commercial areas, though not envisaged in the Maharashtra Tax on Sale of Electricity act, 1963 (MTSE Act), resulted in short realisation of tax of ₹ 1.55 crore.

(Paragraph 6.2.10.3)

Though inspections in respect of lifts and electrical installations, exist, it was not carried out or conducted regularly leading to shortfall in inspections.

(Paragraphs 6.2.9.5 and 6.2.10.4)

Details of utilisation of funds earmarked for Rural Electrification and Green Cess was not available with the Department.

(Paragraph 6.2.10.7)

Recommendations:

The Government may consider:

- introducing a provision in both the Acts or issuing necessary executive orders, as the case may be, such that, the private licensees/franchisees pay to the Government the proportionate amount of DPC and IOA collected by them on the element of ED and TOSE included in the electricity bills;
- issuing necessary instructions to the Department for revising the returns in forms A and C keeping in view the changed circumstances and preparing a Departmental Manual wherein registers for keeping a proper watch on the levy and collection of ED and TOSE as well checks to be exercised are prescribed.

-
- evolving a mechanism to monitor the data in Form A and Form C at field offices and headquarters to ensure correctness of ED and TOSE paid.
 - issuing instructions to clarify the grant of exemption from payment of TOSE by the Railways with respect to the relevant provision in the Act.
 - setting up an Internal Audit Wing in the Department; and
 - instituting a mechanism to ensure proper utilisation of money collected from the consumers for the specific purpose of Rural Electrification and Green Cess.

Other observation

B. Entertainments duty

Failure to take action for recovery of entertainments duty in 35 offices resulted in non-realisation of Government revenue aggregating ₹ 2.36 crore from 536 cable operators.

(Paragraph 6.4.1)

Registers maintained for recovery were not monitored which resulted in non-realisation of ₹ 2.26 crore from 59 permit rooms/beer bars.

(Paragraph 6.4.2)

Penal interest was not levied on the service providers for delays in payment of entertainment duty which resulted in non-realisation of ₹ 42.50 lakh in four cases.

(Paragraph 6.4.5)

C Education Cess and Employment Guarantee Cess

Penalty of ₹ 5.14 crore collected by the Municipal Corporation of Greater Mumbai on delayed payment of State education cess and employment guarantee cess was not remitted into the Government account.

(Paragraph 6.6.1)

State education cess and employment guarantee cess totalling to ₹ 315.65 crore were not remitted into the Government account by two Municipal Corporations.

(Paragraph 6.6.2)

CHAPTER VI: OTHER TAX RECEIPTS

6.1 Results of audit

We reported short levy, grant of excess refund, loss of revenue etc., amounting to ₹ 761.86 crore in 4,132 cases as mentioned below, on the basis of test check of the records relating to entertainment duty, electricity duty, state education cess, employment guarantee cess, tax on buildings (with larger residential premises), and profession tax conducted during the year 2012-13:

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1	Performance audit on “Levy and collection of Electricity Duty, Tax on sale of Electricity and Inspection Fees”	1	188.31
2	Entertainment duty	1,520	7.99
3	Taxes and duties on Electricity	1,963	249.19
4	State Education Cess and Employment Guarantee Cess	92	314.81
5	Tax on buildings with larger residential premises	90	1.36
6	Profession tax	466	0.20
	Total	4,132	761.86

In response to our observations made in the local audit reports during the year 2012-13 as well as during earlier years, the concerned Departments accepted underassessment, short levy, etc. and recovered ₹ 116.32 crore in 1,826 cases of which 391 cases involving ₹ 1.23 crore related to 2012-13 and the rest to earlier years.

A performance audit on “Levy and collection of Electricity Duty, Tax on sale of Electricity and Inspection Fees” with total financial effect of ₹ 188.31 crore and a few audit observations involving ₹ 326.52 crore are included in the succeeding paragraphs.

SECTION A TAXES AND DUTIES ON ELECTRICITY

6.2 Performance Audit on "Levy and collection of Electricity Duty, Tax on sale of Electricity and Inspection Fees"

Highlights

Figures of arrears of ₹ 843.36 crore on account of Electricity Duty (ED)/Tax on Sale of Electricity (TOSE)/Inspection fees furnished/collected by the Department was deficient as it did not include the amount of ED and TOSE billed but not collected by the private companies/franchisees.

(Paragraph 6.2.8)

Absence of provisions in the Acts for remittance of the amount of proportionate ED and TOSE inherent in Delayed Payment Charges(DPC) and Interest on Arrears levied by private companies on delayed payments by consumers, resulted in undue benefit to the private companies by at least ₹ 24.98 crore at the cost of Government.

(Paragraph 6.2.9.1)

Variation with respect to the ED/TOSE payable as per the returns and ED/TOSE actually paid was of ₹ 310.80 crore.

(Paragraph 6.2.9.2(b) to (d))

In the office of the Electrical Inspector (EI) Mumbai Central, 66 *per cent* of the returns due were not received from the generating units concerned due to which correctness of ED paid were not monitored.

(Paragraph 6.2.9.2(e))

Cross-linkage of identical data available in returns in Form 'A' and Form 'C' revealed variation in the units reported as sold/consumed, for levy of electricity duty and tax on sale of electricity to the extent of 639.95 crore and 68.12 crore, respectively, reflecting deficiency in monitoring.

(Paragraph 6.2.9.3)

Interest was not levied on delayed payment of ED and TOSE aggregating ₹ 5,773.04 crore by MSEDCL, during the periods 2010-11 and 2011-12, which resulted in non-realisation of interest of ₹ 126.87 crore.

(Paragraph 6.2.10.1)

Incorrect grant of exemption from payment of TOSE to Railways for utilisation of energy on its residential and commercial areas, though not envisaged in the Maharashtra Tax on Sale of Electricity Act, 1963 (MTSE Act), resulted in short realisation of tax of ₹ 1.55 crore.

(Paragraph 6.2.10.3)

Though inspections in respect of lifts and electrical installations, exist, it was not carried out or conducted regularly leading to shortfall in inspections.

(Paragraphs 6.2.9.5 and 6.2.10.4)

Details of utilisation of funds earmarked for Rural Electrification and Green Cess was not available with the Department.

(Paragraph 6.2.10.7)

6.2.1 Introduction

The Indian Electricity Act 2003¹ governs the laws relating to generation, transmission, distribution, trading, use of electricity, supply of electricity, etc. However, for levy and collection of Taxes and Duties on electricity supplied/sold to consumers, the Government of Maharashtra framed the Acts/rules. There are two private companies² and two public sector undertakings³ which have been granted distribution licences under Section 14 of the Indian Electricity Act, 2003 to supply electrical energy to the users/consumers. Electricity duty is levied at the rates specified by the Government from time to time on units of energy consumed by a user/consumer. In addition to this, tax on sale of electricity is also levied under Maharashtra Tax on Sale of Electricity Act, 1963. The primary objective of the Act is to generate revenue for creation of a fund for improvement of power supply in the State. The duty is also required to be paid by persons for captive consumption of energy generated by them.

As per the guidelines issued by the Maharashtra Energy Regulatory Commission (MERC), if the Electricity Bills are not paid by the consumer within the due date mentioned on the bill, the licensee shall charge a one-time penalty called Delayed Payment charges (DPC). The DPC is in addition to the interest charged on the arrears of the amount of electricity bill levied by the licensee. The rate of DPC is fixed as 2 per cent of the total electricity bill amount (including ED & TOSE) for that month /period.

The inspection of electrical installations and lifts are carried out in accordance with the provisions of Indian Electricity Act, 2003. The fees for such inspection and tests are determined by the State Government and shall be levied /payable in accordance with the rates fixed by the Government.

6.2.2 Organisational set up

The Chief Engineer (Electrical), Maharashtra (CE), who is the Head of the Department and is under the administrative control of the Secretary, Industries, Energy and Labour Department, is responsible for the administration of the Acts and Rules. He is assisted by four Superintending Engineers (SE), 38 Electrical Inspectors (EI), two Lifts Inspector (LI) at Mumbai and 78 Assistant Electrical Inspectors and 397 Sectional Engineers and Junior Engineers working under respective EI and LI.

¹ Framed by the Government of India.

² Tata Power and Reliance Infrastructure Ltd.

³ Maharashtra State Electricity Supply and Distribution Company Ltd. (MSEDCL), Brihan Mumbai Electricity Supply and Transport (BEST).

6.2.3 Scope of audit

The Performance Audit (PA) was conducted between September 2012 and March 2013 in the offices of the CE, Mumbai and 21 related Electrical Inspectors (EI) covering the periods from 2007-08 to 2011-12. However, figures for 2012-13 have been incorporated wherever available.

All the eight EIs dealing with collection of ED and TOSE and two EIs dealing with inspection of the lifts for whole of the State were selected. As regards inspection of electrical installations, 17 units were selected in accordance with Stratified Random Sampling Method on the basis of number of electrical installations in 36 EIs (Inspection). An Entry conference was held in September 2012 with the Deputy Secretary, Industries, Energy and Labour Department in which the objectives, scope and methodology of audit was explained to them. The draft report on the Performance Audit was forwarded to the Department/ Government in July 2013. The observations, conclusions and the recommendations made in the draft audit report were discussed in the Exit Conference held in July 2013. The Department has accepted most of the observations and their responses are appropriately included in respective audit paragraphs.

Reasons for selection of the topic

A PA on “Levy and collection of ED, tax and fees” was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2007. The same was discussed by the Public Accounts Committee (PAC) in October 2012. The Department was directed to take necessary action for rectifying the system and compliance deficiencies as pointed by audit. However, during our local inspections we found that cases relating to non-observance of the Act/ rules, non/short levy of the duty/tax etc as pointed out by audit persisted. Hence it was considered appropriate to conduct the PA.

6.2.4 Audit objectives

The PA was conducted with a view to:

- assess the efficiency and effectiveness of the system of levy and collection of duty, tax and interest;
- ascertain whether statutory inspections of lifts and electrical installations were being carried out and fees for inspections were being realised;
- whether the refund granted were in conformity with the provisions of the Act/Rules; and,
- ascertain whether monitoring and internal control at apex level exist to ensure proper realisation of duty, tax, interest and fees.

6.2.5 Audit criteria

The audit criteria for the Performance Audit are derived from the provisions of the following Central and State laws.

State Act/Rules

A. For Electricity Duty (ED)

1. Bombay Electricity Duty, Act, 1958. (BED Act)
2. Bombay Electricity Duty Rules, 1963 (BED Rules)

B. For Tax on Sale of Electricity (TOSE)

1. Maharashtra Tax on Sale of Electricity Act, 1963 (MTSE Act)
2. Maharashtra Tax on Sale of Electricity Rules, 1964 (MTSE Rules)

C. For Inspection of lifts

1. Bombay Lifts Act, 1939 (BL Act)
2. Bombay Lifts Rules, (BL Rules), 1958

Central Act/Rules

D. For inspection of electrical installations other than lifts

1. Indian Electricity Act, 2003 (IE Act)
2. Indian Electricity Rules 1956 (IE Rules)

In addition to the above, Resolutions of Government of Maharashtra issued from time to time were also referred to.

6.2.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Industries, Energy and Labour Department in providing necessary information and records for audit.

6.2.7 Trend of revenue

The Budget estimates, actual receipts and percentage of variation in respect of Taxes and Duties on Electricity for the period 2007-08 to 2012-13 are as under:

(₹ in crore)

Year	Budget Estimates	Actual receipts	Percentage of variation of Col. 3 with col 2
1	2	3	4
2007-08	1,781.54	2,687.87	(+)50.87
2008-09	2,600.00	2,394.86	(-)7.89
2009-10	3,000.00	3,289.32	(+) 9.64
2010-11	3,800.00	4,730.26	(+)24.48
2011-12	4,400.00	4,831.09	(+)9.79
2012-13	4,809.93	5,895.68	(+)22.57

Source : Finance Accounts

The percentage of variation between the BE and actual receipts was higher in 2007-08 (51 *per cent*), 2010-11 (24 *per cent*) and 2012-13 (22 *per cent*). This was due to increase in the rates of TOSE in 2007-08, increase in rates of ED in 2010-11 and increase in generation and consumption of electricity resulting in increase in Government revenues in 2012-13.

6.2.8 Arrears of revenue

ED/TOSE

As per the information furnished by the Department, the amounts pending for recovery under ED and TOSE from various power generators as on 31 March 2013, were as follows:

(₹ in crore)

Particulars	Principal (ED & TOSE)	Interest on ED & TOSE	Total of Principal and Interest
Sugar factories	4.04	20.40	24.44
Captive Power	107.53	260.46	367.99
Wind power	89.28	339.45	428.73
Total	200.85	620.31	821.16

The above arrears are on account of the energy units supplied by sugar factories/wind power mills which generate the electricity for captive consumption or for sale. Of these, ₹ 355.75 crore were locked up in court cases and for ₹ 11.37 crore Revenue Recovery Certificates have been issued.

The public sector undertakings remit all the dues based on the bills generated during a month and as such there are no arrears. The private companies and the franchisee remit the duty after collecting it from the consumers. Thus, the ED and TOSE receivable from consumers who do not pay the energy bills remained in arrears. The Department has not developed any system to ascertain the arrears pending collection. These are discussed in the subsequent paragraphs.

Inspection fee of electrical installations

Our scrutiny of records revealed that an amount of ₹ 22.19 crore was outstanding on account of arrears of inspections fees from 1999-00 to 2012-13 as shown below:

Years	No. of customers	Arrears of inspection fees (₹ in lakh)
1	2	3
1999-00	19	0.26
2000-01	1	0.50
2001-02	2	0.25
2002-03	12	0.56
2003-04	68	1.21
2004-05	1,515	2.81
2005-06	2,383	3.64
2006-07	5,090	3.80
2007-08	5,280	7.87
2008-09	4,700	12.34
2009-10	1,533	68.79
2010-11	4,611	199.00
2011-12	14,874	679.68
2012-13	1,33,630	1,239.21
Total	1,73,718	2,219.92

The Department stated that the levy of fee for inspection of electrical installations was discontinued from January 2013.

The Department may take prompt action to recover the arrears as recovery will become more difficult with the passage of time.

Audit findings

We noticed a number of system and compliance deficiencies as mentioned below:

6.2.9 System deficiencies

6.2.9.1 Undue benefit to private companies due to lack of uniformity in remittance of Government dues

There are four licencees authorized to supply electricity in the State. Of these, two are private licencees viz. Tata Power and Reliance Infrastructure and two are public sector undertakings viz. MSEDCL and BEST. In Nagpur area, MSEDCL has entrusted the distribution of electricity to its franchisee M/s. Spanco Nagpur Discom Ltd. (SNDL), which is also a private company.

We noticed that two different methods were being followed for remittance of Government dues into the Government account, one by the public sector undertakings and other by the private licencees. These are discussed as follows.

Method adopted by the public sector undertakings: The undertakings remit the Government dues based on the bills issued to the consumers regardless of the fact whether the payments are received from the consumers or not. Delayed payments by the undertakings are liable for interest as per the provisions of the Act.

Method adopted by private companies/franchisee: The private companies/franchisee remit the amount of ED and TOSE collected from the consumers during a month, into the Government account. Thus, in case the consumer delayed or did not pay the billed amount, the remittance of the Government dues into the Government account also got delayed or remained unrecovered. For non-payment of billed amount in time by the consumers, the MERC allowed the licencees to collect one time extra charges at the rate of two *per cent* of the billed amount called Delayed Payment Charges (DPC) and also collect Interest on Arrears (IOA) on the billed amount at rates ranging from 12 to 18 *per cent*. The private licencees retained the entire amount of DPC and IOA collected by them and no portion thereof was remitted into the Government account. As the electricity bills include ED and TOSE which is remitted to the Government, the DPC and IOA is levied on these items also on which these private companies have no claim. However, there is no provision in the BED Act as well as the MTSE Act for remission of proportional DPC and IOA levied on ED and TOSE, into the Government account.

We noticed that the Department had not examined the billing procedure of the private companies due to which no data was available relating to DPC/IOA collected by the private licencees. After we requisitioned the same, the data was obtained and made available to us.

Delayed Payment Charges: Analysis of data furnished by the Department revealed that the private companies and the franchisee had charged DPC amounting to ₹ 312.71 crore from the consumers. The DPC recovered and retained by the companies on the ED element worked out to ₹ 20.33 crore for the periods during the periods 2007-08 to 2011-12 as detailed below:

(₹ in crore)

Year	Delayed payment charges billed			Total	Minimum rate of electricity duty (%)	DPC on the ED component
	Tata Power	SNDL	Reliance Infra-structure			
2007-08	32.63	0	19.71	52.34	6	2.96
2008-09	15.21	0	23.24	38.45	6	2.18
2009-10	95.59	0	25.23	120.82	6	6.84
2010-11	32.65	0	21.08	53.73	9	4.44
2011-12	15.13	3.31	28.93	47.37	9	3.91
Total	191.21	3.31	118.19	312.71		20.33

(Data for the year 2012-13 not available)

Interest on Arrears: Analysis of data received from Reliance Infrastructure and SNDL revealed that they had charged IOA amounting to ₹ 63.85 crore from the consumers which includes IOA on ED component amounting to

₹ 4.65 crore (calculated on the basis of minimum rate of ED leviable during the period).

(₹ in crore)

Year	Interest on arrears			Minimum rate of electricity duty (%)	IOA on the ED component
	Reliance Infrastructure	SNDL	Total		
2007-08	6.01	0	6.01	6	0.34
2008-09	6.81	0	6.81	6	0.39
2009-10	11.27	0	11.27	6	0.64
2010-11	17.68	0	17.68	9	1.46
2011-12	19.71	2.37	22.08	9	1.82
Total	61.48	2.37	63.85		4.65

(Data for the year 2012-13 not available)

In the absence of specific mechanism to calculate TOSE component inherent in the DPC and IOA, the same could not be quantified.

The Department intimated that the DPC or IOA is the subject matter of MERC which is an independent commission set-up by the Government of Maharashtra to decide the tariffs of the licencees. It further stated that Section 4 of the BED Act requires the licencees to remit into the Government only that amount which has been collected by the licencees due to which it would be incorrect to recover the ED inherent in DPC and IOA.

However, the fact remains that the Department has not prescribed a uniform method for remittance of Government dues and the licencees are adopting two different methods in recovering the Government dues from the consumers, one by the public sector undertakings and other by the private companies. There is no provision in the BED Act as well as the MTSE Act for remitting proportional DPC and IOA levied on ED and TOSE into the Government account, thus resulting in undue benefit of the private companies at the cost of Government.

The Government may consider introducing a provision in both the Acts or issuing necessary executive orders, as the case may be, such that, the private licensees/franchisees pay to the Government the proportionate amount of DPC and IOA collected by them on the element of ED and TOSE included in the electricity bills.

6.2.9.2 Deficiencies noticed in the monitoring mechanism of recovery of Government dues

We found that the Department has not framed a manual for the benefit of the staff in carrying out various functions with respect to the Acts/Rules/Departmental instructions. As such, the registers required to be maintained and the returns prescribed under the Act/Rules could not be monitored. A few instances are mentioned as below.

(a) Non-updation of returns in Form A:- Form A is an return prescribed under Rule 4(c) of the MTSE Rules showing the sale of energy made by the

bulk licensee and the tax payable by him during a quarter. The return is to be submitted before the 10th day of the second month succeeding the quarter to which the return relates. This return was prescribed in 1964, thereafter in 2002 privatisation took place in power supply sector.

The return in Form A submitted by private licensees contains all the information like total units distributed, supplies to Central Government units, residential units, streetlights, Green Cess payable, supplies to commercial units, industrial units etc., while that submitted by the public sector undertakings in the format prescribed under the Act does not contain such detailed information. The format of the form as prescribed under the Act has now become obsolete as at that time it was limited to only bulk supplies to industrial and commercial units.

(b) Non-updation of Form C: The Form C is a return prescribed under the BED Act did not contain the column for consumption charges on which ED is levied. MSEDCL submits its return relating to energy supply and charge thereon etc. to the EIs in this form. We found that only EI, Thane had mentioned consumption charges separately in the Form C. However, the correctness of the ED was not verified by either the EI Thane or CE. Our scrutiny of the consolidated returns submitted by the EI Thane indicated short remittance/recovery of ED to the extent of ₹ 570.44 crore for the periods 2009-10 and 2010-11 on account of wrongful computation of ED on consumption charges as detailed in the **Appendix XI**.

After we pointed out this matter, the Department stated that the form relating to the consumption charges will be introduced in upcoming C returns. It further stated that EI Thane had wrongly compiled the consumption charge for the year 2010-11 due to which the discrepancies as pointed out by audit had occurred. The correct figures had now been obtained and the assessment had been rechecked and no shortfall was found. For the year 2009-10, necessary verification would be carried out.

The reply of the Department was again verified in August 2013 in respect of 348 returns pertaining to 87 billing centres/circles. We noticed that as against ED payable as per returns of ₹ 1,157.31 crore during 2010-11, the amount of ED actually paid was ₹ 865.78 crore, thus resulting in difference of ED paid to the extent of ₹ 291.53 crore.

The above facts indicate that returns in Form C were not being scrutinised and reconciliation of the accounts with the Form C was not done.

(c) Non-scrutiny of returns relating to TOSE by the EIs and CE:

(i) No register was prescribed by the Department for recording the details of levy and collection of TOSE. We found discrepancies in payment of TOSE in the returns submitted by the MSEDCL and the amounts actually paid by the MSEDCL in three circles under EI, Aurangabad as follows:

(₹ in lakh)

Name of Circle office	Period	No. of units of energy sold to consumers as per return	TOSE payable @ 8 paise/ unit	TOSE actually paid	Variation (Col. 4 – Col 5)
1	2	3	4	5	6
Jalna	2010-11	95,57,82,652	764.63	717.04	47.59
Nanded	2009-10	13,36,56,805	106.93	106.36	0.57
Beed	2009-10	12,46,27,023	99.70	86.00	13.70
Total		1,21,40,66,480	971.26	909.40	61.86

(ii) In EI, Nagpur, there was a difference of ₹ 8.45 lakh in the actual tax receipts and actual payments made in the month of January 2012. Due to absence of prescribed registers, the difference could not be readily explained by the Department. Later on it was stated that the same was due to the adjustment of the amounts of the previous months.

(iii) Similarly, in Pune for the month of September 2011, the total tax payable as per Form A was ₹ 10.02 crore, whereas the licensee viz. MSEDCL had remitted only ₹ 8.7 crore. Reasons for short recovery of tax of ₹ 1.32 crore was not explained. The Department stated that the figures would be reconciled. A report on the reconciliation is awaited (January 2014).

(d) Non-scrutiny of returns relating to ED by the EIs and CE

(i) We found that the ED payable as per C returns in three Divisions, (Kolhapur, Pune and Thane) was ₹ 761.75 crore while the annual statement submitted by MSEDCL to the CE indicated that only ₹ 744.55 crore were remitted into the Government account. Thus, there was a difference of amount of ED paid to the extent of ₹ 17.20 crore as given in **Appendix XII**. The above facts indicate that the figures are not being reconciled by the Department with the MSEDCL.

After this was pointed out, the EIs accepted the observation and stated that necessary action would be taken to recover the amount.

(ii) We noticed that the rates for computation of the electricity duty payable for residential and commercial consumers were not applied correctly in the returns submitted by MSEDCL (Satara Circle, Satara Rural Division and Satara Khatau Division) resulting in wrongful computation and differential amount of ED recoverable at ₹ 12.58 lakh as detailed in **Appendix XIII**.

After this was pointed out, the EI, Pune stated (December 2012) that the matter would be verified and necessary action would be taken. However, the CE later on stated that they had incorrectly depicted the consumption charges in their returns and had found no discrepancies. The above facts indicate that the returns filed by the MSEDCL were not being scrutinised by the Department and the chances of non/short collection of ED could not be ruled out.

(e) Non- monitoring of returns in Form B

Under the provisions of Rule 4(3) (iii) of the BED Rules, every person other than a licensee who intends to generate, or intends to continue generation of energy exclusively for own use shall submit a quarterly return in Form-B showing the units of energy generated and the ED payable thereon to the EI on or before 15th day of the next month following the quarter to which the return relates.

We noticed that the Department had not kept proper watch on the receipt of the returns in Form 'B' submitted by such licensees. EI Thane and Pune did not furnish the returns for the months of November and December 2012 to audit. Further, our scrutiny in the office of the EI Mumbai Central, for the periods 2007-08 to 2011-12, revealed that as against 5,199 returns to be submitted, the energy generating units had submitted only 1,763 returns resulting in shortfall of 3,436 returns as shown below:

Year	Total no. of B returns due for submission	Total no. of B returns actually submitted	Short fall
2007-08	763	304	459
2008-09	927	347	580
2009-10	1,064	421	643
2010-11	1,146	413	733
2011-12	1,299	278	1,021
Total	5,199	1,763	3,436

(Data for the year 2012-13 not available)

After the above facts being brought to the notice, the EIs stated that the returns would be called for. Information in this regard has still not been received (January 2014).

The above observations from (a) to (e) were reflective of weakness in the internal control measures with respect to maintenance of registers for keeping proper watch on the returns to be submitted by the licensees and exercising checks on the returns to ascertain the correctness of ED and TOSE paid by them.

The Government may issue necessary instructions to the Department for revising the returns in forms A and C, keeping in view the changed circumstances and preparing a Departmental Manual wherein registers for keeping a proper watch on the levy and collection of ED and TOSE as well checks to be exercised are prescribed.

6.2.9.3 Variation in units consumed/sold as per Forms 'C' and 'A'

The records of MSEDCL are computerized. However, the returns furnished by it are prepared manually. We found that there was no linkage between the two returns (Form A under MTSE Act and Form C under BED Act) furnished by MSEDCL. We compared the total number of units under industrial and

commercial categories for the periods⁴ 2009-10, 2010-11 and 2011-12 in Form A with those shown in Form C (including exempted units) and found that these were at variance as mentioned in the following paragraphs:

(a) TOSE units more than ED units:

Detailed scrutiny of the consolidated statement of returns for the year 2009-10 in the office of the CE revealed that in the returns submitted by the following offices, the number of units for industrial and commercial categories on which TOSE was levied as mentioned in return in Form A was more than number of similar units, irrespective of whether they were subject to levy of ED or exempt therefrom, as mentioned in Form C as follows:

(Units in crores)

Name of officer submitting the returns	Period	Units of energy in Form A for TOSE	Units of energy in Form C for ED including exempted units	Difference Col. 3 – Col 4
1	2	3	4	5
EI Nashik	2009-10	338.10	247.50	90.60
EI Pune	2009-10	591.73	385.39	206.34
EI Amravati	2009-10	79.07	67.60	11.47
EI Thane	2009-10	1,260.42	1,202.08	58.34
EI Nagpur	2009-10	374.26	146.98	227.28
EI Aurangabad	2009-10	274.21	236.55	37.66
Total		2,917.79	2,286.10	631.69

Our scrutiny of records in the offices of the EI Aurangabad, Nashik and Pune further revealed that the number of units of energy sold to commercial and industrial consumers as per Form A was more than the number of units consumed by the same class of consumers as per Form C returns. The details are shown in the following table:

(Units in crores)

Name of EI	Period	Units shown in Form 'A'	Units in Form 'C' excluding residential class of consumers	Variation in units
EI Aurangabad	2010-11	4.23	3.64	0.59
EI Nashik	2009-10	255.23	247.67	7.56
EI Pune	07/2007 to 09/2010	1.43	1.32	0.11
Total				8.26

It can also be seen from the above two tables that, for the year 2009-10, the figures submitted by EI Nashik to the CE was different from the figures in the returns available with him for the same period.

⁴ The returns for the periods 2007-08 to 2008-09 were not found on record nor were they produced to audit despite being called for.

(b) ED units more than TOSE units

In the following offices, the units for industrial and commercial categories on which TOSE was charged as mentioned in return in Form A was less than the units irrespective of whether they were subject to levy of ED or exempt therefrom, as mentioned in Form C as follows:

(Units in crores)

Name of EI	Period	Total units for ED as per Form 'C'	Total units shown in Form 'A'	Variation in units
EI Nashik	2010-11 to 2011-12	835.93	768.26	67.67
EI, Pune (five sub divisions)	2009-10 to 2011-12	2.91	2.46	0.45
Total				68.12

Thus, it could be seen from the above that though the source of information for the above two returns was same, there was variation in figures in the two different returns generated from it, indicating that either the figures are incorrect or the returns have been generated incorrectly. This could have been avoided had a proper link developed between the two returns.

In the exit conference the Department stated that these are two sets of figures under two different Acts. As such these may not tally.

The reply of the Department is not tenable as the figures of units of energy supplied by the licensee are from the same source data and are the basis for the calculation of TOSE and consumption charges on which ED is levied.

From the above it appears that the Department was not compiling the returns and also not correlating the figures in the two returns so as to ensure that the data furnished is correct and there is no loss of revenue.

The Government may evolve a mechanism to monitor the data in Form A and Form C at field offices and headquarters to ensure correctness of ED and TOSE paid.

6.2.9.4 Short realisation of ED from Aarey colony

Reliance Infrastructure Ltd. supplies power to a bulk consumer called Aarey Colony at a metering point. From the metering point the energy is supplied to consumers through sub-meters. Aarey Colony submits returns in Form C directly to EI, Mumbai Central and remits the ED directly into the Government Account. The consumption charges are directly paid to the Reliance Infrastructure Ltd. Further, ED is also leviable on fuel adjustment charges (FAC) levied by the supplier.

Our scrutiny of records revealed that M/s Reliance Infrastructure Ltd. had supplied 268.57 lakh units of electricity to Aarey Colony for the periods from 2008-09 to 2012-13 and had recovered the consumption charges accordingly. However, we noticed that Aarey Colony had remitted ED in respect of 248.94 lakh units only. Thus, ED of ₹ 8.59 lakh was not paid on 19.63 lakh units as detailed in **Appendix XIV**.

We also noticed that Aarey Colony had not paid ED on FAC paid by it to the Reliance Infrastructure Ltd, for the periods from 2008-09 to 2011-12 (however the same was paid during 2012-13). The ED payable on FAC worked out to ₹ 18.81 lakh as detailed as follows

Period	Months	FAC paid	Rate of ED	Electric duty payable (₹)
2008-09	April 2008 to March 2009	1,76,349	12.00%	21,162
		49,25,573	13.00%	6,40,324
2009-10	April 2009 to December 2009	60,122	12.00%	7,215
		20,04,278	13.00%	2,60,556
	January 2010 to March 2010	31,266	15.00%	4,690
		9,45,289	17.00%	1,60,699
2010-11	April 2010 to January 2011	57,034	15.00%	8,555
		14,68,294	17.00%	2,49,610
	February 2011 to March 2011	38,794	15.00%	5,819
		4,56,995	17.00%	77,689
2011-12	April 2011 to March 2012	1,65,512	15.00%	24,827
		24,68,018	17.00%	4,19,563
Total				18,80,709

Absence of a system to correlate the data of units of energy supplied with units on which ED is paid resulted in short realisation of ED of ₹ 27.40 lakh.

In the exit conference the Department accepted the audit observation and stated that demand notice would be issued in this regard.

6.2.9.5 Lack of provisions for inspection of escalators

An escalator is a moving staircase or a conveyor transport device for carrying people between floors of buildings such as shopping malls.

There is provision for issue of licence for installation of lift and also the same is to be inspected twice in a year as per provision of the BL Act. However, there is no provision in respect of issue of licence and periodical inspection by the Department in respect of escalators though they are very much susceptible to accidents in absence of fixation of safety norms by the Department. It is pertinent to mention here that other states like Gujarat, Kerala, Assam and West Bengal have specific Acts to issue licences for installation of escalators and to carry out periodical inspections thereof. Further, the Department also did not have data relating to installed escalators and number of accidents which have occurred therefrom.

In the exit conference, the Department stated that a proposal regarding taking up of inspection of escalators has been sent to the Government.

6.2.10 Compliance deficiencies

6.2.10.1 Non-levy of interest on delayed remittances of ED and TOSE into Government account

Under the provisions of Section 4 of the BED Act and Section 3 and 4 of the MTSE Act, every licensee who supplies electricity to consumers is required to collect ED and TOSE from the consumer and pay it to the State Government on or before the last date of the succeeding calendar month in which the bills are raised. Further, as per section of 8 of the BED Act and Section 9 of the MTSE Act, in case of default interest at the rate of 18 *per cent* per annum for the first three months and 24 *per cent* per annum thereafter is chargeable on the amount of duty remaining unpaid till the date of payment.

We noticed that the MSEDCL had made payments of ED and TOSE amounting to ₹ 5,773.04 crore with delays ranging from one to 118 days during the periods 2010-11 and 2011-12. However, the Department failed to levy interest as required under the provision of the Act, resulting in non-recovery of interest amounting to ₹ 126.87 crore (ED-₹ 114.62 crore + TOSE-₹ 12.25 crore).

In the exit conference, the Department stated that a proposal to adjust the dues against the subsidies payable to MSEDCL was under consideration by the Government. However, the fact remains that the amount due to the Government is required to be remitted into the Government account and interest for delayed remittance is also leviable as per the relevant provisions of the Acts.

6.2.10.2 Non-levy of interest due to short fixation of installments for payment of ED

Rule 3(3) of the BED Rules stipulates that a licensee may opt for payment of ED into the Government account in respect of energy consumed by the consumers during a billing month in three installments. The first two installments are to be paid by the licensee equivalent to 1/24th of the total ED collected and paid during the preceding year on the 15th and 30th of the month, and the balance amount is required to be paid by the 10th of the succeeding month.

We found that BEST had opted to pay ED under Rule 3(3) but while remitting the money it made short payments in respect of first two instalments and delayed the payment of the third and final installment by two to 25 days. On the short and delayed payment of ED, interest was leviable under the relevant provision of the Act. But no action was taken by the Department in this regard due to non-verification of the returns filed by the BEST. Same worked out to ₹ 59.62 crore, for the periods 2009-10 to 2012-13. A few instances are highlighted below.

Sl. No	Billing month/ Instalment no	Amount payable (₹ in crore)	Due date of instalment	Amount paid (₹ in crore)	Amount paid short (₹ in crore)	Actual date of payment	Duration of delay in days	Interest leviable (₹ in lakh)
1	April 2011/First	16.92	15 May 2011	4.44	12.48	9 June 2011	25	1,558.99
2	May 2011/First	16.92	15 June 2011	10.44	6.48	29 June 2011	14	452.99
3	July 2011/ First	16.92	15 August 2011	15.17	1.75	9 September 2011	25	218.06
4	September 2011/ First	16.92	15 October 2011	14.73	2.19	9 November 2011	25	273.29
5	November 2011/ First	16.92	15 December 2011	14.29	2.63	9 January 2012	25	328.28
6	February 2012/ First	16.92	15 March 2012	11.35	5.57	30 March 2012	15	417.26
7	March 2012/ First	16.92	15 April 2012	7.84	9.08	27 April 2012	12	544.60

In the exit conference the Department accepted the observation. However, steps taken to recover the amount have not been intimated (January 2014).

6.2.10.3 Non-levy/recovery of TOSE for the energy supplied and used for residential and commercial purpose by Central and Western Railway

Under section 7(b) of the MTSE Act, exemption of TOSE has been provided only to the electricity consumed by or sold to the Central Government and Indian Railways in connection with construction, operation or maintenance of Railways. No such exemption is admissible for supply of energy for residential or commercial purposes.

Scrutiny of 'C' returns submitted by the Assistant Divisional Engineer (Power), Western Railway, Mumbai Central and Senior Divisional Electric Engineer (G) Central Railway, Chhatrapati Shivaji Terminus Mumbai to the Electrical Inspector, Mumbai Central revealed that the Western Railway and the Central Railway had paid ED on 4.58 crore units of electrical energy consumed in connection with residential and commercial purposes during the period from 2007-08 to 2012-13⁵. However, the Railways had not paid TOSE for such consumption of electrical energy for residential and commercial purposes. The Department had also not worked out the amount of TOSE leviable and demanded the same from the railways. The TOSE recoverable is at ₹ 80.95 lakh and interest thereon is ₹ 73.90 lakh aggregating ₹ 1.55 crore.

After we pointed out these cases, EI, Mumbai Central stated (October 2012) that levy of TOSE would not be correct in view of the exemption granted to the Railways under Section 7(b) of MTSE Act.

⁵ C returns for 2012-13 were not furnished by the Central Railway.

The reply is not tenable in view of Section 7(b) which provides for exemption from levy of TOSE only for official use of the Railways and not for commercial and residential use.

The Government may consider issuing instructions to clarify the grant of exemption from payment of TOSE by the Railways with respect to the relevant provision in the Act.

6.2.10.4 Non-inspection of lifts and electrical installations

(a) Non-inspection of lifts

There are two Electrical Inspector (Lifts) Division-I and II functioning under the jurisdiction of CE, Mumbai in the Maharashtra State.

Under section 11 A of the BL Act read with Rule 9A of the BL Rules, every lift shall be inspected at least once in six months by an officer authorized in this behalf by State Government. An annual fee for the inspection of lifts shall be paid either prior to inspection or within ten days from the date of inspection at such rate as may be prescribed by the Government.

Information furnished by the Electrical Inspector (Lift, Division-I and II), Mumbai for the periods 2007-08 to 2012-13 revealed that more than 65 per cent of the lifts remained uninspected prior to 2011-12 as detailed below.

Year	Total nos. of lifts to be inspected	Total no. of lifts inspected during the year	No. of lifts remained un-inspected during the year	Minimum inspection fee	Amount of Inspection Fee not recovered due to non-inspection (₹ in crore)	Percentage of lifts remained un-inspected during the year (Col 4 to Col 2)
1	2	3	4	5	6	7
2007-08	71,742	21,939	49,803	300	1.49	69
2008-09	78,550	22,813	55,737	300	1.67	71
2009-10	78,944	13,375	65,569	600	3.93	83
2010-11	86,411	30,247	56,164	600	3.37	65
2011-12	85,440	22,080	63,360	600	3.80	74
2012-13	93,470	81,480	11,990	600	0.72	13
Total					14.98	

However, during 2012-13, the Department had improved the situation with only 13 per cent of the lifts remaining uninspected. However, on account of non-inspection, the Government has been deprived of a minimum revenue of ₹ 14.98 crore during the past six years.

(b) Non-inspection of electrical installations

Under rule 46 of IE Rules, to ensure public safety, installations for supply of electricity are to be periodically inspected at intervals not exceeding five years, either by the inspectors or by the suppliers as may be directed by the State Government. The minimum fee was ₹ 20 per inspection which was

raised to ₹ 400 from April 2010. Under rule 46(2)(B), the supply of electricity to the installation is liable to be disconnected on non-payment of inspection fees.

Our scrutiny of the records in the office of the CE, Mumbai revealed that out of 49,46,349 electrical installations required to be inspected, only 28,57,032 were inspected by the Department during the period 2007-08 to 2012-13, as detailed in the following table:

Year	Inspections to be carried out	Inspections actually carried out	Arrears in inspection
2007-08	10,11,772	6,33,722	3,78,050
2008-09	10,26,440	3,65,992	6,60,448
2009-10	10,78,617	5,75,933	5,02,684
2010-11	7,43,369	4,52,317	2,91,052
2011-12	4,97,288	3,36,442	1,60,846
2012-13	5,88,863	4,92,626	96,237
Total	49,46,349	28,57,032	20,89,317

Failure to inspect lifts and other electrical installations compromised public safety. It is pertinent to mention here that there have been 46 (including 13 fatal) accidents relating to lifts and 14,973 (including 11,478 fatal) accidents relating to electrical installations during the past six years.

In the exit conference, the Department stated that additional staff has now been appointed by the Government to carry out inspection. However, further progress made to carry out the inspections of lifts and electrical installations has not been received (January 2014).

6.2.10.5 Non-reconciliation of Government receipts with Treasury records

Under Rule 98(2) (V) of Maharashtra Treasury Rule, 1968 the officer who collects the money on behalf of Government is required to prepare a statement of the amount credited by him into the Government Treasury and get the same verified with the records of the Treasury officers and obtain a certificate to the effect that amount credited is found correct and keep the same on record.

Scrutiny of records/reconciliation statements of EIs at Mumbai Central, Amravati and Pune revealed that the amounts credited into the Treasury during various periods from December 2011 to November 2012 were pending reconciliation with records of the treasury concerned, as detailed below:

Sl. No.	Name of the Office	Period for which reconciliation was pending
1	Electrical Inspector (Duty), Mumbai Central	December 2011 to September 2012
2	Electrical Inspector, Pune	October 2012 and November 2012
3	Electrical Inspector (Duty), Amravati	April 2012 to November 2012

It may be mentioned here that non-reconciliation has implications relating to misclassification and non-detection of frauds, hence reconciliation is essential.

On this being brought to notice, the EIs stated (October 2012 and December 2012) that the reconciliation would be carried out.

6.2.10.6 Internal Audit

The internal audit wing (IAW) of an organisation is a vital component of its internal control mechanism and is generally defined as the control of all controls to enable the organisation to assure itself that the prescribed systems are functioning reasonably well. A recommendation in this regard was also made in Paragraph 5.2.10 of the Report of the Comptroller and Auditor General of India on the Revenue Receipts - Government of Maharashtra for the year ended 31 March 2007. However, it was noticed that no IAW was in existence in the Department, leaving it vulnerable to the risk of control failure.

After this was brought to the notice, the Department stated (October 2012) that proposal for setting up an internal audit wing would be sent to the Government.

The Government may consider setting up an Internal Audit Wing in the Department.

6.2.10.7 Utilisation of Electricity Fund and Green Cess Fund

Section 5 of MTSE Act states that

- 1 the proceeds of tax (together with in interest payable under section 9) recovered under this act, shall first be credited to the Consolidated fund of state, and under appropriation duly made by law in this behalf,
 - a) An amount of tax equivalent to 4 paise per units paid by power utility to the State Government in respect of sale of electricity to commercial and industrial consumer shall be transferred to the Maharashtra Energy Development Agency (MEDA), established under the Societies Registration Act, 1860 or in successor, for executing schemes of generation of renewable and non-conventional sources of energy, and
 - b) The remaining amount be entered in and transferred to a separate fund called the State Electricity Fund (SEF).
- 2 Any amount transferred to MEDA and the SEF under sub section (1) shall be charged on the Consolidated Fund of the State.

Further, as per section 5A of MTSE Act the fund may be expended for executing schemes for development and improvement of power supply in the State for operating Rural Electrification Schemes (RES) therein and in furtherance of this purpose, the State Government shall from and out of the fund give subsidies or loans or ways and means advances to power utility and the Board.

With effect from 6 April 2004, an amount equivalent to four paise per unit (revised to eight paise per unit from May 2008) of TOSE collected⁶ was required to be transferred to the MEDA for executing schemes of generation of renewable and non-conventional sources of energy (“Harit Urja Programme”). The fund was popularly known as “Green Cess”.

In January 2006, the Government established a Fund called “Urja Ankur Nidhi” for the purpose of speedy financial assistance and for rapid development of non-conventional sources of energy through public private partnership. The initial investment in the Fund was ₹ 418 crore, out of which ₹ 218 crore was to be invested by Government of Maharashtra through MEDA by appropriation of the Green Cess and balance ₹ 200 crore was to be committed by an investment manager through the private sector.

As per the information furnished by the Department, out of the total amount of ₹ 1,809.82 crore collected for the periods 2007-08 to 2012-13 on account of Green Cess only ₹ 45.90 crore was transferred to MEDA that too in the year 2011-12, details of which are as follows:

(₹ in crore)

Year	Amount of Green Cess collected	Amount transferred till date to MEDA
2007-08	204.96	0.00
2008-09	257.07	0.00
2009-10	214.26	0.00
2010-11	374.57	0.00
2011-12	378.42	45.90
2012-13	380.54	0.00
Total	1,809.82	45.90

Thus, less than three *per cent* of the Green Cess had been transferred by the Department to MEDA for Harit Urja Programme and Ankur Urja Nidhi. In order to ascertain whether the funds were utilised for the purpose for which it was meant or not, details of utilisation of funds collected for SEF and Green Cess were called for. In reply, the Department expressed their inability to produce the same as the records were destroyed in the fire at Mantralaya in June 2012.

In the exit conference, the Department stated that action would be taken to release the funds to MEDA for proper utilization.

The Government may institute a mechanism to ensure proper utilisation of money collected from the consumers for the specific purpose of Rural Electrification and Green Cess.

⁶ From commercial, industrial and residential in Greater Mumbai and from commercial and industrial in other areas.

6.2.11 Conclusion

We noticed that-

- the Department did not effectively monitor the receipt of the A and C returns and verify the correctness of duty and taxes payable as per return and actual payment statement of the licensee;
- there was no system of reconciliation of figures relating to A and C returns regarding units consumed, amount payable, and paid in the returns available at EI and at apex level;
- the Department was not compiling the returns at CE level leading to possible short recovery of duty and taxes;
- absence of clear provision in the BED Act regarding the remittance of the ED component inherent in the DPC and IOA resulted in undue enrichment to the licensees;
- the Department did not levy TOSE for sale of electricity to Railways for residential and commercial purposes even though it was recovering ED on the same;
- failure of the Department to carry out inspection of lifts/electrical installations compromised public safety;
- Internal Audit wing was not in existence in the Department;
- Escalators were not being considered for inspections for ensuring public safety; and,
- Details regarding utilisation of SEF were not readily available and only a part of funds meant for “Harit Urja” programme was transferred to the implementing agency.

6.2.12 Recommendations

The Government may consider-

- introducing a provision in both the Acts or issuing necessary executive orders, as the case may be, such that, the private licensees/franchisees pay to the Government the proportionate amount of DPC and IOA collected by them on the element of ED and TOSE included in the electricity bills;
- issuing necessary instructions to the Department for revising the returns in forms A and C keeping in view the changed circumstances and preparing a Departmental Manual wherein registers for keeping a proper watch on the levy and collection of ED and TOSE as well checks to be exercised are prescribed.
- evolving a mechanism to monitor the data in Form A and Form C at field offices and headquarters to ensure correctness of ED and TOSE paid.

- issuing instructions to clarify the grant of exemption from payment of TOSE by the Railways with respect to the relevant provision in the Act.
- setting up an Internal Audit Wing in the Department; and
- instituting a mechanism to ensure proper utilisation of money collected from the consumers for the specific purpose of Rural Electrification and Green Cess.

SECTION B ENTERTAINMENTS DUTY

6.3 Audit observations

During scrutiny of records in the offices of the Dy. Collectors(DCs)/Resident Deputy Collectors(RDCs)/Taluka Magistrates(TMs)/Entertainment Duty Officers(EDOs), we noticed cases of non-observance of provisions of the Acts and Rules as mentioned in the succeeding paragraphs in this section. These cases are illustrative and are based on a test check carried out by us. The Government may evolve a suitable mechanism so that mistakes can be avoided, detected and corrected.

6.4 Non-observance of provisions of the Acts/Rules

The Bombay Entertainments Duty Act, 1923 (BED Act), provides for –

(i) levy and collection of entertainment duty (Ent. D) from entertainment providers

(ii) levy of interest in cases of non/late remittance

We noticed that the concerned authorities did not observe some of the provisions of the BED Act in cases mentioned in the succeeding paragraphs 6.4.1 to 6.4.6.

6.4.1 Non/short recovery of Ent.D from cable operators

Under section 3(4) of the BED Act, Ent.D was payable by the cable operators at flat rate of ₹ 45, ₹ 30 or ₹ 15 per television set per month with effect from June 2006 depending on whether the area is a Municipal Corporation (MC), 'A' and 'B' class municipality or other area. Under Rule 14 of the Collection of Ent.D on Cable Television (including Ent.D leviable on DTH Broadcasting Services) by way of Public Auction Rules 2003, the Collector is required to assess the cable operators and recover the Ent.D. These cable operators are required to file monthly returns in Form 'E' along with the payment of Ent.D with the Collector. As per Section 4B(4) of the BED Act, if the return is not filed within the prescribed time, the State Government may, after giving the cable operator a reasonable time, assess to the best of its judgment, the Ent.D due from the cable operators and also direct them to pay the Ent.D and penalty, if any. Failure of compliance to the provisions of Section 4B is punishable under Section 5A by imprisonment for a term extending up to six months or fine not more than ₹ 5,000 or both. As per Section 9B of the BED Act, interest at the rate of 18 *per cent* per annum for the first 30 days and 24 *per cent* per annum thereafter is also to be levied in case of default in payment.

Mention was made in Paragraph 7.3.1 of the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the period ending 31 March 2011, about non-payment of Ent.D by cable operators. The Government had stated that all Divisional Commissioners had been instructed for recovery of Ent.D and also to initiate action to institute a mechanism to ensure that recoveries are effected. However, the position of recovery of Ent.D continued to remain low as follows.

During test check of Recovery Register of 35 offices (eight⁷ DCs, eight⁸ RDCs, four⁹ Ent.DOs and 15¹⁰ TMs) between February 2011 and January 2013, we noticed that Ent.D amounting to ₹ 2.36 crore was not paid by 536 cable operators during various periods between 2008-09 and 2011-12. These cable operators had also not submitted their returns in Form 'E'. The concerned officers had neither kept track of the non-receipt of returns in Form 'E' nor reviewed the Recovery Register. This resulted in non-recovery of Ent.D aggregating to ₹ 2.36 crore from 536 cable operators. Further, interest at the prescribed rates was also leviable.

After we pointed out the cases, the Department accepted the observation and communicated recovery of ₹ 29.22 lakh from 69 cable operators during August 2011 and March 2013. Report on recovery of the balance amount is awaited.

⁷ Mumbai (Zones II, III, IV, V, VI, VII, VIII and X).

⁸ Amravati, Beed, Chandrapur, Gondia, Pune (Zones B, F, G and O).

⁹ Pune (Zones F, K, N and O).

¹⁰ Akkalkot, Ashti, Ambarnath, Borivali (Zone VII), Kalyan, Kurla at Mulund (Zones VIII, IX, X, XI, XII), Palghar, Shahapur, Talasari, Vasai and Vikramgad.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

6.4.2 Non-recovery of Ent.D from permit room/beer bar with live orchestra

Under the provisions of section 3(11) of BED Act, read with order dated 17 September 2010 issued by the Revenue and Forest Department, Ent.D is recoverable at the rate of ₹ 50,000 per month from permit room/beer bar with live orchestra located in Municipal Corporation Areas with effect from 20 January 2010. Such duty is recoverable in advance by the 10th day of the month for which it relates and is watched through the live orchestra recovery register.

As per Section 9B of the BED Act, interest at the rate of 18 *per cent* per annum for the first 30 days and 24 *per cent* per annum thereafter is also to be levied in case of default in payment. Demand notice is issued for payment of duty and non-compliance of the demand notice is punishable by imprisonment for a term extending up to six months or fine not more than ₹ 5,000 or both.

During test check of live orchestra recovery register of 12 offices (six¹¹ DCs and six¹² TMs) between May 2012 and March 2013, we noticed that Ent.D amounting to ₹ 2.26 crore was not recovered from 59 permit rooms /beer bars with live orchestra during various periods between 2010-11 and 2011-12. Thus, non-monitoring of the register by the concerned authorities resulted in non-realisation of Ent.D aggregating ₹ 2.26 crore. Further, interest at

the prescribed rate was also leviable.

After we pointed out the cases, the Department accepted the observation and communicated recovery of ₹ 1.05 crore from 32 defaulters between June 2012 and July 2013. Report on the recovery of the balance amount is awaited.

We reported the matter to the Government in May and August 2013; their reply is awaited (January 2014).

¹¹ Mumbai (Zones IV, VI, VII, IX, X and XI).

¹² Andheri (Zones I and II), Borivali (Zone V), Kurla at Mulund (Zones VIII, X and XI).

6.4.3 Non-recovery of Ent.D in case of dishonoured cheques

As per the provisions of BED Act, Ent.D can either be paid in cash or through cheque. Further, if the cheque through which Ent.D is paid is dishonoured for any reasons whatsoever, the Department has to immediately recover the amount in cash along with interest from the defaulters and also initiate action under the provisions of Section 138 of Negotiable Instruments Act (Amended), 1988 (NI Act).

During test check of the records of nine offices (three¹³ DCs, one¹⁴ RDCs, one¹⁵ EDO and four¹⁶ TMs), between March 2010 and July 2012, we noticed from the cheque/ dishonoured cheque register that in 50

cases, cheques issued by cable operators for payment of Ent.D aggregating ₹ 13.03 lakh were dishonoured during various periods between 2008-09 and 2011-12. These amounts should have been recovered in cash along with interest. The concerned officers neither took any action to recover the amount from the defaulters nor initiated proceedings as contemplated under the NI Act. This resulted in non-realisation of Ent.D aggregating ₹ 13.03 lakh and interest thereon.

After we pointed out the cases between April 2010 and August 2012, Department communicated recovery of ₹ 9.96 lakh from 38 defaulters between April 2011 and March 2013. A report on recovery of balance amount is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

¹³ Mumbai (Zones I, III and VII).

¹⁴ Pune (Zone G)

¹⁵ Pune (Zone B)

¹⁶ Ambarnath, Andheri (Zone I), Kurla at Mulund (Zones IX and X)

6.4.4 Non-levy of penal interest on delayed payment of Ent.D

DC (Zone-I Mumbai), RDC Solapur and TM Ambernath

As per the provisions of Section 3(15) of the BED Act, Ent.D shall be levied and paid by the cable operator by 10th of the subsequent month and as per section 3(11) and (17) Ent.D shall be levied and paid by the proprietors of dance bar/discotheque in advance by the 10th of every calendar month. Further, as per Section 9B, where the proprietor who provides the entertainment fails to pay the amount of Ent.D due under section 3 within the period prescribed or the composition sum fixed under section 9A, he shall be liable to pay to the Government in addition to the amount of Ent.D or composition sum so payable, a penal interest at the rate of 18 *per cent* per annum for the first 30 days and at the rate of 24 *per cent* per annum thereafter on such amount from the date such amount becomes payable till the amount and interest is fully paid.

During test check of three offices in June and August 2012, we noticed from the recovery register, challans and 'B' returns that in 18 cases pertaining to the periods 2007-08 to 2011-12, penal interest amounting to ₹ 5.91 lakh was not levied though there were delays ranging from 16 to 390 days in payment of Ent.D.

After we pointed out the cases, the DC and RDC accepted the observation and communicated recovery of ₹ 3.49 lakh from five

defaulters between October 2012 and March 2013 and TM, Ambernath stated that the matter will be verified and demand notices would be issued after confirmation.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

6.4.5 Non-levy of penal interest on various service providers of Direct to Home (DTH)

DC (DTH) Mumbai City

As per GR dated 4 September 2008 issued by Revenue and Forest Department, Government of Maharashtra, the proprietor of authorised service provider has to remit entertainment duty into the Government account on or before 10th of every month. Where a proprietor fails to pay the amount of duty within the prescribed period, he shall be liable to pay to the Government, in addition to the amount of duty, a penal interest at the rate of 18 *per cent* per annum for the first 30 days and at the rate of 24 *per cent* per annum thereafter, on the amount of duty, from the date such amount becomes payable till the amount and interest is fully paid.

During scrutiny of monthly statement of Ent.D along with Bill cum Cheque Register during January and February 2013, we noticed that four service providers had delayed payment of Ent.D aggregating ₹ 23.36 crore by one to 94 days during various periods between April 2011 and February 2012. The Department had neither levied nor demanded interest from these service providers

which resulted in non-levy of penal interest amounting to ₹ 42.50 lakh.

After we pointed out the matter in March 2013, the Department accepted the observation. A report on the recovery is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

6.4.6 Non-forfeiture of security deposits

DCs (Exemption), Mumbai and MSD

During test check of the PLA and cash book of two offices during February 2012 and March 2013,

As per the provisions under Rule 14 of the Bombay Entertainment Duty Rules, 1958, every organiser shall pay security deposit to the prescribed officer as that officer may decide. If an organiser fails to submit returns under Rule 16 or 21 within 10 days of the date of the performance of the entertainment or such extended period not exceeding one month, the prescribed officer may, after giving the organiser a week's notice, forfeit the security deposit.

we noticed that security deposits aggregating ₹ 49.84 lakh collected from 48 organisers for the events organised between August 2010 and March 2012 were still lying in PLA, outside the Consolidated Fund of

the State. Despite the failure on the part of the organisers to fulfill the prescribed conditions, the DCs had neither kept track of non-receipt of the returns nor issued notices for forfeiture of security deposits which resulted in non-forfeiture of security deposit aggregating ₹ 49.84 lakh received from 48 organisers. It may be mentioned here that since the organisers of

entertainment had not approached the Department for refund of security deposit in excess of the Ent.D payable, there is room for doubt that the Ent.D actually payable would have been in excess of the security deposit collected by the Department.

Similar observation was made in paragraphs 6.2.19 and 6.3.6 of the Reports of Comptroller and Auditor General of India (Revenue Receipts) for the years ended 31 March 2009 and 31 March 2012 respectively, wherein it was also recommended that a mechanism may be evolved to ensure that the accounts are submitted by the organisers of special events on time so as to assess the correct amount of Ent.D payable, enhancing the amount of security deposit and having a provision for penalty in case of non-submission of accounts. Action taken in this regard by the Government has not been received till date.

After we pointed out the cases in March 2012 and April 2013, the Department accepted the observation and stated that necessary action would be taken for the forfeiture of the security deposits and crediting the same into the Government Account. Further action in the matter is awaited.

This clearly indicates that the control mechanism was weak, as action was not taken till it was pointed by us.

The matter was brought to the notice of the Government (June 2013); their reply is awaited (January 2014).

SECTION C

EDUCATION CESS AND EMPLOYMENT GUARANTEE CESS

6.5 Audit observations

During scrutiny of records in the various ward offices in two Municipal Corporations, we noticed cases of non-observance of provisions of the Act as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. The Government may evolve a suitable mechanism so that mistakes can be avoided, detected and corrected.

6.6 Non-observance of provisions of the Acts/Rules

The Maharashtra Education Cess and Employment Guarantee Cess Act, 1962 (MECEGC Act) provides for levy and collection of education cess (EC) and employment guarantee cess (EGC) along with property tax by the Municipal Corporation/Councils (MCs). We noticed that the concerned authorities in the Urban Development Department did not monitor the recovery of the cess(es) and its remittance into the Government account in cases mentioned in the succeeding paragraphs 6.6.1 and 6.6.2.

6.6.1 Non-remittance of penalty on delayed payment of EC-EGC

Chief Accountant (Finance), Municipal Corporation of Greater Mumbai (MCGM).

Under sections 4 and 6B of the MECEGC Act read with Rule 4 of the Collection and Refund Rules, cess and penalty collected by the MCs during a calendar week are required to be credited to the Government account before the expiry of the following week. If any MC defaults in payment of any sum under the Act, the Government may, after holding such enquiry as it thinks fit, fix a period for the payment of such sum. The Act also empowers the Government to direct the bank/treasury in which the earnings of the MC are deposited, to pay such sum from the bank account to the Government. There is no provision in the Act to levy interest or penalty on the delay in remittance of Government revenue by the MC.

During test check of the records relating to collection of EC-EGC in MCGM in January 2013, we noticed that ₹ 5.14 crore collected as penalty on delayed payment of EC amounting to ₹ 4.62 crore and EGC amounting to ₹ 51.78 lakh for the year 2011-12 had not been remitted in to the Government account. The

Department had not taken any action to recover the amount.

After we pointed out the case, the Department stated that the matter has been referred to Government. However, no follow up action has been taken by the Department.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

6.6.2 Non-remittance of EC and EGC

Municipal Corporation of Greater Mumbai (MCGM) and Mira Bhayandar Municipal Corporation, Thane (MBMC).

During test check of the Tax Collection Register of two MCs between March 2011 and January 2013, we

As per the provisions under sections 4 and 6(b) of the MECEGC Act read with rule 4 of Education (Cess) Tax on Lands and Buildings (Collection and Refund) Rules, 1962, cess and penalty collected by the MCs during any calendar week are required to be credited into the Government account before the expiry of the following week. If any MC defaults in payment of any sum under the Act, Government may, after holding such enquiry as it thinks fit, fix a period for the payment of such sum. The Act also empowers the Government to direct the banks/treasury in which the earnings of the MC are deposited, to pay such sum from the bank account to the Government. There is no provision in the Act to levy interest or penalty on delay in remittance of Government revenue by the MC.

noticed that the MCs did not remit into Government account, the EC and EGC amounting to ₹ 315.65 crore collected by them during the period from February 2009 and March 2012. The Government also did not initiate any action either to fix a period for the payment of the dues or direct the bank to pay the amounts due from the accounts of the MCs.

After we pointed out the case, MCGM stated that the orders of the Competent Authority for remitting the collected amount

into Government Account were awaited. MBMC stated that the amount would be reconciled with the records of account branch and final position would be intimated. The fact, however, remains that the amount collected on behalf of the Government was required to be remitted into Government Account within the prescribed period which was not done.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

CHAPTER VII EXECUTIVE SUMMARY

Results of audit

We reported short levy, excess grant of refund, loss of revenue etc., amounting to ₹ 45.90 crore in eight cases, on the basis of test check of the records relating to non-tax receipts conducted during the year 2012-13.

During the year 2012-13 as well as during earlier years, the concerned Departments accepted under-assessments, short levy, etc., of ₹ 5.81 crore but no recoveries were effected in these cases.

What we have highlighted in this Chapter

A paragraph on “**Collection of royalty for minor minerals**” revealed the following:

Interest of ₹ 28.10 crore payable on delayed payment of royalty of ₹ 491.17 crore was not levied.

(Paragraph 7.2.7)

A paragraph on “**Recovery of cost of police protection provided**” revealed the following:

The procedure for preparation and compilation of Statement of Expenditure of the police deployment provided to other states was not followed and no initiatives for realisation of ₹ 38.32 crore were taken by the Department.

(Paragraph 7.3.3.1)

Amounts aggregating ₹ 344.32 crore were outstanding against the Railways of which demands aggregating ₹ 193.90 crore related to the period prior to 2008-09.

(Paragraph 7.3.3.2)

Cost of police deployed for Indian Premier League cricket matches amounting to ₹ 4.39 crore of two cricket associations was pending recovery for the last two to three years, further not computing the recovery on the basis of working hours for which police was deployed resulted in short realisation of ₹ 3.69 crore in respect of two offices.

(Paragraph 7.3.3.3)

Failure to recover cost of police in advance from individuals and Municipal Corporations and absence of a provision to recover cost of police in advance from the banks resulted in

non-realisation of ₹ 70.87 crore.

(Paragraph 7.3.3.4, 7.3.3.5 and 7.3.3.6)

In three offices non-determination of differential amount recoverable due to adoption of 6th Pay Commission by the State Government resulted in non-realisation of ₹ 6.93 crore.

(Paragraph 7.3.4)

Deficiencies in management of cash with respect to non/delayed credit of demand drafts into the treasury, non/delayed entry of receipts into the cash book, non-maintenance of cash book, challan register and receipt books were noticed in eight offices.

(Paragraph 7.3.7)

CHAPTER VII: NON-TAX RECEIPTS

7.1 Results of audit

We reported short levy, grant of excess refund, loss of revenue etc., amounting to ₹ 45.90 crore in eight cases as mentioned below, on the basis of test check of the records relating to non-tax receipts conducted during the year 2012-13:

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1	Audit of "Collection of royalty for minor minerals"	1	29.15
2	Audit of "Recovery of cost of police protection provided"	1	10.95
3	Loss of forest revenue	2	2.11
4	Loss of revenue on sale of <i>tendu</i> leaves	1	1.33
5	Losses in revenue due to deterioration in transit/in sale/in resale/due to non-extraction/non-lifting of material other than bamboo	3	2.36
Total		8	45.90

In response to the observations made in the local audits during the year 2012-13 the concerned Departments accepted the underassessments of ₹ 5.81 crore in six cases but no recoveries were effected in these cases.

A paragraph on "Collection of royalty for minor minerals" with a total financial effect of ₹ 29.15 crore and a paragraph on "Recovery of cost of police protection provided" with a total financial effect of ₹ 10.95 crore are included in the succeeding paragraphs.

7.2 Paragraph on “Collection of royalty for minor minerals”

7.2.1 Introduction

The holder of a mining lease is required to pay royalty¹ in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the specified rate in respect of that mineral. The rates of royalty for minerals like limestone, coal, bauxite, etc. listed in the second schedule to the Mines and Minerals (Development and Regulation) Act, 1957 are prescribed by the Central Government. In case of minor minerals² the rates of royalty are prescribed by the State Government. Minor minerals include ordinary clay when used for manufacture of tiles, ordinary earth used for filling or leveling purposes, slate and shell used for building material, ordinary sand other than sand used for prescribed purpose³, stone, *murum* etc. Collection of royalty lies with the State Government in case of major and minor minerals.

7.2.2 Audit objective

The audit was conducted to ensure that the collection of royalty, interest on delayed payment of royalty and penalty on minor minerals were done as per relevant Acts and Rules.

7.2.3 Audit coverage

Out of 34 districts in Maharashtra 11 districts were selected by adopting stratified random sampling. In the first stratum, four⁴ districts having receipts of more than ₹ 400 crore were considered as high risk and hence 100 *per cent* selected. In the second stratum, districts with revenue between ₹ 100 crore and ₹ 400 crore were considered and four⁵ districts were selected. In the third stratum, districts having revenue up to ₹ 100 crore were considered and three⁶ districts were selected. The audit covered offices of the Secretaries of Industries, Energy and Labour Department (IE&LD) and Revenue and Forests Department (R&FD), Director of Geology and Mining, Nagpur (DGM) and District Mining Officer (DMO), Sub Divisional Officer (SDO) and Tahsil at the district level of the sampled districts for period from 2008-09 to 2012-13. The audit was conducted between January and June 2013.

An entry conference was held on 5 April 2013 with the Principal Secretary, IE&LD and other departmental officers. In spite of reasonable efforts, entry conference with the Secretary, R&FD could not be held. Exit conference was held on 10 October 2013 with the Principal Secretary (PS), IE&LD and

¹ The charge payable to the Government in respect of the ore or mineral excavated, removed or utilised from any land.

² Minor mineral means building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purpose and any other mineral which the Central Government may by notification in the Official Gazette, declare to be minor mineral.

³ Purposes of refractory and manufacture of ceramics, metallurgical purposes, stowing in local mines, manufacture of silvirete cement, sodium silicate or pottery and glass.

⁴ Chandrapur, Nagpur, Thane and Yavatmal.

⁵ Bhandara, Kolhapur, Nashik and Raigad.

⁶ Dhule, Gondia and Parbhani.

Additional Chief Secretary (ACS), R&FD. The replies of Government are included at appropriate places.

Audit findings

7.2.4 Short levy of royalty

In terms of notification issued (December 2006) by R&FD, the rate of royalty for ordinary earth extracted and removed was ₹ 100 per brass which was revised to ₹ 200 per brass from 11 February 2010.

In Tahsil Parbhani, audit noticed (June 2013) that Executive Engineer (EE), Mazalgaon Canal Division No 10, Parbhani intimated Tahsildar, Parbhani regarding payment of royalty made during April 2010 to July 2010 for extraction and filling earth work. Further scrutiny revealed that EE paid royalty at old rate. As such royalty of ₹ 62 lakh was short paid. Further in

two cases at DMO, Raigad temporary permits were issued (February 2010) and royalty at the old rate was paid on 1,000 brass⁷ of minor mineral resulting in short payment of royalty of ₹ one lakh.

ACS, R&FD accepted the fact and stated (October 2013) that recovery would be made. Further progress is awaited (January 2014).

7.2.5 Lack of co-ordination between departments

As per Rule 18 of Bombay Minor Mineral Extraction (BMME) Rules, 1955, every quarrying lessee shall pay royalty on minor minerals dispatched from the leased area at the rates specified in the rules. Royalty was recoverable on minor minerals at the rate of ₹ 100 per brass revised to ₹ 200 from 11 February 2010.

As per information furnished by the mechanical wing of Water Resources Department (WRD), GoM, earth work for various projects under irrigation divisions of five⁸ Irrigation Development Corporations (IDCs) was carried out during 2007-12 and royalty of ₹ 127.14 crore was payable. Debit notes raised by

mechanical wing to civil division of the IDCs did not indicate the payment of royalty on project earth work executed.

After this was pointed out, ACS, R&FD stated (October 2013) that reply would be furnished after discussion with Water Resources Department. Final reply is awaited (January 2014).

⁷ Unit of measurement. 1brass=4.528 Metric Tonnes

⁸ Vidarbha IDC, Tapi IDC, Godawari Marathwada IDC, Konkan IDC and Maharashtra Krishna Valley Development Corporation

7.2.6 Incorrect levy of royalty due to misclassification

Scrutiny (June 2013) of records of DMO, Chandrapur revealed that Western

As per notification of 11 April 1997 issued by the Department of Coal, rates of royalty in respect of sand for stowing were fixed at ₹ 3 per metric ton (MT). In terms of R&FD notification of 15 December 2006, the rate of royalty for earth, *murum*, boulder and sand other than used for stowing for local mines was fixed at ₹ 100 per brass revised to ₹ 200 per brass from 11 February 2010.

Coalfields Ltd. (WCL) was having opencast as well as underground coal mines and in opencast mines huge quantity of overburden⁹ is being generated. This quantum of overburden was used for stowing purpose in underground coal mines by transporting it from

one site to another by obtaining temporary permit and also on payment of royalty of ₹ 3 per MT applicable for sand for stowing.

The overburden cannot be termed as sand and it is not classified in the second schedule of Mines and Minerals (Development and Regulation) Act, 1957. Royalty payment on quantum of overburden transported and used for stowing purpose is governed by Minor Mineral Extraction (Vidarbha Region) Rules, 1966 and ₹ 200 per brass is the rate of royalty applicable for earth/*murum*/boulder from 11 February 2010. However, the Collector, Chandrapur levied royalty at ₹ 13.92 per brass on overburden used for stowing purpose. This resulted in short levy of royalty of ₹ 1.11 crore as detailed below:

Sr. No.	Temp. permit sanction order	Transported from to	Quantity of overburden (in brass)	Royalty paid (₹)
1	No.1083 dt.11/12/2012	Durgapur opencast to Chanda Rayatwari (7067.138 brass)and to Mahakali Bunkar (37102 brass)	44,169.00	6,15,000
2	No.1071 dt.6/12/12	New Kunada Opencast Dump yard to New Majri Underground mine	1,766.00	24,600
3	No.801 dt. 14/9/11	Durgapur Opencast to Nandgaon Colliery	11,307.42	1,57,440
4	No.544 dt.2/7/2011	Durgapur Opencast to Mahakali Colliery	2,085.00	29,028
5	No.75 dt.28/3/2011	Durgapur Opencast to Chanda Rayatwari Colliery	1,060.00	1,47,600
Total			60,387.42	9,73,668
Royalty payable @ ₹ 200 per brass				1,20,77,484
Royalty short levied				1,11,03,816

ACS, R&FD stated (October 2013) that matter would be examined and reply would be given. Final reply is awaited (January 2014).

⁹ Excavated material containing earth, *murum*, boulders, stones etc.

7.2.7 Interest on royalty

As per Mineral Regulations, royalty on major minerals is payable in advance for each quarter ending March, June, October and December of every year. The amount of advance payment of royalty for each quarter is decided by the DMO on the basis of performance of each mine in last three quarters and amount thus fixed for advance payment of royalty is later on adjusted on the quantity of mineral/ore produced in that quarter. Interest at 24 *per cent* per annum shall be charged for late payment of mineral dues in respect of major minerals.

No amount of advance payment of royalty for each quarter was fixed by the DMO, Chandrapur on the basis of performance of each mine in the last three quarters as required by the Government order of September 1990 read with the Mineral Regulations. Scrutiny (June 2013) of records of DMO, Chandrapur revealed that WCL, Chandrapur paid royalty of

₹ 491.17 crore with delay ranging between 55 and 120 days during 2008-13 (**Appendix XV**). As such interest of ₹ 28.10 crore was payable by WCL, Chandrapur for delayed payment of royalty. As such, royalty paid for a quarter was considered as amount outstanding for the quarter and interest worked out accordingly.

The PS, IE&LD accepted (October 2013) the facts with reference to Government order dated 01 September 1990. Further progress of recovery is awaited (January 2014).

7.2.8 Non-levy of penalty

As per Regulation of Minerals, Tahsildars are authorized to issue permits for extraction of minor minerals not exceeding 100 brass within their jurisdiction. As per Section 48(7) of Maharashtra Land Revenue Code, 1966, a person who without lawful authority extracts, removes or disposes of any mineral from mines, quarries, nallhas, river-beds shall be liable, on the order in writing of the Collector, to pay penalty not exceeding a sum determined, at three times the market value of the minerals so extracted, removed or disposed of.

Audit noticed (June 2013) in Tahsil, Parbhani that royalty on minor minerals was paid by challan directly to treasury without order of Collector for extraction of minerals. By adopting this procedure, ₹ 13.99 lakh was recovered in 128 cases during 2008-12. As there were no proper orders/permits issued for extraction of minerals, penalty of ₹ 41.97 lakh was leviable in all cases.

ACS, R&FD accepted the observation and stated (October 2013) that recovery would be made. Further progress is awaited (January 2014).

7.2.9 Refund of amount deposited for auction of sand ghats

The R&FD declared (October 2010) a policy for auctioning of sand ghats in the State. As per condition no.C (15) of the policy, proportionate refund of bid amount is allowed in case of cancellation of auction of sand ghat. Condition no. C (22) of the policy however, states that if for any reasons like the stated quantity of sand is not available, approach road is not available, water logging in the in sand ghat area, manmade or natural calamities occur, no time extension or alternative change of site will be entertained/permitted.

During scrutiny (May 2013) of records at DMO, Kolhapur, audit observed that:

(i) The R&FD granted (September 2012) refund of ₹ 22.94 lakh to a contractor in respect of sand ghat at *Mouze-Rajapur*, Tahsil-Shirol for the year 2010-11, subject to fulfilment of a condition that there was no possibility of transportation of sand. Tahsildar Shirol, however, reported

(December 2012) that there was no hurdle in transportation of sand from south side of gut no.144. The refund of ₹ 22.94 lakh granted to the contractor was thus irregular.

(ii) The R&FD granted (January 2013) refund of ₹ 11.75 lakh to a contractor in respect of sand ghat at *Mouze-Kothali*, Tahsil-Shirol for the year 2011-12. The refund was granted on request of contractor to provide alternative sand ghat due to intimation from Sectional Engineer, Wadgaon Irrigation Dn. regarding excessive release of water from Donali K.T.Weir.

As seen from the records, auction of 77 out of 151 sand ghats was carried out during 2011-12 leaving balance 74 sand ghats without auction. The contractor could have been provided with an alternative sand ghat. However, Government accorded approval to the refund. Thus, refund of ₹ 34.69 lakh was granted in contravention of condition of sand ghat policy.

ACS, R&FD stated (October 2013) that reply would be given. Further progress is awaited (January 2014).

7.3 Paragraph on “Recovery of cost of police protection provided”

7.3.1 Introduction

Police receipts include payments received for police personnel provided for the purpose of protection to Individuals/ Local Bodies/Public Sector Undertakings/Banks/Railways within the State and to other Governments/ parties outside the state. Police personnel are deployed on the basis of request received subject to payment of cost wherever applicable.

As per paragraph 484(1) of the Maharashtra Police Manual (MPM) Volume III, the cost of deployment of police (COP) includes pay, dearness pay, special pay, house rent allowance and other admissible allowances including leave salary and pension contribution and supervision charges at prescribed rates applicable from time to time. The rate at which the COP is to be recovered is based on eight hour shifts for every such deployment. Same is required to be assessed by the Department and recovery effected.

As per Sections 47 and 48 of the Bombay Police Act, 1951 (BP Act) and paragraph 484 of the MPM Vol. III, the cost of police on account of protection provided to individuals/private organisations is to be recovered in advance. Further, as per the GRs issued between 1993 and 1998, the cost of the police protection to Municipal Corporations is also to be recovered in advance.

Police personnel are deployed to other States following requests from the Government of India/other State Governments to maintain law and order during elections, religious functions, riots, etc. On the basis of orders issued by the Director General of Police, Maharashtra State (DGP), police personnel from the State Reserve Police Force (SRPF) located in different places in Maharashtra are deployed to other States. As per the circular dated 19 May 2003 issued by the DGP, the Statements of Expenditure (SOE) for the COP deployment are to be prepared by the Commandants of SRPF within one month from the date of return of the SRPF personnel from outside the State. The SOEs so received are to be consolidated and forwarded to the State Accountants General for certification.

The assessment, collection and accounting of police receipts are governed by the BP Act, the MPM and instructions issued from time to time.

7.3.2 Scope and methodology

With a view to verify the adequacy of the systems and procedures of the Police Department in respect of recovery of cost of police provided for protection, an audit on the topic was conducted between April 2013 and June 2013 for the periods from 2008-09 to 2012-13 in the offices of the DGP, Additional Director General of Police (ADGP), Railways, eight¹⁰ out of 10 Commissioner of Police (CP) and eight¹¹ out of 35 Superintendent of Police (SP) in the State. The audit has revealed a number of system and compliance deficiencies which have been discussed in the following paragraphs.

¹⁰ Amravati, Aurangabad, Mumbai, Nagpur, Nashik, Pune, Solapur and Thane.

¹¹ Amravati, Aurangabad, Nagpur, Nanded, Nashik, Pune, Solapur and Thane.

7.3.3.1 Non-recovery of cost of Police from other States

As per the information collected from the DGP office the outstanding amount of cost of police deployed to other states amounted to ₹ 38.32 crore out of which ₹ 22.12 crore relating to various periods between the years from 1968 to 2008 was outstanding for more than five years.

Out of this, demand for ₹ 14.52 crore was raised against the concerned states. The balance was stated to be pending for want of audit certificates. This was verified in the respective branch in the Audit office and it was found that Audit Certificates were not issued due to the incomplete information and want of documents from the Department. Further it was noticed that two set of figures, i.e. year-wise and state-wise figures furnished by the Department were at variance. While year-wise statement furnished showed outstanding amount of ₹ 22.11 crore, the state-wise statement showed outstanding amount of ₹ 21.74 crore. The two set of figures need reconciliation.

Further, an amount aggregating ₹ 16.20 crore was recoverable in respect of the SRPF personnel deployed to 12 states during various periods between 2008-09 and 2012-13 as given below:

Regional office	Period	Amount to be recovered
Special IGP (SRPF), Pune	2008-13	6.22
Special IGP (SRPF), Nagpur	2008-13	9.98
Total		16.20

We noticed that the information was not being compiled at the Headquarters i.e. DGP. As such, the cost of police outstanding was not readily available with the DGP indicating therein weak monitoring resulting in heavy pendency of earlier periods from 1968 as mentioned above.

After this was pointed out, the DGP stated that it was the responsibility of Addl. DGP to compile the information and prepare Statements of Expenditure. However the fact remains that non-adherence of the laid down procedure of preparation and compilation of Statement of Expenditure of the police deployment provided to other states and non-follow-ups resulted in non-realisation of ₹ 38.32 crore towards COPs deployed to other states.

The Department accepted the fact (May 2013).

7.3.3.2 Non-raising of demands for Government Railway Police (GRP)

As per para 856 of Indian Railway Financial Code Volume-I and Rule 138, 139 of MPM Vol-II the cost of Government Railway Police (GRP) staff deployed to the Railways was to be shared between the State Government and the Railways on a 50:50 basis, provided that the strength of the GRP force was determined with the approval of Railways.

As per the information furnished by the office of the ADGP (Railways), it was noticed that 50 *per cent* of the cost of GRP provided during the period from 1 April 2008 to 31 March 2013 aggregating ₹ 274.81 crore was raised and

₹ 124.39 crore was recovered during the period (dates on which the demands were raised and recoveries effected were not available on record). Statement of Expenditure of GRP was required to be prepared by ADGP (Railways). This was not prepared for the period from 1 April 2010 to 31 March 2013, pertaining to Pune and for the period 2012-13 pertaining to Mumbai. As such the amount due from those regions for the respective period could not be ascertained and demands could not be raised by the Department.

It was also noticed that demands aggregating ₹ 193.90 crore related to periods prior to 2008-09 (from 1979-80) towards cost of deployment of GRP were pending for recovery. Scrutiny of files revealed that, follow-up action was not adequate for recovery of the dues. The reasons for such huge arrears and efforts made by the department to recover the arrears though called for were not furnished by the Department.

The Department in reply stated that efforts for the clearance were being continued. However the fact remains that huge amounts are pending for recovery from the Railways due to absence of concerted efforts by the Department. The State Government may take up the matter on top priority with the Railways.

7.3.3.3 Recovery of cost of police deployed for Indian Premier League (IPL) and other cricket matches

Police personnel are deployed at the IPL and other cricket match venues for providing security and managing traffic. As per the circular instructions issued by the DGP from time to time, the rates at which the police cost recoverable are on the basis of eight hour shifts.

As per the information furnished, an amount of ₹ 4.39 crore was outstanding as follows:

Name of the office raising the Demand	Name of the organiser/ Purpose	Dates on which security provided	Amount billed/ recovered
Commissioner of Police, Mumbai	BCCI - Mumbai Cricket Association/ World cup 2011	6.3.2011,7.3.2011, 12.3.2011,13.3.2011, 18.3.2011,28.3.2011, 1.4.2011,2.4.2011 and 4.4.2011	₹ 2.65 crore/ Nil
Commissioner of Police, Nagpur	Vidarbha Cricket Association/IPL 2010	5.4.2010, 10.4.2010 and 12.4.2010	₹ 0.20 crore/ Nil
Superintendent of Police, Nagpur (Rural)	Vidarbha Cricket Association / IPL 2010	5.4.2010, 10.4.2010 and 12.4.2010	₹ 1.54 crore/ Nil
Total			₹ 4.39 crore/ Nil

Thus it would be seen from the above that even after a lapse of two to three years, the amounts have not been recovered till date.

Further, the details of police deployed for IPL matches held in Mumbai during the year 2008 and details of demands raised were neither produced to audit,

nor were these found on record. As such, the amounts outstanding on account of cost of police could not be ascertained.

We recommend that the Department may consider keeping a separate register for determination of police cost for deployment of police personnel for such events so that the recovery is effected and followed up at appropriate levels.

(ii) IPL franchisee Sahara Adventure Sports Ltd. is responsible for paying the cost of police deployed for IPL matches in Pune. The CP, Pune raised a demand of ₹ 1.94 crore on shift basis and thereafter on the request of franchisee, reduced it to ₹ 1.12 crore by considering the entire deployment for one match as single shift irrespective of the actual time of deployment. Due to this there was a reduction of demand of ₹ 82 lakh. We further noticed that the department had worked out the demand incorrectly by depicting less working hours. The police cost as per the circular guidelines comes to ₹ 4.64 crore. Thus non following of the guidelines resulted in short realisation of ₹ 3.52 crore.

Similarly, cost of police deployed for additional shifts by the SP, Pune for the Twenty-20 cricket match between India and England, held on 20 December 2012 was not recovered. The short recovery in this regard worked out to ₹ 17.02 lakh.

The above facts indicate that the Department was not following its own instructions. After this being pointed out (May 2013), the CP, Pune stated that recovering the cost for additional hours of police deployment may be challenged in the court.

The reply is not correct as in respect of IPL matches conducted in Mumbai, the cost of police was recovered taking into consideration the number of shifts for which the personnel were actually deployed as provided in the circular. It is in the interest of revenue to follow a uniform procedure.

7.3.3.4 Individuals

The detailed record of police protection provided is maintained in the concerned police stations. Though para 484 of MPM require COP to be recovered in advance when protection is provided to private individuals, neither the recovery was made in advance nor any procedure was prescribed for the same. Details of the protection provided to individuals were called for from all the test checked offices. However, except Mumbai and Thane none of the other offices provided the information.

Scrutiny of the records made available in the offices of the CP and SP at Thane revealed that the COP in respect of protection provided to 19 individuals, during various periods between 2008-09 and 2012-13, had not been recovered till date. This resulted in non-realisation of ₹ 3.63 crore in the office of SP Thane and ₹ 1.09 crore in the office of CP, Thane.

Similarly in CP Mumbai, an amount of ₹ 1.23 crore on account of COP in respect of protection provided to 17 individuals during various periods between 2008-09 and 2012-13 had not been recovered till date (January 2014).

After this being brought to notice, the CP and SP Thane stated that the correspondence with the Collector on the recovery of dues is in progress. The

CP Mumbai stated that the amount would be recovered. Further progress in the matter is awaited.

7.3.3.5 Municipal Corporations

No registers indicating cadre-wise police deployment, COP demanded, amount pending for recovery, etc. were being maintained and the recovery of COP was not computerised by the Department. Further, no periodical returns were prescribed with the above details for monitoring recovery of COP.

(i) Scrutiny of files relating to police deployment to Municipal Corporations in the offices of eight¹² CPs and two¹³ SPs for various periods between 2008-09 and 2012-13 revealed that the COP towards deployment amounting to ₹ 45.01 crore was not recovered as listed out in **Appendix XVI**.

(ii) It was also noticed from the files made available in the office of the CP, Mumbai that details of COP towards deployment to Municipal Corporation of Greater Mumbai (MCGM) prior to 2008-09 were not available with the Department.

(iii) In the office of the CP Solapur, an amount of ₹ 2.93 crore towards COP deployed to Solapur Municipal Corporation, for the period up to 2007-08 was pending for recovery.

(iv) In SP Nanded, an amount of ₹ 21.31 lakh pertaining to the COP provided to Nanded Waghala Municipal Corporation, during the period from March 2007 to February 2008 was pending for recovery.

It is pertinent to mention here that had the instruction contained in the Government Resolutions issued between 1993 and 1998 for recovery of COP in advance been followed the current situation of huge pending recoveries from the Local Bodies could have been avoided.

7.3.3.6 Banks and other Government/ non-Government organisations

Scrutiny of the records in the offices of five¹⁴ CPs and four¹⁵ SPs, revealed that amounts aggregating ₹ 16.77 crore for deployment of police personnel to various banks and other Government and non-Government organisations as listed out in **Appendix XVII**, during various periods between 2008-09 and 2012-13 were pending for recovery as of May 2013. There was nothing on record to indicate whether, the recoveries were followed up periodically by these offices. Further, pendency in recovery of COP for personnel deployed to Maharashtra State Power Generation Corporation Ltd. during the period January 2013 to June 2013 was not available in SP Nagpur. Non-recovery of COP in advance resulted in accumulation of huge arrears.

After this being pointed out, CP Thane had intimated (August 2013) that ₹ 1.17 crore has been recovered from Bank of Maharashtra.

¹² Amravati, Aurangabad, Mumbai, Nagpur, Nashik, Pune, Solapur and Thane.

¹³ Nanded and Thane.

¹⁴ Mumbai, Nagpur, Pune, Solapur and Thane.

¹⁵ Nanded, Nashik, Solapur and Thane.

7.3.4 Non-recovery of 6th Pay Commission Arrears of cost of police

The Sixth Pay Commission was adopted by the Government of Maharashtra with effect from 1 January 2006. In this regard circular instructions issued by the DGP on 14 January 2010 required action to be taken at the level of CPs/SPs for recovery of the differential amount arising on account of the revision in respect of the police deployed for protection to individuals and other organisations with effect from 1 January 2006.

Scrutiny of the records in CP Pune, SP Nashik, SP Pune and SP Solapur revealed that no action was taken in this regard. Further, even the differential amount recoverable had not been determined. This was done in audit and we noticed that the differential amount recoverable was ₹ 5.81 crore, ₹ 95.29 lakh and ₹ 16.38 lakh in CP Pune, SP Nashik and SP Pune. In respect of SP Solapur, the differential amount could not be quantified due to absence of the requisite data of police personnel provided.

After this being brought to notice, the concerned offices stated that the differential amount would be recovered after due verification.

7.3.5 Incorrect computation of cost of police

7.3.5.1 As per Government Resolution issued in August 2011, refreshment allowance was included as part of salary of police officials. Subsequent circulars prescribing the rate of COP also included refreshment allowance as a component of cost. Hence the rate at which the cost of police was to be recovered was also inclusive of refreshment allowance.

In CP Pune, refreshment allowance amounting to ₹ 33.52 lakh was not recovered from banks and other Government/semi Government organisations while recovering the COP.

After this being pointed out CP Pune issued (August 2013) demand notices for recovery of expenditure towards refreshment allowance from banks and other government/semi government organisations.

7.3.5.2 As per circular instructions issued on 3 January 2000 and 14 January 2010, the COP is computed on the average pay (based on scale of pay of the post), grade pay, HRA, other allowance, leave salary contribution, pension contribution, etc. This indicates that the COP in respect of any two police personnel in the same pay scale but drawing different basic pay should be the same.

Test check of the records for the period from 2008-09 to 2012-13 in CP Thane, revealed that the COP was computed on the actual pay drawn by the personnel provided for deployment to Kalyan Dombivli Municipal Corporation which was not in conformity with the provisions of the aforementioned circulars. Further it was noticed that due to recovery of cost as per actual pay drawn, no HRA was recovered in respect of those personnel who were staying in Government accommodation. The amount of short recovery, arising out of the incorrect computation of COP could not be quantified on account of non-availability of requisite information.

After this being brought to notice, the CP Thane office stated that the aspect of short recovery would be verified and action taken would be intimated to audit.

7.3.6 Adjustment against cost of police recoverable

Scrutiny of records in CP Thane revealed that the payment of cost of police deployment provided to Thane Municipal Corporation (TMC) was received after deducting the property tax amounting to ₹ 1.29 crore during the period from March 2009 to March 2012. Further, in SP Nagpur, it was noticed that the receipts on account of cost of police deployment provided to Maharashtra State Power Generation Company Ltd (MSPGCL) were received after deduction on account of rent and electricity charges of the quarters allotted to police personnel amounting to ₹ 15.37 lakh during the period from 1 April 2008 to 31 December 2012. Such allowance of deduction of expenditure from police receipts under Major Head 0055 would lead to anomaly in accounting of expenditure within budget allocation and understatement of police receipts.

After this brought to notice, CP Thane stated that the issue would be taken up with TMC and recovery details would be intimated. The SP Nagpur stated that revised demand notices for effecting recovery would be issued. A report on recovery has not been received (January 2014).

7.3.7 Irregularities in cash management

As per Rule 8(1) of the Maharashtra Treasury Rules, 1968, all moneys received by or tendered to Government Officers were to be paid in full within two days of their receipt into a treasury/bank. Further, as per Rule 98 (2), all monetary transactions should be entered in the cash book as soon as they occur and the cash book has to be closed at the end of the day which should be attested by the Head of the office. Scrutiny of records in the test checked offices revealed the following irregularities:

- In the office of the SP Nagpur and CP Amravati, demand drafts (DDs) totalling ₹ 17,700 and ₹ 1,080 respectively received during various periods between September 2010 and August 2012, on account of fees for issue of character verification certificates (CVCs) had not been realised as the DDs were credited into the designated bank for realisation after its date of expiry was over. These DDs were not sent to the concerned persons for revalidation (May 2013).

In reply, SP Nagpur and CP Amravati intimated that efforts would be taken to recover the unrealised amount from the concerned individuals.

- In the Traffic Division of the office of the CP Nagpur, there were four instances between 11 March 2013 and 8 April 2013 wherein there was delay up to 117 days in crediting cash amounting to minimum of ₹ 75,000 collected from traffic offenders. This happened on account of delay in submission of cash by the concerned field officials who had actually collected the amount.

In reply, CP Nagpur intimated that concerned official has been transferred from the respective charge and explanation for delay in crediting the government revenue had been called for. Further, it was stated that necessary instructions had been issued for crediting the Government revenue within the stipulated time.

- In the office of the CP Amravati, there were two instances wherein receipts amounting to ₹ 56,203 received on 27 April 2012 and 5 July 2012 were entered in the cash book after delay of three and seven days respectively. Further, receipts amounting to ₹ 89,431 were credited to Government treasury in nine instances with delays ranging from six to 17 days. In Ashgaon Police Station of SP Amravati, instances of delayed credit to Government treasury ranging from 23 days to 26 days were noticed.

In reply, CP Amravati intimated that the delays happened by oversight and assured that same would be avoided in future.

- In the office of the SP Thane, all DDs received during the month of March 2013 were credited into the treasury after more than a month of their receipt. Further, in respect of 12 DDs dated between 17 February 2012 and 21 March 2013 involving ₹ 1,600, the corresponding challans in support of the amounts having been credited into the treasury was not available on record. At Bhayandar police station, the receipts were credited to Government account with a delays ranging from three days to 29 days.

In reply, SP Thane intimated that with regard to non-availability of challans, the matter would be pursued with the treasury office and report would be submitted to audit in due course. Further, it was intimated that delay in crediting the amounts in the Government account would be avoided in future.

- In the office of the SP Aurangabad, it was noticed that though challans for deposits made into treasury after June 2012 were available, the cash book was not being maintained. Due to non-maintenance of cash book we could not verify whether all the DDs received from the persons concerned were deposited into the treasury and were accounted for.

After this being brought to notice, it was replied that as the fees for CVC were now being received in the form of DDs and not in cash, cash book was not being maintained.

Reply of the department is not acceptable to audit as the DDs received has to be treated as cash and was to be entered in cash book. Thus a vital aspect of cash management was being overlooked.

- In SP Nanded, DDs received for issue of CVCs were credited into the treasury after delays ranging from 29 days to 129 days.

In reply, SP Nanded intimated that there was delay in receipt of DDs in the Accounts Branch from the DD collection branch. Further it was intimated that the delay will be avoided in future.

- Cash book, challan register and receipt books were not being maintained in the Character Verification Division of the SP Solapur, and hence there was no proper accounting of the cash receipts.

In reply, SP Solapur intimated that proper system will be followed in future.

- Receipts amounting of ₹ 3.49 lakh on account of issue of CVCs during the period July 2012 to September 2012 were not entered in the cash book of the SP Pune. Further, the cash balances in the cash book were not verified and certified as required by the Maharashtra Treasury Rules, 1968 during the period from April 2008 to March 2013. In addition, there were instances of overwriting and erasures in the cash book which were not attested by the Head of Office.

In reply, the SP Pune stated that the DDs will be entered in cash book in future and added that instructions are noted with respect to other irregularities and this will be avoided in future.

These illustrative instances are indicative of deficiency in management of cash and such lapses are fraught with the risk of misappropriation of public funds.

7.3.8 Insufficient control over issue and return of receipt books

As per the prevailing procedure, receipt books for recovery of fines and penalties were distributed to different police officers (traffic) who were authorised to collect fines and penalties from the traffic offenders. On recovery of fine and penalty, the amount was required to be remitted to treasury/bank through traffic divisions or the concerned office of the CP/SP and on completion of the receipt book, the same was to be returned to the traffic district headquarters for accounting and safe custody. The issue and return of the receipt books were to be monitored through a register.

Scrutiny of receipt book issue registers and receipt books in CP Nagpur and CP Thane revealed instances of issue of receipt books without obtaining acknowledgement from the recipients, non-submission of receipt books even after use, and issue of fresh receipt books without obtaining the earlier issued receipt books.

Laxity in monitoring on issue and return of receipt books would lead to possible misappropriation of Government revenue.

7.3.9 Non-reconciliation of receipts with treasury records

As per the provisions of Rule 98(2) (v) of the Maharashtra Treasury Rules, all moneys received by a Government officer on behalf of the Government and remitted into the treasury were required to be reconciled with the figures booked by the concerned treasury officer and to be kept on record.

Scrutiny of the records in the test checked offices revealed that in the offices of eight CPs (Amravati, Aurangabad, Mumbai, Nagpur, Nashik, Pune, Solapur and Thane) and six SPs (Amravati, Aurangabad, Nanded, Pune, Solapur and Thane) no such reconciliations were carried out during various periods between April 2008 and March 2013. Further, in three¹⁶ CPs and SP Thane, where reconciliations were carried out, the treasuries concerned had intimated non-accounting of credits aggregating to ₹ 6.04 crore for different periods between September 2008 and December 2011. These are detailed in **Appendix XVIII**.

¹⁶ Mumbai, Solapur and Thane

After this was brought to notice, the CP Mumbai intimated (November 2013) reconciliation in respect of period from June 2008 to August 2008 as well as certification of credits aggregating ₹ 79.59 lakh in respect of Traffic Division. Action in respect of the other offices is awaited (January 2014).

Failure of the Department to reconcile the remittances with the treasury exposed the Department to the risk of mismanagement of cash.

7.3.10 Conclusion

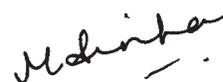
During the audit we noticed that information relating to deployment of SRPF personnel to other states was not available in the DGP office. No register in this regard was maintained by that office. Further, our test check revealed that Demand and Collection registers were not being maintained in the office of the CPs and SPs test checked to monitor the recovery of cost of police personnel deployed within their jurisdiction. Details of cadre-wise manpower provided, amount demanded, amount recovered, balance amount to be recovered, etc. were not available with the Department. Due to this, overall information regarding deployment of police and recovery against the deployment could not be collected for determining the gross position of pendency in recovery, demands raised, follow-up action taken, etc.

Mention of the above deficiencies was made in the Report of the Comptroller and Auditor General of India (Revenue Receipts), Government of Maharashtra for the year ending 31 March 2008. However, the irregularities have persisted.

Lack of monitoring and timely follow up action to recover the COP resulted in huge accumulation of arrears.

After we pointed out the matter, the DGP Mumbai issued (May 2013) instructions to all CPs/SPs for submission of periodical returns giving details of arrears of cost of police, recovery, etc.

Mumbai
The 12 March, 2014



(MALA SINHA)
Principal Accountant General (Audit)-I,
Maharashtra

Countersigned

New Delhi
The 20 March, 2014



(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

APPENDICES

Appendix I
Status of Modules in MAHAVIKAS.
(Reference: Paragraph 2.2.10.1)

Sl. No.	Module Name	Status as per the explanatory memorandum received from Finance Department	Status verified from MAHAVIKAS
1	Admin	Fully operational	Operational
2	Case Transfer	Fully operational	Operational
3	Registration	Fully operational	Operational
4	Return	Fully operational	Operational
5	Recovery	Fully operational	Not operational
6	Assessment	Fully operational	Operational
7	Incentives	Fully operational	Not operational
8	Appeal	Fully operational	Operational
9	Legal	Fully operational	Not operational
10	Tribunal	Fully operational	Not operational
11	LAQ	Fully operational	Not operational
12	Complaints	Fully operational	Not operational
13	Grievances	Fully operational	Not developed
14	Enforcement	Fully operational	Not operational
15	Rewards	Fully operational	Not operational
16	Survey	Fully operational	Not operational
17	Forms control	Fully operational	Operational
18	Business audit	Fully operational	Operational
19	Cross check	Fully operational	Operational
20	Refund	Fully operational	Operational
21	Advisory visit	Fully operational	Not operational
22	Profession Tax	Fully operational	Operational

Appendix II

List of dealers claiming refunds and also bringing forward the same in the next return
(Reference: Paragraph 2.2.11.6)

Sl. No.	Dealer Name and TIN No.	Refund			Excess credit brought forward shown in the next return		Tax paid		Interest applicable (₹)	Amount recoverable (₹)
		Period	Claimed	Sanctioned	RSO /RPO No. and Date	Period	Amount brought forward	Challan No and Date		
1	27030384003V, M/s. Mahavir Steel Traders	01/04/2007 to 31/03/2008	3,37,420	3,36,601	REF/MUM/VAT-E- 706/1112/1992453 dtd 20-08-11	01/04/2008 to 30/04/2008	3,37,420	(RAO issued, hence no tax paid) RAO No. 002702 dtd 23-08-11	1,59,885	1,59,885
2	27290078213V, M/s. Arrihant Steel	01/01/2008 to 31/03/2008	42,54,247	42,54,247	REF/MUM/VAT-F- 701/1112/1917005 dtd 21-06-11	01/04/2008 to 30/04/2008	42,54,247	(RAO issued, hence no tax paid) RAO No. 002801 dtd 21-06-11	19,14,411	19,14,411
3	27360645285V, M/s. Tarz Distributors India Pvt. Ltd	01/01/2008 to 31/03/2008	38,52,178	38,52,178	REF/MUM/VAT-F- 701/1112/2185480 dtd 24-11-11	01/04/2008 to 30/04/2008	38,52,178	49008146,490008148 and 49008151 dtd 16-12-11	20,22,394	20,22,394
4	27510209236V M/s. S.S. Trading Company	01/10/2010 to 31/03/2011	3,63,599	3,25,096 (Part payment)	REF/MUM/VAT-E- 703/1213/3857992 dtd 29-12-12	01/04/2011 to 30/09/2011	5,72,021	No RAO or payment details available against excess credit brought forward.	1,21,554	6,93,575
	Total		88,07,447	87,68,122			90,15,866		42,18,244	47,90,265

Appendix III

Illustrative list of cases where dues have not been cleared despite recoveries

(Reference : Paragraph 2.2.11.14)

Sl. No.	RAO No.	TIN	Financial year	Period in which dues is adjusted	Amount (₹)
1	RAO/MUM-VAT-E-706/2012-13/15514	27670325645V	2008-09	2008-09	53,308
2	RAO/MUM-VAT-E-706/2012-20121/2939	27290249321V	2008-09	01.07.2010 to 30.09.2010	5,000
3	RAO/MUM-VAT-E-706/2012-20121/3486	27550154215C	2008-09	01.10.2009 to 31.03.2010	5,000
4	RAO/AUR-VAT-E-008/2012-2013/12049	27360693785V	2008-09	01.04.2009 to 29.02.2012	60,000
5	RAO/PUN-VAT-E-704/2013-14/21218	27115207769C	2008-09	01.10.2009 to 31.12.2009	5,000
6	RAO/PUN-VAT-E-704/2013-14/21219	27115207769V	2008-09	01.04.2011 to 30.06.2011	5,000
7	RAO/PUN-VAT-E-704/2013-14/21217	27115207769C	2008-09	01.04.2008 to 31.03.2009	4,63,525
8	RAO/PUN-VAT-E-704/2013-14/21221	27115207769C	2008-09	01.01.2013 to 31.01.2013	341
9	RAO/PUN-VAT-E-704/2012-121/2602	27060312643V	2007-08	01.07.2009 to 30.09.2009	5,000

Appendix IV
Short levy of stamp duty due to misclassification of instruments of conveyance
(Reference: Para 3.2.4.1)

Sl. No	Name of the district	Name of office	Document number	Market value /consideration	Stamp duty leviable	Stamp duty levied	Short levy
1	Thane	Sub Registrar-IV Thane at Bhayandar	1509/2007	22,05,000	1,10,250	22,050	88,200*
2	Thane	Sub Registrar -III Kalyan at Dombivali	6315/08	1,11,00,000	5,55,000	1,11,000	4,44,000*
3	Pune	Sub Registrar -V Haveli	1826/2007	55,95,000	2,79,750	56,000	2,23,750*
4	Pune	Sub Registrar -XIII Haveli	6957/2007	65,00,000	3,25,000	65,000	2,60,000*
5	Pune	Sub Registrar -XIII Haveli	2100/2007	3,48,74,900	17,43,750	3,49,000	13,94,750*
6	Pune	Sub Registrar- VII Haveli	347/2008	5,15,00,000	20,61,000	5,15,000	15,46,000*
7	Pune	Sub Registrar- VII Haveli	1123/2008	1,82,00,000	7,28,000	1,82,000	5,46,000*
8	Nagpur	Sub Registrar-VII Nagpur	2329/2007	52,35,000	2,09,400	52,350	1,57,050
9	Nagpur	Sub Registrar-VII Nagpur	3982/2007	1,01,25,000	4,05,000	1,01,250	3,03,750
10	Nagpur	Sub Registrar-VII Nagpur	3984/2007	21,00,000	84,000	21,000	63,000
Total				14,74,34,900	65,01,150	14,74,650	50,26,500

* The cases have been accepted by the department.

Appendix V

Short levy of stamp duty due to misclassification of instruments of power of attorney
(Reference: Para 3.2.4.2)

Sl. No	Name of the district	Name of office	Document number	Market value /consideration	Stamp duty leviable	Stamp duty levied	Short levy
1	Nagpur	Sub Registrar-VII Nagpur	283/2008	3,62,00,000	14,48,000	3,62,000	10,86,000
2	Nagpur	Sub Registrar-VII Nagpur	6290/2008	77,78,000	1,55,560	77,780	77,780
3	Nagpur	Sub Registrar-VII Nagpur	1883/2008	62,50,000	1,25,000	62,500	62,500
4	Nagpur	Sub Registrar-VII Nagpur	986/2008	60,75,000	1,21,500	60,750	60,750
5	Nagpur	Sub Registrar-VII Nagpur	1925/2008	3,10,33,000	6,20,660	3,10,330	3,10,330
Total				8,73,36,000	24,70,720	8,73,360	15,97,360

(Amount in ₹)

Appendix VI
Statement showing short levy of occupancy price
(Reference: Paragraph 4.2.4.2)

Sl. No.	Government Memorandum No./date	To whom allotted	Details of land	Area (in sqm)	Rate as per ASR for levy of occupancy price	Whether granted on occupancy rights or lease	Purpose of land grant	Occupancy price recovered	Occupancy price leviable	Short levy of occupancy price
1	Jameen 33/2008/ PK/22/ J-6 Dt. 31/08/2009	Pravara Fruit Horticulture Prod.Procedure Institute, Loni Khurd	Mouze-Khadkevake-Tal.Rahata) Gut no-416	1,30,200	150* per sqm	Occupancy	Fruit procedure business	24,78,750	10,000x75x70% =525,000 1,20,200x75x60% = 54,09,000 Total: 59,34,000 50% of 59,34,000= 29,67,000	4,88,250
2	--	Executive Engineer, MSEB, Nasik	Mauza-Yesgaon Tal .Kopargaon Gat No.2/2/1	6,000	180	Occupancy	Commercial	3,96,000	4,000X90X90%=3,24,000 2,000X90X80%=144000 Total=4,68,000	72,000
3	--	Executive Engineer, MSEB, Sangamner	Mauza-Karanjee(Bu) Tal .Kopargaon Gat No.604	6,000	180	Occupancy	Commercial	2,88,000	4,000X90X90%=3,24,000 2,000X90X80%=1,44,000 Total=4,68,000	1,80,000
4	3607/423/PKS-227/J-5 dt. 12-5-2009	APMC, Palus	Palus 279/1	20,000	340	Occupancy	Extension of market yard	4,75,000	10,000X170X60%=1,02,0000 10,000X170X50%=8,50,000 Total = 18,70,000	13,95,000
5	Land-3609/UOR 2653/PKS/276/ J-5 dt.1-7-2009	MSRTC, Palus	Palus 160	15,000	340	Occupancy	Bus Depot	2,86,500	10,000X170X60%=10,20,000 5,000X170X50%=4,25,000 Total = 14,45,000	11,58,500

Appendix VI (Contd..)

Sl. No.	Government Memorandum No./date	To whom allotted	Details of land	Area (in sqm)	Rate as per ASR for levy of occupancy price	Whether granted on occupancy rights or lease	Purpose of land grant	Occupancy price recovered	Occupancy price leviable	Short levy of occupancy price
6	Land-3697/191/PKS-513/J-5 dt.23-08-2007	BSNL, Tasgaon	Tasgaon 129/A/1	4,000	270	Occupancy	Tower	6,54,400	2,000X270X80%=4,32,000 2,000X270X70%=3,78,000 Total=8,10,000 (8,10,000-30,000)**)=7,80,000(A) Interest leviable on=7,80,000 2008 - 7,80,000X12.75%=99,450 2009 - 7,80,000X12.25%=95,550 2010 - 7,80,000X11.75%=91,650 2011 - 7,80,000X12.50%=97,500 2012 -7,80,000X14.75%=1,15,050 2013 - 7,80,000X12.50%X6/12=48,750 Total = 5,47,950(B) Total (A+B)=13,27,950	6,73,550
Total								45,78,650	85,45,950	39,67,300

(*) Rate as per Annual statement of rates (ASR). In view of instruction No 30 of the ready reckoner (RR), 50 per cent of the rate mentioned in col. 6 has been considered for determination of the market value as calculated in col. 10.

(**) ₹ 30,000 paid earlier at the time of possession.

Appendix VII
Statement showing short recovery of lease rent
(Reference: Paragraph 4.2.4.3)

Sl. No.	Govt. order No.	To whom allotted	Mauze/Gat No.	Area	Year	Market value	Lease rent leviable	Lease rent recovered	Short recovery of lease rent (Col 8 – Col 9)
1	2	3	4	5	6	7	8	9	10
1	3607/250/PKS-221/J-5 dt.22-10-2008	APMC, Tasgaon	Tasgaon 60/1A, 61, 63, 71/1A, 72	1,17,700	2008	10,000X110X70%=7,70,000 1,07,700X110X60%=71,08,200 Total= 78,78,200	78,78,200X12.75%=1004471	0	10,04,471
					2009	--do--	78,78,200X12.25%=965080	0	9,65,080
					2010	--do--	78,78,200X11.75%=925689	0	9,25,689
					2011	--do--	78,78,200X12.50%=984775	0	9,84,775
					2012	--do--	78,78,200X14.75%=1162035	0	11,62,035
					2013	--do--	78,78,200X14.50%=1142339	0	11,42,339
							6184389	0	61,84,389
2	Land-3407/810/PKS-24/J-5 dt.20-06-09	MSRTC, Palus	Palus 9	350	2009	1,900X350=6,65,000	6,65,000X12.25%=81463	29,155	52,308
					2010	--do--	6,65,000X11.75%=78138	0	78,138
					2011	--do--	6,65,000X12.50%=83125	0	83,125
					2012	--do--	6,65,000X14.75%=98088	0	98,088
					2013	--do--	6,65,000X14.50%=96425	0	96,425
							4,37,239	29,155	4,08,084
							66,21,628	29,155	65,92,473

Appendix VIII
Statement showing short recovery of unearned income
(Reference: Paragraph 4.2.7.1)

Sl. No.	Name of seller	Mauze/ Gat.No	Area sold (in H.R.) /Purpose	Commissioner's order no. & date	Doc No/ Year	Market value	Considerati on	Unearned income recovered	Occupancy price earlier paid by land owner	Unearned income leviable	Short recovery of unearned income (Col 11-col 10)
1	2	3	4	5	6	7	8	9	10	11	12
M/s Zaifza Mumbai Business Park (India) Pvt. Ltd.											
1	Kharubai Hiranman Kambale and 5 others	Pisarve 23/0 and 24/0	1-14-8 0-18-0 Non.Aagri	MS/K-2/Land- 2/CR-398 to 413 dt.25-03-2010	4562/ 2010,	55,78,000	74,70,000	--	--	4,00,25,156	4,00,25,156
2	Budhya K. Mhatre	Pisarve 25/1	0.40 Non.Aagri	--do--	4517/ 2010	14,28,000	20,50,000	--	--		
3	Natha U. Mhatre & 4 others	Pisarve 25/2	0.735 Non.Aagri	--do--	4566/ 2010	3,67,500	41,34,375				
4	Krushna C. Mhatre	Pisarve 26/2	0.41 Non.Aagri	--do--	4518/ 2010	4,92,000	27,16,250				
5	Narayan C. Kambale	Pisarve 31/0	0.579 Non.Aagri	--do--	4559/ 2010	18,77,800	32,56,875				
6	Baburao K. Kambale	Pisarve 32/0 & 33/0	0.993 0.845 Non.Aagri	--do--	4522/ 2010	51,02,160	99,98,625				

Appendix VIII (Contd..)

1	2	3	4	5	6	7	8	9	10	11	12	
7	Balaram K. Patil	Pisarve 38/3	0.432 Non.Aagri	--do--	4521/ 2010	14,25,000	24,03,000					
8	Harishchandra A. Kamble	Pisarve 16/0	0.80 Non.Aagri	--do--	4524/ 2010	2,35,20,00	54,00,000					
9	Ganesh R. Kamble	Pisarve 49/2(1)	0.45 Non.Aagri	--do--	4516/ 2010	18,90,000	27,56,250					
10	Bhatat A. Patil	Pisarve 68/0	0.456 Non.Aagri	--do--	4526/ 2010	5,52,000	27,31,875					
11	Janardhan D. Patil	Pisarve 89/2	0.40 Non.Aagri	--do--	4525/ 2010	4,80,000	23,50,000					
12	Ismail I Shaikh & 7 others	Dhansar 66/b/6	0.878 Non.Aagri	--do--	4527/ 2010	10,44,000	42,80,250					
13	Bendrya U. Tare	Turbhe 22/1	0.35 Non.Aagri	--do--	4520/ 2010	10,80,000	13,78,125					
14	Gajanan U. Tare	Turbhe 22/2	0.31 Non.Aagri	--do--	4523/ 2010	9,64,800	12,20,625					
15	Baliram U. Tare	Turbhe 22/3	0.31 Non.Aagri	--do--	4519/ 2010	9,64,800	12,20,625					
Total							2,55,98,060	5,33,66,875		4,00,25,156	4,00,25,156	
Karnala Mahila Readymade Garment and Vastra Udyog Industrial Co-operative Society												
1	Shri Madhukar M. Bhoir	Sarsai 59/2	5.07 Non.Aagri.	MS/K-2/ Land- 2/CR-651/2010 dt.21-04-12	2267/ 2008	6,53,01,60	1,53,41,000	--	--	1,15,05,750	1,15,05,750	
Total							6,53,01,60	1,53,41,000	--	--	1,15,05,750	1,15,05,750
Grand total							32,12,82,20	6,87,07,875			5,15,30,906	

Appendix IX
Statement showing short recovery of unearned income
(Reference: Paragraph 4.2.7.2)

Sl. No.	Name of Seller	Name of purchaser	Mauze/ Gat.No	Area sold/ (in HR) Purpose	Commissioner's order No /Date	Doc No/ Year	Market value	Considerat ion	Unearned income recovered	Occupancy price earlier paid by land owner	Unearned income leviable	Short recovery of unearned income (Col 12 – Col 11)
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Shyamrao T. Bhogam	Archana V. Redekar	Vadduwadi, Karvir 27-A/22	3.19 Agri.	Land/K/SR/89 dt.03/09/2007	594/1/20 07	7,65,600	2,00,000	1,11,400	0	3,82,800	2,71,400
2	Bruhaspati S. Bhosale	Jitendra V. Gaikwad	Vadduwadi, Karvir 27/4	3.19 Agri.	Land/K/SR/202dt.3 0/12/2009	1432/20 10	7,66,000	8,00,000	1,91,400	0	4,00,000	2,08,600
3	Laxman Kamble	Gopal S Patil	Girgaon 1499	0.66 Agri.	Land/K/SR/245dt.2 1/09/2010	6888/20 10	1,77,540	2,00,000	48,180	0	1,00,000	51,820
4	Smt. Shantabai A. Kamble	Anand R. Karing	Nerli Karvir 201-A,202 304	5.47 9.88 7.36 Agri.	Land/K/SR/175, 177 & 178 dt.19/12/2008	438 / 2009	78,67,200	1,34,10,000	39,33,600	0	67,05,000	27,71,400
5	Hindrao E. Dhenge	Bhagyashree J. Patil	Hanabarwadi Karvir 407	0.33 Agri.	Land/K/SR/282 dt.24/12/2010	2/ 2011	1,23,000	1,23,000	30,291	0	61,500	31,209
6	Shripati H. Dhale	Smt. Uma ArunPatil	Nerli Karvir 195-A	6.25 Agri.	Land/K/SR/174 dt.19/12/2008	439/ 2009	66,26,400	1,12,95,000	33,13,200	0	56,47,500	23,34,300
7	Parshuram D. Dhale	Smt. Uma ArunPatil	Nerli Karvir 199	8.81 Agri.	Land/K/SR/176 Dt.19/12/2008							

Appendix IX (Contd..)

1	2	3	4	5	6	7	8	9	10	11	12	13
8	Kerba D. Kamble	Shyamrao G. Rajgire	Hanabarwadi, Karvir 61	0.795 Agri.	Land/K/SR/173 Dt.15/11/2008	6203/2008	206,700	2,10,000	47,700	0	1,05,000	57,300
9	Depak P. Ugare	Praphul R. Shah	Tamgaon, Karvir 111	6.67 Agri.	Land/K/SR/256 Dt.27/12/2010	486/2011	27,51,375	28,50,000	9,82,991	0	14,25,000	4,42,009
10	Krushnant D. Sarnaik	Shekhar B. Rane	Kalambe at Karvir 357-B	0.41 Agri.	Land/K/SR/150 Dt.07/08/2008	2987/2008	3,47,475	75,000	1,15,825	0	1,73,738	57,913
11	Prakash Arvind, Kulkarni Power Tools	Tessitaura Monty (I) Pvt.ltd.	Tamgaon, Karvir 139	4.00 Non Agri.	Land/K/SR/139 Dt.09/04/2008	1450/2008	71,40,000	1,33,33,330	14,25,000	0	99,99,998	85,74,998
12	Ramchandra S. Phalke	Sachin R. Zawar	Tamgaon, Karvir 665	1.50 Agri.	Land/K/SR/295 Dt.30/11/2011	19/2012	24,85,000	25,00,000	8,38,637	0	12,50,000	4,11,363
13	Shrikant A. Sankpal	Jotiram J. Gujar	Shingapur Karvir 78	0.23 Non Agri.	Land/K/SR/214 dt.30/12/2009	908/2010	1,47,000	1,50,000	60,375	0	1,12,500	52,125
14	Rangrao S. Chauhan	Sagar D. Rathar	Shingapur Karvir 79/2	3.01 Non Agri.	Land/K/SR/134 dt.17/04/2008	14 docs	12,47,615	13,20,000	7,90,125	0	9,90,000	1,99,875
15	Bhau B. Sankpal	Nagesh S. Digankar	Shingapur Karvir 78	0.46 Non Agri.	Land/K/SR/230 dt.	2925/2009	12,57,670	12,50,000	1,26,788	0	9,43,252	8,16,464

Appendix IX (Contd..)

1	2	3	4	5	6	7	8	9	10	11	12	13
16	Krushnabhau Mang	Saajerao B. Patil	Khupire at Karvir 1898	0.50 Agri.	Land/K/SR/24 dt.07/08/2008	2603/2008	2,78,190	2,78,190	63,750	0	1,39,095	75,345
17	Dhondi T. Sankal	Nagesh S. Digankar	Shingnapur Karvir, 78	0.46 Non Agri.	Land/K/SR/229 dt.17/02/2009	2929/2009	12,57,670	8,50,000	1,26,788	0	9,43,252	8,16,464
18	Bajirao m. Sankpal	Shivaji S. Shinde	Shingnapur Karvir 78/1	0.46 Non Agri.	Land/K/SR/107 dt.10/04/2008	11 docs	7,39,305	8,05,000	1,20,750	0	6,03,750	4,83,000
19	Smt. Shirubai M.Kamble	Pradeep P. Ingole	Shingnapur Karvir 75	0.46 Non Agri.	Land/K/SR/106 dt.08/04/2008	17 docs	15,81,111	13,08,830	1,20,750	0	11,85,833	10,65,083
20	Vishwas B. Sankpal	Shivaji S. Shinde	Shingnapur Karvir 78, 70/17	0.13 0.32 Non Agri.	Land/K/SR/105 dt.02/04/2008	8 docs	5,36,410	6,40,000	1,18,125	0	4,80,000	3,61,875
21	Anandrao S Chauhan	Chandra kant B. Kore	Shingnapur Karvir 79/1	3.10 Non Agri.	Land/K/SR/88 dt.01/09/2007	55 docs	42,06,991	46,01,018	6,78,960	0	34,50,764	27,71,804
22	Shankar B. Patil	Sangram V. Shevle	Halaswade Karvir 467, 520, 571, 572	16.33 Agri.	Land/K/SR/217 dt.31/12/2009	5 docs	41,74,500	52,32,081	15,30,938	0	26,16,041	10,85,103

Appendix IX (Contd..)

1	2	3	4	5	6	7	8	9	10	11	12	13
23	Smt. Balabai V. Yadav	Ritu R. Devekar	Karvir 1372/2	1.86 Agri.	Land/K/SR/168 dt.26/08/2008	5200/2008	27,64,974	21,15,000	10,55,550	0	13,82,487	3,26,937
24	Vasant D. Palke	Smt. Jyotsna D. Shinde	Nanadwal Karvir 522	2.00 Agri.	Land/K/SR/62 dt.31/10/2007	54/2008	2,90,000	2,90,000	1,20,000	0	1,45,000	25,000
25	Sandeep R. Mirje	Anita D Pawar	Mudshingi Karvir 330/B-5	1.60 Agri.	Land/K/SR/116 dt.31/12/2007	3164/2009	15,39,000	7,84,000	3,90,400	0	7,69,500	3,79,100
26	Murari S Patil	Dayanand B. Shinde	Gijawanne Gadhinglaj 147/2/1	0.20 Non. Agri.	Desk-3/SR/53/08 Dt. 5/3/08	2013/2008	9,46,920	10,20,000	0	0	7,65,000	7,65,000
27	Rajaram L. Todkar	Shalan H Konduskar & others	Gijawanne Gadhinglaj 147/1	0.80 Non. Agri.	Land/K/SR/249 dt.21/9/2010	14 docs	29,54,000	29,55,000	99,750	0	22,16,250	21,16,500
28	Maruti B Kamble	Vandana A. Kesarkar	Gijawanne Gadhinglaj 147/5	1.52 Non. Agri.	Land/K/SR/179 dt.17/12/2008	1258/2010	21,28,500	21,28,500	1,51,800	0	15,96,375	14,44,575
29	Rajmahammad H. Nandgawe	Alkatai S Tiwale	Kalambe at Karvir 123-B/6	1.70 Agri.	Land/K/SR/198 dt.21/12/2009	288/2010	10,14,885	10,15,000	3,83,040	0	5,07,500	1,24,460
30	Ananda N. Patil	Bhushan M Raut	Ujalaiwadi Karvir 183	0.42 Non. Agri.	Land/K/SR/197 dt.31/03/2009	4123/2009	21,24,800	27,00,000	19,00,800	0	20,25,000	1,24,200

Appendix IX (Contd..)

1	2	3	4	5	6	7	8	9	10	11	12	13
31	Prakash Padu Gaikwad	Kailash S. Surve	Wakadi Panvel 35, 38	1.944 Agri.	LB/Desk-2/ Land-2/CR- 630 dt.07-09-2012	12587/ 2012	18,38,000	1,27,00,000	23,32,775	0	63,50,000	40,17,225
32	Suresh R. Tambwekar	Deepak M. Gosar	Barwai, Panvel 92/3	1.06 Agri.	LB/Desk-2/ Land-2/CR- 283 dt.12-11-2009	1057/ 2010	21,50,000	50,00,000	6,35,862	0	25,00,000	18,64,138
33	Smt. Jainabai U. Patel	Ashok B. Chhaged	Koproli Panvel 27/1a	0.283 Non Agri.	LB/Desk-2/ Land-2/CR-253 dt.13-07-2009	6263/2 009	28,30,000	45,00,000	2,83,290	0	33,75,000	30,91,710
34	Smt. Yamuna K. Waghe	Suryakant S. Wadkar	Morbe Panvel 195/2	0.22 Non Agri.	LB/Desk-2/ Land-2/CR- 486 dt.23-08-2010	4874/2 012	3,19,500	1,49,490	1,12,118	0	2,39,625	1,27,507
35	Aizak Mozes Shahapurkar	Rajesh P. Gaikwad	Revdanda Alibagh 122, 1a,b	0.316 Agri.	LB/Desk-2/ Land-2/CR-117 dt.1-08-2007	3911/ 2007	2,85,000	4,75,000	94,138	0	2,37,500	1,43,362
36	Arsalan F. Tayyabji	Deepak N. Daryani	Kihim Alibagh 992	0.101 Agri	LB/Desk-2/ Land-2/CR- 199 dt.11-11-2008	5535/ 2008	1,56,000	17,00,000	1,30,290	0	8,50,000	7,19,710
37	Navinchandra R. Achrekar	Smt. Anjali V. Talwar	Dhokwade Alibagh 263	0.77 Agri.	LB/Desk-2/Land-2/CR- 112 dt.13-01-2010	244/ 2010	28,37,550	16,00,000	13,76,500	0	14,18,775	42,275
			Total				6,88,61,881	10,05,63,439	2,38,41,886		6,20,93,035	3,82,51,149

Appendix X

Statement showing details of Stamp Duty and Registration Fee leviable

(Reference: Paragraph 4.2.8)

Sl. no.	To whom allotted	Area allotted in sqm	Mauza/ Gat.No.	Occupancy price recovered/ recoverable	Stamp duty leviable	Registration fee leviable	(Amount in ₹)	
							6	7
1	MTDC	63,300	Odwan Gat. No.424 & 425	33,53,778	67,075 (2%)	30,000 (1%)	97,075	
2	Om Sahakari Gruhirman Society	1,770	Kolhapur, E- ward CTS No.29 K/1	4,10,685	20,534 (5%)	4,107 (1%)	24,641	
3	Shri Jotirling Sahakari Dudh Vayavsaik Sanstha	200	Hanbarwadi Gat 104/A	11,000	220 (2%)	110 (1%)	330	
4	Shri Sadguru Vishwanath Maharaj Rukdikar Trust	2,100	Karvir CTS.697/A &697/B	21,26,250	1,06,313 (5%)	21,263 (1%)	1,27,576	
5	Apang Punarvasan Sanstha,	8,000	Unchgaon 264/A, Kolhapur	1,76,000	3,520 (2%)	1,760 (1%)	5,280	
6	MSECDL, Parastola, Tq. Sakoli	8,000	Parastola Gat. No.87, Bhandara	13,20,000	26,400 (2%)	13,200 (1%)	39,600	
7	MSECDL, Walad, Tq. Sakoli	8,000	Walad Gat No.176, Bhandara	13,20,000	26,400 (2%)	13,200 (1%)	39,600	

Appendix X (Contd..)

1	2	3	4	5	6	7	8
8	MSECDL, Pingalai, Tq. Bhandara	8,300	Pinglai Gat (No.586 NP), Bhandara	72,25,000	2,89,000 (4%)	30,000 (1%)	3,19,000
9	GAIL (India) Ltd.	16,430	Borle Tq. Panvel 111, 112, 113, 137	1,00,22,300	2,00,446 (2%)	30,000 (1%)	2,30,446
10	M/s Valuable Properties Pvt. Ltd.	5,50,290	Chikhale, Loniwali, Tq. Panvel, 5,10,13,2341,111,154, 159, 166,167, 171	24,20,21,719	24,20,217 ¹	30,000 (1%)	24,50,217
11	Tatkare Charitable Trust, Kolad	32,374	Gove Tq. Roha, 80	8,16,976	16,340 (2%)	8,170 (1%)	24,510
12	Anil Gabaji Chaskar (Ex. Serviceman)	4,000	Shirdhon Panvel 139	2,10,793	8,432 ²	2,108 (1%)	10,540
13	Gaurav Ravi Ghai	300	Saswane Tq. Alibagh 300	1,14,000	2,280 (2%)	1,140 (1%)	3,420
14	M/s Maharashtra Simlese Ltd.	4,700	Sukeli Tq. Roha, 54	6,95,500	13,910 (2%)	6,955 (1%)	20,865

¹ 50 per cent remission in stamp duty for special township

² 4 per cent for agriculture land

Appendix X (Contd..)

1	2	3	4	5	6	7	8
15	Chairman, Pravara Horticulture Production & Sale Shetkari Co. op Soc. Loni (Ku)	1,30,200	Khadkevake 416, Rahata	29,67,000	59,340 (2%)	29,670 (1%)	89,010
16	Shri Siddheshwar Devasthan Trust	15,000	Manjur 353, Tal. Kopergaon	14,34,375	28,688 (2%)	14,344 (1%)	43,032
17	EE, MSEB, Nashik	8,100	Kumbhari (Hingni) 463 Tal. Kopergaon	4,39,000	8,780 (2%)	4,390 (1%)	13,170
18	EE, MSEB, Nashik	6,000	Yesgaon 2/2/1, Tal. Kopergaon	4,68,000	9,360 (2%)	4,680 (1%)	14,040
19	EE, MSEB, Sangamner	6,000	Karanji (Bu) Tal. Kopergaon	4,68,000	9,360 (2%)	4,680 (1%)	14,040
20	Bharti Vidyapeeth	6,000	Yedavi (Palus) 1796	1,65,000	3,300 (2%)	1,650 (1%)	4,950
21	Bharti Vidyapeeth	4,600	Palus 70/a/3/1	87,860	1,757 (2%)	879 (1%)	2,637
22	Shri Vasantdada Patil Blood Bank	301.60	Miraj 9545, 5854	16,44,000	82,200 (5%)	16,440 (1%)	98,640
23	APMC, Palus	20,000	Palus 279/1	18,70,000	37,400 (2%)	18,700 (1%)	56,100

Appendix X (Contd..)

1	2	3	4	5	6	7	8
24	MSRTC, Palus	15,000	Palus 160	14,45,000	28,900 (2%)	14,450 (1%)	43,350
25	APMC, Tasgaon	1,17,700	Tasgaon 60/1, 61, 63, 71, 72	70,90,380 (90% of 78,78,200)	1,41,808 (2%)	30,000 (1%)	1,71,808
26	MSRTC, Palus	350	Palus 9	5,98,500 (90% of 665000)	11,970 (2%)	5,985 (1%)	17,955
27	BSNL, Tasgaon	4,000	Tasgaon 129/1/1	8,10,000	32,400 (4%)	8,100 (1%)	40,500
Total							40,02,332

Appendix XI

Statement showing wrongful computation of ED on consumption charges

(Reference: Para 6.2.9.2(b))

(₹ in crore)

Period	Category	Energy charges	Rate of ED	ED leviable	ED levied	Difference Short (+) / Excess(-)
2009-10	Residential- Part A	2,045.09	12%	245.41	226.37	19.04
	Commercial- Part B	1,167.25	13%	151.74	137.44	14.3
	Cinema - Part C	16.4	8%	1.31	0.41	0.9
	Industries - Part F	4,057.54	6%	243.45	267.62	-24.17
2010-11	Residential- Part A	5,443.39	15%	816.51	289.54	526.97
	Commercial- Part B	1,229.83	17%	209.07	208.74	0.33
	Industries - Part F	4,840.90	9%	435.68	402.61	33.07
Total						570.44

Appendix XII

Difference in figures of ED in C returns and ED actually paid

(Reference: Paragraph 6.2.9.2 (d)(i))

(₹ in crore)

Sl. No	EI	Circle	Billing month	Electricity Duty payable as per return 'C'	Electricity Duty actually paid as intimated by circle offices	Short recovery of ED
1	Kolhapur	All circles	2008-09 to 2011-12	644.78	631.71	13.07
2	Pune	Pune Rural Circle	July 2011	8.37	6.54	1.83
3	Thane	Kalyan Circle-I	September 2011	19.94	19.89	0.05
4		Vashi Circle	September 2011	67.68	67.44	0.24
5		Bhiwandi Circle	September 2011	20.98	18.97	2.01
Total				761.75	744.55	17.20

Appendix XIII

Statement showing short recovery of ED due to incorrect application of rate

(Reference: Paragraph 6.2.9.2 (d)(ii))

(₹ in lakh)

Sl. No.	Name of Division/ Circle	Period	Category	Consumption charges	Rate of ED (%)	ED recoverable	RD recovered	Short recovery
1	MSEDCL, Satara Rural Division	04/2008 to 6/2008	Part-A	111.16	12	13.34	12.75	0.59
2			Part-B	30.56	13	3.97	3.54	0.43
3		07/2008 to 09/2008	Part-A	100.66	12	12.08	11.49	0.59
4			Part-B	26.05	13	3.39	3.26	0.13
5		07/2008 to 09/2008	Part-F	49.53	6	2.97	2.47	0.50
6		10/2008 to 12/2008	Part-A	107.09	12	12.85	12.36	0.49
7		01/2009 to 03/2009	Part-A	114.34	12	13.72	12.98	0.74
8			Part-B	29.82	13	3.88	3.7	0.18
9		04/2009 to 06/2009	Part-A	110.74	12	13.29	12.5	0.79
10			Part-B	34.34	13	4.46	4.08	0.38
11			Part-F	74.04	6	4.44	2.73	1.71
12		01/2009 to 03/2009	Part-A	109.16	12	13.1	12.24	0.86
13	MSEDCL, Satara Circle	01/2009 to 03/2009	Part-B	565.25	13	73.48	73.45	0.03
14	MSEDCL, Satara Rural Division	07/2009 to 09/2009	Part-A	124.06	12	14.89	14.18	0.71
15		07/2009 to 09/2009	Part-B	39.35	13	5.12	4.89	0.23
16		07/2009 to 09/2009	Part-F	28.36	6	1.7	1.46	0.24
17	MSEDCL, Aundh, Khatau, Satara	04/2008 to 06/2008	Part-A	47.88	12	5.75	5.57	0.18
18			Part-B	14.93	13	1.94	1.87	0.07
19		07/2008 to 09/2008	Part-A	46.32	12	5.56	5.44	0.12
20			Part-B	16.69	13	2.17	2.08	0.09
21		04/2009 to 06/2009	Part-A	51.06	12	6.13	6.03	0.10
22			Part-B	20.91	13	2.72	2.55	0.17
23		07/2009 to 09/2009	Part-A	65.97	12	7.92	7.07	0.85
24		10/2009 to 12/2009	Part-B	17.5	13	2.27	2.18	0.09
25		01/2010 to 03/2010	Part-A	25.79	12	3.1	2.93	0.17
26		04/2010 to 06/2010	Part-A	23.52	15	3.53	3.26	0.27
27			Part-B	9.41	17	1.6	1.38	0.22
28		07/2010 to 09/2010	Part-A	38.04	15	5.71	4.93	0.78
29			Part-B	12.73	17	2.16	1.99	0.17
30		10/2010 to 12/2010	Part-A	31.34	15	4.7	4.07	0.63
31	Part-B		12.24	17	2.08	2.01	0.07	
Total				2,088.84		254.02	241.44	12.58

Appendix XIV

Statement showing short levy of ED in respect of Aarey Milk Colony, Mumbai
(Reference: Paragraph 6.2.9.4)

Sl. no	Bill month	Total billed units	Total units as per 'C' return	Diffe- rence	Minimum rate for calculation of energy charges	Total charges (₹ in lakh)	Rate of ED	Short levy (₹ in lakh)
		Units in lakh						
1	2	3	4	5	6	7	8	9
1	Apr-08	5.80	5.09	0.71	4.05	2.88	12%	0.35
2	Jul-08	6.30	5.41	0.89	2.22	1.98	12%	0.24
3	Aug-08	5.91	5.78	0.13	2.13	0.28	12%	0.03
4	Sep-08	5.85	5.81	0.04	2.08	0.08	12%	0.01
5	Oct-08	6.04	5.69	0.35	2.21	0.77	12%	0.09
6	Nov-08	5.85	5.51	0.34	2.22	0.75	12%	0.09
7	Dec-08	6.00	5.63	0.37	2.23	0.83	12%	0.10
8	Jan-09	5.82	5.38	0.44	2.25	0.99	12%	0.12
9	Feb-09	5.26	5.03	0.23	2.25	0.52	12%	0.06
10	Apr-09	6.14	5.68	0.46	2.10	0.97	12%	0.12
11	May-09	6.17	6.12	0.05	2.01	0.10	12%	0.01
12	Jun-09	5.91	5.52	0.39	2.21	0.86	12%	0.10
13	Jul-09	5.62	5.47	0.15	2.13	0.32	12%	0.04
14	Aug-09	6.01	5.66	0.35	2.13	0.75	12%	0.09
15	Sep-09	5.89	5.56	0.33	1.49	0.49	12%	0.06
16	Oct-09	5.70	5.34	0.36	2.18	0.78	12%	0.09
17	Dec-09	5.43	5.00	0.43	2.19	0.94	12%	0.11
18	Jan-10	5.37	4.97	0.40	2.24	0.90	12%	0.11
19	Feb-10	4.97	4.83	0.14	2.18	0.31	15%	0.05
20	Mar-10	5.50	5.41	0.09	2.08	0.19	15%	0.03
21	Apr-10	5.59	5.18	0.41	2.13	0.87	15%	0.13
22	Jun-10	5.31	4.99	0.32	2.15	0.69	15%	0.10
23	Jul-10	5.44	5.16	0.28	2.09	0.59	15%	0.09
24	Aug-10	5.52	5.28	0.24	2.07	0.50	15%	0.08
25	Oct-10	4.98	3.92	1.06	2.09	2.22	15%	0.33
26	Nov-10	4.69	4.61	0.08	1.92	0.15	15%	0.02
27	Dec-10	4.57	4.25	0.32	2.03	0.65	15%	0.10
28	Jan-11	4.70	4.53	0.17	1.94	0.33	15%	0.05
29	Mar-11	5.23	4.90	0.33	1.90	0.63	15%	0.09
30	Apr-11	5.12	4.88	0.24	1.90	0.46	15%	0.07

Appendix- XIV (Contd.)

1	2	3	4	5	6	7	8	9
31	May-11	5.19	4.82	0.37	1.90	0.70	15%	0.11
32	Jun-11	5.09	5.02	0.07	0.24	0.72	15%	0.04
33	Jul-11	5.26	4.87	0.39	3.43	1.34	15%	0.20
34	Sep-11	5.04	4.84	0.20	3.45	0.69	15%	0.10
35	Oct-11	5.33	5.17	0.16	3.30	0.53	15%	0.08
36	Nov-11	5.03	4.78	0.25	3.30	0.83	15%	0.12
37	Dec-11	5.06	4.78	0.28	3.28	0.92	15%	0.14
38	Jan-12	4.63	4.54	0.09	3.28	0.30	15%	0.05
39	Mar-12	5.28	4.82	0.46	3.31	1.52	15%	0.23
40	May-12	5.21	4.38	0.83	3.29	2.73	15%	0.41
41	Jun-12	5.14	4.58	0.56	3.29	1.84	15%	0.28
42	Jul-12	5.23	4.54	0.69	3.27	2.26	15%	0.34
43	Aug-12	5.4	4.67	0.73	3.27	2.39	15%	0.35
44	Sep-12	5.37	4.64	0.73	4.05	2.96	15%	0.44
45	Oct-12	5.47	4.77	0.7	5.27	3.69	15%	0.55
46	Nov-12	4.98	4.33	0.65	5.31	3.45	15%	0.52
47	Dec-12	5	4.36	0.64	5.3	3.39	15%	0.51
48	Jan-13	4.63	4.08	0.55	5.27	2.9	15%	0.43
49	Feb-13	4.35	3.96	0.39	5.23	2.04	15%	0.31
50	Mar-13	5.19	4.4	0.79	3.5	2.77	15%	0.42
Total		268.57	248.94	19.63				8.59

Appendix XV
Calculation of interest payable for delayed payment of royalty
(Reference: Paragraph 7.2.7)

Month to which royalty payment relates	Amount paid towards royalty (₹)	Due date of payment	Actual date of payment	Delay in number of days	Interest payable (₹)
1	2	3	4	5	6
Apr-08	6,17,76,459	01 April 2008	27 May 2008	56	22,74,728
May-08	6,99,75,979	01 April 2008	29 June 2008	89	40,95,033
Jun-08	7,40,06,276	01 April 2008	29 July 2008	119	57,90,738
Jul-08	7,06,98,327	01 July 2008	26 August 2008	56	26,03,248
Aug-08	5,03,61,160	01 July 2008	27 September 2008	88	29,14,048
Sep-08	5,99,68,088	01 July 2008	28 October 2008	119	46,92,298
Oct-08	7,52,76,417	01 October 2008	27 November 2008	57	28,21,319
Nov-08	7,87,58,736	01 October 2008	27 December 2008	87	45,05,431
Dec-08	7,88,48,391	01 October 2008	29 January 2009	120	62,21,462
Jan-09	8,14,51,191	01 January 2009	26 February 2009	56	29,99,189
Feb-09	7,28,28,022	01 January 2009	21 March 2009	79	37,83,067
Mar-09	8,99,18,006	01 January 2009	24 April 2009	113	66,81,031
Apr-09	7,52,24,222	01 April 2009	28 May 2009	57	28,19,363
May-09	7,49,35,393	01 April 2009	25 June 2009	85	41,88,170
Jun-09	8,12,33,293	01 April 2009	27 July 2009	117	62,49,400
Jul-09	7,97,32,425	01 July 2009	27 August 2009	57	29,88,328
Aug-09	7,99,92,328	01 July 2009	27 September 2009	88	46,28,597
Sep-09	7,49,28,511	01 July 2009	27 October 2009	118	58,13,631
Oct-09	8,39,08,472	01 October 2009	26 November 2009	56	30,89,671
Nov-09	8,66,79,269	01 October 2009	25 December 2009	85	48,44,540
Dec-09	8,71,72,846	01 October 2009	28 January 2010	119	68,20,977
Jan-10	9,33,05,142	01 January 2010	25 February 2010	55	33,74,333
Feb-10	8,11,07,879	01 January 2010	25 March 2010	83	44,26,490
Mar-10	9,14,65,195	01 January 2010	29 April 2010	118	70,96,697
Apr-10	6,78,12,678	01 April 2010	28 May 2010	57	25,41,582
May-10	6,91,56,466	01 April 2010	26 June 2010	86	39,10,656
Jun-10	5,93,84,300	01 April 2010	30 July 2010	120	46,85,665
Jul-10	6,50,34,650	01 July 2010	26 August 2010	56	23,94,701
Aug-10	5,34,75,757	01 July 2010	28 September 2010	89	31,29,431
Sep-10	5,18,67,037	01 July 2010	28 October 2010	119	40,58,418

Appendix XV (Contd..)

1	2	3	4	5	6
Oct-10	7,46,61,773	01 October 2010	26 November 2010	56	27,49,190
Nov-10	7,15,76,708	01 October 2010	30 December 2010	90	42,35,772
Dec-10	8,54,49,523	01 October 2010	28 January 2011	119	66,86,133
Jan-11	8,02,52,799	01 January 2011	25 February 2011	55	29,02,293
Feb-11	8,10,22,670	01 January 2011	17 March 2011	75	39,95,639
Mar-11	8,36,97,135	01 January 2011	28 April 2011	117	64,38,947
Apr-11	7,90,08,087	01 April 2011	26 May 2011	55	28,57,279
May-11	7,73,16,017	01 April 2011	28 June 2011	88	44,73,738
Jun-11	7,76,82,767	01 April 2011	28 July 2011	118	60,27,331
Jul-11	8,14,85,627	01 July 2011	26 August 2011	56	30,00,457
Aug-11	7,03,75,651	01 July 2011	25 September 2011	86	39,79,598
Sep-11	6,89,85,001	01 July 2011	28 October 2011	119	53,97,840
Oct-11	9,06,40,189	01 October 2011	28 November 2011	58	34,56,744
Nov-11	8,98,48,567	01 October 2011	29 December 2011	89	52,57,987
Dec-11	9,56,49,055	01 October 2011	28 January 2012	119	74,84,211
Jan-12	10,07,82,761	01 January 2012	27 February 2012	57	37,77,283
Feb-12	8,71,65,745	01 January 2012	27 March 2012	86	49,29,044
Mar-12	9,12,05,634	01 January 2012	27 April 2012	117	70,16,587
Apr-12	6,88,67,390	01 April 2012	26 May 2012	55	24,90,547
May-12	10,37,15,650	01 April 2012	28 June 2012	88	60,01,300
Jun-12	8,97,92,486	01 April 2012	27 July 2012	117	69,07,871
Jul-12	7,25,79,117	01 July 2012	25 August 2012	55	26,24,779
Aug-12	6,08,52,149	01 July 2012	27 September 2012	88	35,21,089
Sep-12	7,89,97,341	01 July 2012	25 October 2012	116	60,25,441
Oct-12	8,98,96,940	01 October 2012	25 November 2012	55	32,51,067
Nov-12	10,62,73,317	01 October 2012	27 December 2012	87	60,79,416
Dec-12	11,84,41,221	01 October 2012	29 January 2013	120	93,45,499
Jan-13	13,64,35,631	01 January 2013	26 February 2013	56	50,23,822
Feb-13	12,73,67,887	01 January 2013	26 March 2013	84	70,34,895
Mar-13	15,13,93,674	01 January 2013	27 April 2013	116	11,547,397
Total	4,91,17,01,427				28,09,61,438

Appendix XVI

Details of non-recovery of cost of police from Municipal Corporations

(Reference: Paragraph 7.3.3.5(i))

Sl.No.	Name of the office deploying police personnel	Requisitioning Municipal Corporation	Period	Amount of non-recovery (₹ in lakh)
1	CP Mumbai	BMC/MCGM (additional deployment)	October 2009 to March 2012	415.90
		BMC/MCGM (permanent deployment)	April 2008 to March 2013 (including pay commission arrears from January 2006 to March 2013)	2,793.26
		BMC/MCGM (additional deployment)	April 2008 to September 2009 and April 2012 to March 2013	0
2	CP Thane	Kalyan-Dombivali	April 2008 to March 2013	53.52
3	SP Thane	Mira Bhayandar	N.A.	35.01
4	CP Nashik	Nashik	January 2011 to March 2013	109.89
5	CP Nagpur	Nagpur	October 2011 to March 2013	158.14
6	SP Nanded	Nanded	March 2008 to February 2011	79.07
			March 2011 to February 2013	65.82
7	CP Aurangabad	Aurangabad	May 2011 to March 2013	210.36
8	CP Solapur	Solapur	April 2008 to March 2013	207.64
9	CP Amravati	Amravati	July 2009 to March 2011	35.92
10	CP Pune	Pimpri Chinchwad	April 2009 to March 2013	336.44
Total				4,500.97

Appendix-XVII

Details of pendency in recovery pertaining to Banks, Government and non-Government organisations

(Reference: Paragraph 7.3.3.6)

Sl.No.	Name of the office	Name of bank	Period	Amount of non-recovery (₹ in lakh)
1	Commissioner of Police, Thane	Bank of Maharashtra	12/08 to 03/13	117.40
2	Superintendent of Police, Thane	State bank of India	24.02.12	0.10
3	Commissioner of Police, Nagpur	Allahabad Bank	01/13 to 03/13	18.22
		Reserve Bank of India	01/13 to 03/13	76.11
		General Post Office	01/13 to 03/13	3.43
		City Post Office	01/13 to 03/13	2.27
		CBI	10/11 to 03/13	116.19
		CIO (SIB)	03/13	3.79
		National Fire Service College	04/12 to 06/12	47.33
4	Commissioner of Police, Solapur	Head Post Office	04/11 to 03/13	5.14
5	Superintendent of Police, Solapur	Ujni Canal	11/5/12 to 20/5/12	4.63
6	Commissioner of Police, Mumbai	Mazagon Dock Ltd.	07/08 to 08/10	40.09
		Income Tax Office, Churchgate	10/10 to 03/13	74.72
		Bank of Maharashtra, Girgaon	07/12 to 03/13	18.40
		Syndicate Bank, Nariman Point	07/12 to 03/13	30.14
		Sanitary Police (FACO/DPT)	07/08 to 12/11	202.96
		BPT (BEST) Railway	04/08 to 12/11	131.99
		Allahabad Bank, Bandra	04/12 to 03/13	20.79
		Central Bank of India	07/12 to 03/13	24.27
		Civil Defence (Fort)	01/10 to 03/13	179.59
		All India Radio	04/12 to 03/13	24.04
		IOB, Nariman Point	01/13 to 03/13	11.61
		UBI, Nariman Point	01/13 to 03/13	15.17
		Central Bank of India, Bandra	06/10 to 03/13	84.09
		Central Bank of India, (Main Branch)	07/12 to 12/12	20.90

Appendix XVII (Contd..)

Sl.No.	Name of the office	Name of bank	Period	Amount of non-recovery (₹ in lakh)
		Spl Bureau, Nariman Point	01/13 to 03/13	16.29
		CBI	01/13 to 03/13	17.90
		Government Shipping Office	01/12 to 03/13	12.40
		RBI, Bandra	07/12 to 03/13	30.14
		Corporation Bank, Fort	01/13 to 03/13	16.24
		UCO Bank, Vile Parle	01/13 to 03/13	11.61
		Bank of India, Prabhadevi	01/13 to 03/13	11.61
		Regional Stamp Depot	10/10 to 12/10	2.34
		Bank of Maharashtra, Bandra (East)	01/13 to 03/13	4.65
		Central Bank of India, Khernagar	07/12 to 03/13	30.14
		Bank of Baroda, Bhandup	01/13 to 03/13	13.92
		Bank of Baroda, Goregaon	01/13 to 03/13	13.92
		UCO Bank, Nariman Point	01/13 to 03/13	12.77
7	Commissioner of Police, Pune	GPO, PNB, MSEB, GPO, City Post, RTO, Khadki Post, Pimpri Post	04/09 to 03/13	67.65
8	Superintendent of Police, Nashik	Food Corporation of India, Manmad	09/09 to 06/12	7.16
		Jalvidyut Kendra, MSEPC, Vaitarna Nagar	06/12 to 02/13	9.91
9	Superintendent of Police, Nanded	MIDC, Nanded	10/08 to 10/09	66.40
		Reliance Infrastructure, Nanded Airport	10/11 to 01/12	5.79
		Reliance Infrastructure	06/12 to 01/13	52.84
		MIDC, Nanded	10/2008	0.33
			Total	1,677.38

Appendix XVIII

Statement showing non-reconciliation of Government revenue with treasury records
(Reference : Paragraph 7.3.9)

Sl. No	Name of Office	Division/Branch	Period for which reconciliation had not been done	Non-accounting of credits as intimated by the treasuries concerned
1	Commissioner of Police, Mumbai	Traffic	06/08 to 08/08, 12/08, 07/11, 08/11 and 01/12 to 03/13	₹ 21,67,000 challan no.1007 dt. 17.03.2009, ₹ 38,43,000 Challan no. 27014 dated 29.9.2009, and ₹ 19,49,000 challan no.36013 dated 14.01.2009
		LA II, Tardeo	02/12 to 03/13	₹ 5,19,70,216 related to amount credited through 16 challans during the period from February 2010 to October 2010.
2	Commissioner of Police, Thane	Mumbra Traffic	04/08 to 03/10 06/10 to 07/11 09/12 to 03/13	-
		Kalwa Traffic	04/08 to 06/08 11/08 to 03/10 05/10 to 06/10 08/10 to 12/11 01/13 to 03/13	-
		Kolsewadi Traffic (Kalyan)	10/08 to 02/11 12/11 to 03/13	₹ 17,300 Challan no. 28 dt.13.5.11 ₹ 8,500 Challan no. 29 dt.14.5.2011 ₹ 8,600 Challan no. 99 dt.25.8.2011 ₹ 46,100 Challan no. 102 dt.2.9.11 ₹ 7,200 Challan no. 103 dt.3.9.11 ₹ 6,300 Challan no. 106 dt.8.9.11 ₹ 10,900 Challan no. 107 dt.10.9.11
		Thane City Traffic	12/08 to 02/11 06/11, 08/12 04/12 to 06/12 01/03 to 03/13	₹ 9,000, Challan no. 94 dt.20.5.10 ₹ 20,000 Challan no. 224 dt.18.1.12 ₹ 17,500 Challan no. 425 dt.1.11.12
		Navpada Traffic	08/10 to 07/11 01/13 to 03/13	-
		Kopari Traffic	04/09 to 03/10 06/10, 02/11,03/11,03/12 06/12 to 03/13	₹ 2,700 Challan no. 9 dt.13.4.2010 ₹ 3,300 Challan no. 30 dt.10.5.10 ₹ 3,900 Challan no. 121 dt.30.8.10 ₹ 1,000 Challan no. 122 dt.31.3.10
		Ambernath Traffic	11/08 to 12/09	-
		Bhivandi Traffic	01/10 to 03/10 02/12 to 08/12	₹ 30,000 Ch.176 dt.29.11.2010 ₹ 9,700 Ch.177 dt.30.11.2010
		Ulhasnagar Traffic	Reconciliation records not available	-

Appendix XVIII (Contd..)

Sl. No	Name of Office	Division/Branch	Period for which reconciliation had not been done	Non-accounting of credits as intimated by the treasuries concerned
		Dombivli (Bishnupur) Traffic		-
		Dombivli (East) Traffic		-
		Kumparvadi Traffic	04/08 to 07/11 01/13 to 03/13	-
		Narpoli Traffic	03/12, 08/12 and 03/13	-
		Kasarvadavli Traffic	04/08 to 07/11 11/11 to 02/12 08/12 to 01/13 and 03/13	-
		Wagle Estate Traffic	12/08 to 05/09 08/09 to 03/10 09/10 to 07/11 09/12 and 12/12 to 03/13	-
3	Superintendent of Police, Thane	P. S. Kashmirira	10/08 to 03/13	₹ 11,000 dated 18.09.2008
		Traffic Vasai	04/12 to 08/12 01/13 to 03/13	₹ 19,700 Challan no.74/20.08.10 ₹ 28,500 Challan no. 184/29.11.10 ₹ 48,600 Challan no. 120/5.10.10 ₹ 23,600 Challan no. 120/5.10.10 ₹ 18,600 Challan no. 28/28.04.11
		SP Thane	04/08 to 03/13	-
		P.S. Bhayander	12/08, 04/10 08/10 to 03/13	₹ 2,338 Challan no.5988077 dt. 22.7.2010
		Kashimira Traffic	04/08 to 12/10 08/11 to 03/13	₹ 22,500 Challan no.9/27.05.11 ₹ 17,600 Challan no. 29/12.7.11
4	Commissioner of Police, Pune		04/08 to 03/13	-
5	Superintendent of Police, Pune	SP Rural	05/11 to 03/13	-
		P.S. Shikrapur	06/12 to 03/13	-
		P.S. Haveli	04/08 to 03/11 06/12 to 03/13	-
6	Commissioner of Police, Nashik	Traffic Police	07/12 to 03/13	-
		P.S. Satpur	04/08 to 03/13	-
		P.S. Nashik Road	08/12 to 03/13	-

Appendix XVIII (Contd.)

Sl. No	Name of Office	Division/Branch	Period for which reconciliation had not been done	Non-accounting of credits as intimated by the treasuries concerned
		P.S. Adgaon	06/11 to 03/13	-
		P.S. Panchavati	01/13 to 03/13	
		P.S. Sarkarwada	12/10 to 03/13	
7	Commissioner of Police, Nagpur	Main office	09/12 to 03/13	-
		License Branch	04/11 to 03/13	-
8	Superintendent of Police, Nanded	Character verification Branch	04/08 to 03/13	-
9	Commissioner of Police Aurangabad	Main office	04/08 to 03/10 and 12/12 to 03/13	-
10	Superintendent of Police, Aurangabad	Main office	04/08 to 03/13	-
11	Commissioner of Police, Solapur	Traffic Branch	04/08 to 03/10 08/11 and 03/12 to 03/13	₹ 28,300 Challan no. 158/11 dated 22.10.2011 and ₹ 32,000 challan no. 209/11 dated 27.12.2011
		Licence Branch	04/08 to 03/13	-
		Character verification Branch	04/08 to 03/13	-
		Accounts Branch	04/08 to 03/13	-
12	Superintendent of Police, Solapur	Traffic Branch	04/11 to 03/13	-
		Character verification Branch	04/08 to 03/13	-
13	Commissioner of Police, Amravati	Traffic (West)	09/09 to 07/10 03/11 to 07/11 11/12 to 03/13	-
		Traffic (East)	10/12 to 03/13	-
		CP Main office	04/08 to 03/11	-
14	Superintendent of Police, Amravati	P.S. Paratwada	04/09 to 03/11 09/11 to 10/11 and 08/12	-
		P.S. Ashegaon	04/09 to 03/11	-
		P. S. Achalpur	04/09 to 06/10	-
				Total : 6,03,83,954

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