

CHAPTER – 1

GENERAL

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1.1 Introduction

This Chapter presents the overview of the trend of receipts raised by the Government of Madhya Pradesh, arrears of revenue, pendency of refund cases and response of the Government/ departments towards audit.

1.2 Trend of revenue receipts

1.2.1 The tax and non-tax revenue raised by the Government of Madhya Pradesh, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from the Government of India for the period 2012-17 are shown in **Table 1.1**.

Table 1.1
Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1	2	3	4	5	6	7
1.	Revenues raised by the State Government					
	• Tax revenue	30,581.70	33,552.16	36,567.31	40,213.66	44,193.65
	• Non-tax revenue	7,000.22	7,704.99	10,375.23	8,568.79	9,086.51
	Total	37,581.92	41,257.15	46,942.54	48,782.45	53,280.16
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	20,805.16	22,715.27	24,106.80	38,397.84	46,064.10 ¹
	• Grants-in-aid	12,040.20	11,776.82	17,591.44	18,330.31	23,962.53
	Total	32,845.36	34,492.09	41,698.24	56,728.15	70,026.63
3.	Total revenue receipts of the State Government (1 and 2)	70,427.28	75,749.24	88,640.78	1,05,510.60	1,23,306.79
4.	Percentage of 1 to 3	53	54	53	46	43

(Source: Finance Accounts of the Government of Madhya Pradesh)

The State's share of central taxes increased by 10 per cent (from 32 to 42 per cent) from 2015-16 onwards following the recommendations of the 14th Finance Commission.

The increase (₹ 17,796 crore; 17 per cent) in revenue receipts during 2016-17 were mainly due to net proceeds assigned to the State by GoI (20 per cent), more collection of taxes on sales, trade etc. (14 per cent), taxes on goods and passengers (23 per cent) partly counterbalanced by less receipt under State

¹ For details, please see Statement No.14-“Detailed accounts of revenue and capital receipts by minor heads” in the Finance Accounts of the Government of Madhya Pradesh for the year 2016-17. Figures under the head “Share of net proceeds assigned to States” under Major heads “0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0032-Taxes on wealth, 0037-Customs, 0038-Union Excise duties, 0044-Service Tax and 0045-Other taxes and duties on commodities and services” booked in the Finance Accounts under A-Tax revenue have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

excise (five per cent), forestry and wildlife (eight per cent) and miscellaneous general services (87 per cent).

1.2.2 Details of the tax revenue raised during the period 2012-13 to 2016-17 are given in Table 1.2.

Table 1.2
Details of tax revenue

(₹ in crore)

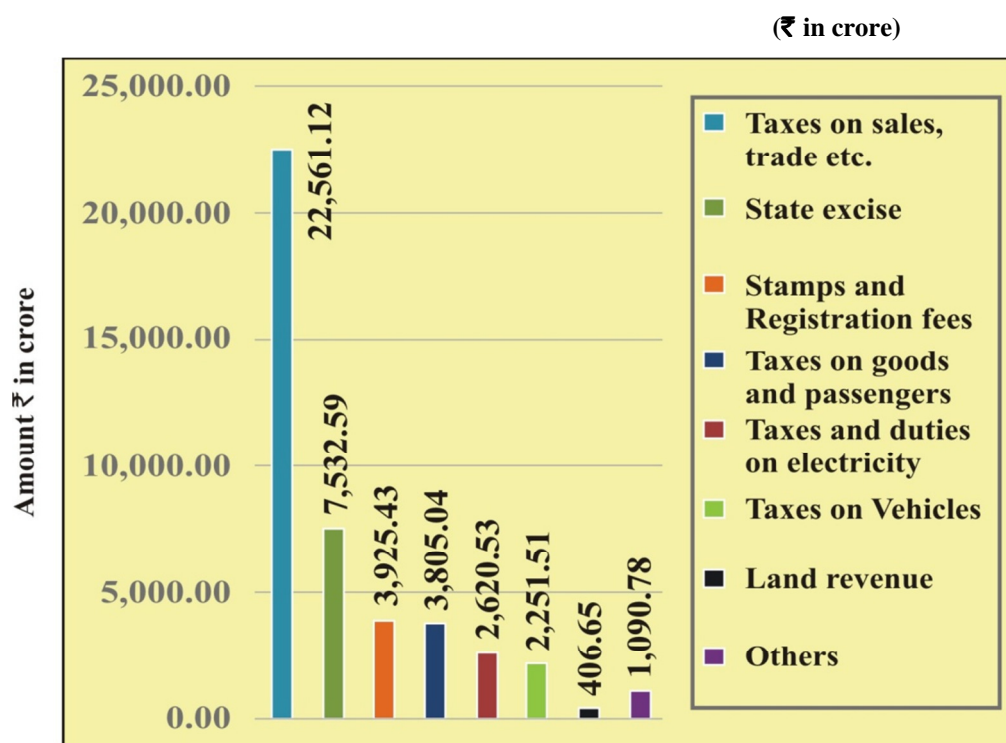
Sl. No.	Head of revenue	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+)/ decrease (-) in actual of 2016-17 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2016-17	Actual of 2015-16
1.	Taxes on sales, trade etc.	<u>14,000.00</u> 14,856.30	<u>16,500.00</u> 16,649.85	<u>19,500.00</u> 18,135.96	<u>21,300.00</u> 19,806.15	<u>22,000.00</u> 22,561.12	(+) 2.55	(+) 13.91
2.	State excise	<u>4,800.00</u> 5,078.06	<u>5,750.00</u> 5,907.39	<u>6,730.00</u> 6,695.54	<u>7,800.00</u> 7,922.84	<u>9,000.00</u> 7,532.59	(-) 16.30	(-) 4.93
3.	Stamps and Registration fees	<u>3,200.00</u> 3,944.24	<u>4,000.00</u> 3,400.00	<u>4,000.00</u> 3,892.77	<u>4,700.00</u> 3,867.69	<u>4,500.00</u> 3,925.43	(-) 12.77	(+) 1.49
4.	Taxes on goods and passengers	<u>2,150.00</u> 2,395.03	<u>2,640.00</u> 2,578.74	<u>2,900.00</u> 2,686.39	<u>3,200.00</u> 3,084.76	<u>4,200.00</u> 3,805.04	(-) 9.40	(+) 23.35
5.	Taxes and duties on electricity	<u>1,370.00</u> 1,477.71	<u>1,600.00</u> 1,972.20	<u>2,050.00</u> 2,010.20	<u>2,200.00</u> 2,257.83	<u>2,500.00</u> 2,620.53	(+) 4.82	(+) 16.06
6.	Taxes on vehicles	<u>1,400.00</u> 1,531.25	<u>1,650.00</u> 1,598.93	<u>2,000.00</u> 1,823.84	<u>2,300.00</u> 1,933.57	<u>2,500.00</u> 2,251.51	(-) 9.94	(+) 16.44
7.	Land revenue	<u>550.00</u> 443.59	<u>572.00</u> 366.23	<u>700.10</u> 243.10	<u>500.00</u> 276.86	<u>500.00</u> 406.65	(-) 18.67	(+) 46.88
8.	Others ²	<u>842.00</u> 855.52	<u>670.00</u> 1,078.82	<u>1,109.50</u> 1,079.51	<u>1,447.68</u> 1,063.96	<u>1,300.00</u> 1090.78	(-) 16.09	(+) 2.52
Total		<u>28,312.00</u> 30,581.70	<u>33,382.00</u> 33,552.16	<u>38,989.60</u> 36,567.31	<u>43,447.68</u> 40,213.66	<u>46,500.00</u> 44,193.65		

(Source: Finance Accounts and Budget Estimates of Government of Madhya Pradesh)

² Others includes actual receipts during 2016-17 under the following Revenue Heads: Hotel receipts (₹ 2.15 crore), Taxes on income and expenditure (₹ 327.42 crore), Taxes on immovable property (₹ 583.52 crore) and Other taxes and duties on commodities and services (₹ 177.82 crore).

Breakup of tax revenue is given in **Chart 1.1**:

Chart 1.1
Tax revenue during 2016-17 (₹ 44,193.65 crore)



1.2.3 Details of the non-tax revenue raised during the period 2012-17 are indicated in **Table 1.3**.

Table 1.3
Details of non-tax revenue

(₹ in crore)

Sl. No.	Head of revenue	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+)/ decrease (-) in actual of 2016-17 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2016-17	Actual of 2015-16
1.	Non-ferrous mining and metallurgical industries	<u>2,300.00</u> 2,443.39	<u>2,220.00</u> 2,306.17	<u>2,500.00</u> 2,813.66	<u>3,200.00</u> 3,059.64	<u>3,450.00</u> 3,168.28	(-) 8.17	(+) 3.55
2	Education, sports, art and culture	<u>2,567.31</u> 1,682.49	<u>2,469.61</u> 2,008.49	<u>157.73</u> 3,276.10	<u>3,192.18</u> 1,292.41	<u>4,143.72</u> 1,824.03	(-) 55.98	(+) 41.13
3.	Forestry and wild life	<u>969.04</u> 910.38	<u>1,100.00</u> 1,036.80	<u>1,250.23</u> 968.77	<u>1,250.31</u> 1,001.71	<u>1,250.00</u> 917.98	(-) 26.56	(-) 8.36
4.	Interest receipts	<u>202.00</u> 301.47	<u>204.15</u> 317.85	<u>1,133.60</u> 1,260.65	<u>383.37</u> 429.47	<u>273.16</u> 581.67	(+) 112.95	(+) 35.44
5	Power	<u>495.68</u> 370.69	<u>524.85</u> 378.66	<u>584.12</u> 381.23	<u>662.14</u> 190.09	<u>374.49</u> 357.87	(-) 4.44	(+) 88.26
6	Minor irrigation	<u>204.11</u> 379.62	<u>233.53</u> 219.37	<u>281.54</u> 299.77	<u>314.25</u> 326.74	<u>379.94</u> 336.24	(-) 11.50	(+) 2.91

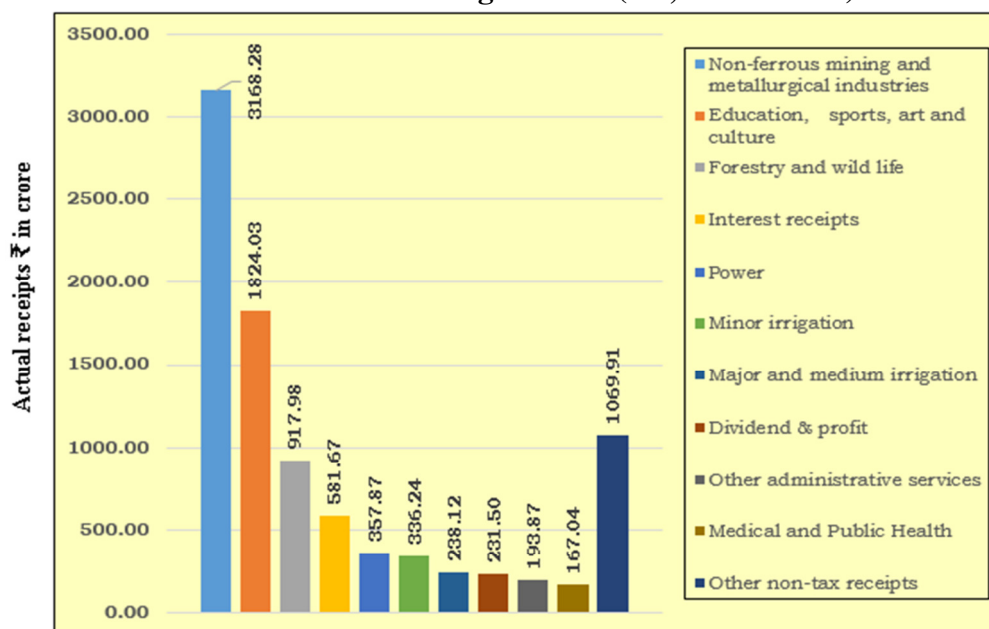
7.	Major and medium irrigation	<u>96.18</u> 137.74	<u>116.86</u> 138.48	<u>120.09</u> 137.55	<u>186.08</u> 156.16	<u>120.56</u> 238.12	(+) 97.51	(+) 52.48
8.	Dividend & profit	<u>33.82</u> 18.38	<u>41.28</u> 378.72	<u>42.26</u> 80.35	<u>32.57</u> 129.64	<u>108.83</u> 231.50	(+) 112.72	(+) 78.57
9.	Other administrative services	<u>93.49</u> 239.15	<u>184.40</u> 380.22	<u>165.50</u> 140.21	<u>182.14</u> 147.01	<u>240.59</u> 193.87	(-) 19.42	(+) 31.88
10.	Medical and Public Health	<u>21.00</u> 44.83	<u>46.65</u> 57.76	<u>56.25</u> 120.16	<u>101.56</u> 121.04	<u>130.82</u> 167.04	(+) 27.69	(+) 38.00
11.	Other non-tax receipts ³	<u>344.37</u> 472.08	<u>441.67</u> 482.47	<u>467.57</u> 896.78	<u>619.38</u> 1,714.88	<u>1,008.36</u> 1,069.91	(+) 6.10	(-) 37.61
Total		<u>7,327.00</u> 7,000.22	<u>7,583.00</u> 7,704.99	<u>6,758.89</u> 10,375.23	<u>10,123.98</u> 8,568.79	<u>11,480.47</u> 9,086.51		

(Source: Finance Accounts and Budget Estimates of Government of Madhya Pradesh)

Breakup of non-tax revenue is given in **Chart 1.2**:

Chart 1.2

Non-tax Revenue during 2016-17 (₹ 9,086.51 crore)



Audit noted the continually wide variations between budget estimates prepared by the Finance Department and actual revenue (refer **Tables 1.2** and

³ Other non-tax receipts includes actual receipts (₹ in crore) during 2016-17 under the following heads: Other fiscal services (0.01), Public service commission (22.78), Jail (6.19), Stationary and printing (13.30), Contributions and recoveries towards pension and other retirement benefits (46.53), Family welfare (0.09), Water supply and sanitation (31.15), Housing (27.63), Urban development (35.05), Information and publicity (0.24), Labour and employment (26.18), Social security and welfare (88.78), Other social services (138.43), Crop husbandry (48.38), Animal husbandry (3.69), Dairy development (0.02), Fisheries (6.70), Food storage and warehousing (0.14), Other agriculture program (1.91), Other rural development program (19.54), Petroleum (0.01), New and renewable energy (12.82), Village and small industries (3.58), Industries (23.12), Other industries (0.01), Road and bridges (2.70), Tourism (89.18), Other general economic services (27.93), Public works (115.93), Police (149.89), Cooperation (12.89), Miscellaneous general services (115.09).

1.3). As per Madhya Pradesh Financial Code, Volume-I, the Finance Department is required to prepare the budget estimates on the basis of details obtained from the Administrative Department, which is responsible for the correctness of the material.

The Finance Department intimated (April 2018) that after scrutiny and compilation of details submitted by the Administrative departments, discussions were held by the Finance Department with Head of departments for finalisation of these estimates. However, the Finance Department did not produce minutes of such discussions and budget files to audit despite repeated requests (April 2018). Non-production of records is a clear red flag to Audit and leads to the conclusion that no such consultation took place and the Finance Department framed the budget estimates arbitrarily.

The Finance Department further intimated (April 2018) that the budget estimates were increased to realise the potential of the Administrative Department to earn more revenue. Audit observes that if this is the ground to justify the unduly high budget estimates, the efforts failed since, thereafter, the Finance Department was forced to revise the estimates downward to more realistic levels at the revised estimates stage.

From the above, it is evident that the Finance Department did not prepare the budget estimates on any rational basis.

1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 in respect of some principal heads of revenue amounted to ₹ 5,291.62 crore of which ₹ 1,923.92 crore was outstanding for more than five years as detailed in **Table 1.4**.

Table 1.4
Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2016	Total amount outstanding as on 31 March 2017	Amount outstanding for more than five years as on 31 March 2017	Replies of Department
1.	Taxes on sales, trade etc.	4,298.05 ⁴	4,650.58	1,764.32	Revenue Recovery Certificates (RRCs) were issued for the whole amount of ₹ 4,650.58. Out of this, ₹ 1,976.05 crore was pending in various Courts and ₹ 134.92 crore was pending with appellate authorities.
2.	State excise	158.27	182.19	73.08	RRCs were issued for ₹ 67.00 crore, ₹ 16.06 crore was pending in Courts, proposal for writing off an irrecoverable amount of ₹45.24 crore from accounts

⁴ The Commercial Tax Department has reviewed the pending cases and revised the closing balance of 2015-16 from ₹ 936.91 crore to ₹ 4,298.05 crore.

					was submitted to the Government, ₹ 95 lakh was recovered during 2017-18, and an amount of ₹ 52.94 crore was pending at other stages.
3.	Stamps and Registration fees	163.39 ⁵	243.34	57.34	Database of arrears had not been maintained at the department level.
4.	Non-ferrous mining and metallurgical industries	13.33	24.52	This data is not maintained by the Department	RRCs were issued for the whole amount.
5.	Taxes and duties on electricity	157.95	209.55	29.18	RRCs were issued for ₹ 126.05 crore, recovery of ₹ 11.34 crore was pending in Courts, ₹ 64.08 crore was under consideration of the Government for remission of interest on belated payments of electricity duty/cess, ₹ 3.67 crore was pending against sick textile mills and ₹ 4.41 crore was pending at other stages.
Total		4,790.98	5,291.62	1,923.92	

Audit examined (April 2018) the files and records of four departments⁶ to ascertain the reasons for pendency in collection of arrears and test checked 4,558 cases involving recovery of ₹ 249.03 crore and found that though RRCs were issued in all the cases, recovery was pending due to pendency in Courts or appellate authorities, non-initiation of action to recover the amount by selling movable/immovable properties of the defaulters, non-traceability of the individual defaulters, non-writing off arrears which were not recoverable, etc.

It was further observed that there was no mechanism to monitor the progress of collection of arrears or to assess reasons for accumulation of arrears. The departments do not have a database of outstanding arrears. Figures of outstanding arrears are compiled each year, at the instance of Audit, from the data furnished by field units. The Commercial Tax Department revised the figures of pending recovery amount as on 31 March 2016 from ₹ 936.91 crore to ₹ 4,298.05 crore. Also, the Registration and Stamps Department conducted physical verification of cases and revised the amount of arrears as on 31 March 2016 from ₹ 190.60 crore to ₹ 163.39 crore. Thus, figures of outstanding arrears on a particular date were revised by the departments, which indicates deficiencies in maintenance of records of arrears of revenue. Further, the departments do not set yearly target of recovery of arrears for the

⁵ The Stamps and Registration Department has revised the closing balance of 2015-16 from ₹ 190.60 crore to ₹ 163.39 crore and intimated clearance of cases during physical verification resulting in decrease of cases.

⁶ State Excise Department (AEC Gwalior, DEO Morena), Mining Department (DMOs Bhopal, Hoshangabad and Raisen), Stamps and Registration Department (DRs Bhopal, Hoshangabad and Raisen) and Commercial Tax Department (Circle 1 to 6, Bhopal).

Assessing Authorities which resulted in pendency of old cases.

Recommendation:

The departments should create a database of outstanding arrears and introduce a mechanism to monitor the progress of collection of arrears. The departments may fix yearly targets for recovery of arrears of revenue for each Assessing Authority.

1.4 Pendency of refund cases

Details of refund cases pending at the close of the year 2016-17 as reported by the departments are given in **Table 1.5**.

Table 1.5
Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	Taxes on sales, trade, etc.		Stamps and Registration fees		State excise		Taxes and duties on electricity	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,065	145.04	1,341	17.25	5	0.06	175	7.40
2.	Claims received during the year	6,640	1,574.92	6,424	1.97	14	1.35	04	0.29
3.	Refunds made during the year	6,518	1,465.03	5,881	15.30	15	1.33	04	0.29
4.	Balance outstanding at the end of year	1,187	254.93	1,884	3.92	4	0.08	175	7.40
5.	Percentage of refund (3 to 1+2)	84.59	85.18	75.74	79.60	78.95	94.33	2.23	3.77

Audit examined (April 2018) records of Commercial Tax Department (CTD) and Energy Department and found as under:

- Audit scrutinised (April 2018) 319 refund cases involving ₹ 1.92 crore out of 2,397 refund cases involving ₹ 42.42 crore in three circle offices (Circle-1, Circle-5, Circle-6 of Bhopal) of the Commercial Tax Department for the period April 2016 to September 2017 and found that refund of ₹ 1.72 crore was made with delays of 40 to 2,740 days beyond the stipulated period of 60 days in 58 cases. Reasons for delay were not recorded by the AAs. The Department intimated (March 2018) that neither any dealer requested for interest on delay of refund nor did the Department make any payment of interest for the same. However, as per MPVAT Act, interest at the rate of one *per cent* per month on the amount of refund is payable, if claimed by the dealer, from the date of refund order.

- Audit observed (April 2018) that refund of ₹ 7.40 crore in respect of taxes and duties on electricity pertaining to the years 1989-90 to 2016-17 was pending in three circles (Indore, Jabalpur and Ujjain) for want of details such as names of the consumers to whom refund was to be made, the amount of refund, period of refund, etc., were not provided by the electricity transmission companies to the Energy Department. The Department failed to get the information from transmission companies.

Recommendation:

The departments should evolve a mechanism to ensure early disposal of refund cases.

1.5 Response of the departments/ Government to audit

On completion of audit of Government departments and offices, Audit issues Inspection Reports (IRs) to the concerned heads of offices with copies to their superior officers for corrective action and their monitoring. Serious financial irregularities are reported to the heads of the departments and the Government.

Analysis of inspection reports disclosed that 23,415 paragraphs involving potential revenue of as much as ₹ 21,576.37 crore relating to 5,198 IRs were outstanding at the end of June 2017. Department-wise details of the IRs and audit observations are given in **Table 1.6**.

Table 1.6
Department-wise details of IRs

(₹ in crore)					
Sl. No	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value
1.	Commercial tax	Taxes on sales, trade etc.	1,659	8,998	3,968.95
2.	Energy	Taxes and duties on electricity	99	313	873.97
3.	Excise	State excise	384	1,554	7,600.33
4.	Revenue	Land revenue	1,454	4,788	5,189.51
5.	Transport	Taxes on vehicles	552	3,543	566.63
6.	Registration and Stamps	Stamp duty and Registration fees	707	2,429	739.90
7.	Mineral resources	Non-ferrous mining and metallurgical industries	343	1,790	2,637.08
Total			5,198	23,415	21,576.37

Audit did not receive even the first reply from the heads of offices within four weeks from the date of issue of the IRs, for 396 IRs issued during 2016-17.

Recommendation:

The Government should introduce a mechanism to ensure that departmental officers respond to IRs promptly, take corrective action and work closely with Audit to bring about early settlement of IRs.

1.5.1 Departmental Audit Committee (DAC) meetings

The Government sets up audit committees to monitor and expedite progress of the settlement of the IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2016-17 and the paragraphs settled are mentioned in **Table 1.7**.

Table 1.7
Details of paragraphs settled during DAC meetings

(₹ in crore)

Head of revenue	Number of meetings held and date of such meeting (in brackets)	Number of IRs/ paragraphs discussed	Number of paragraphs settled	Percentage of paragraphs settled	Amount
Commercial tax	1 (28.08.2016 & 29.08.2016)	63/274	3/66	24	0.11
Non-ferrous mining and metallurgical industries	1 (22.08.2016 to 24.08.2016)	40/219	6/102	47	70.69
State excise	1 (03.10.2016 to 05.10.2016)	52/214	10/113	53	123.62
Land revenue	2 (05.09.2016 to 09.09.2016 & 15.11.2016 to 24.11.2016)	96/367	5/32	9.7	1.91
Total	5	251/1074	24/313		196.33

During 2016-17, six DAC meetings were scheduled but only five could be conducted. The Transport Commissioner was intimated (January 2017) the schedule of DAC (6 February 2017 to 8 February 2017) in respect of six Regional Transport Officers (RTOs) but two RTOs did not send the representatives for the meeting and the records presented by the remaining four RTOs were either incomplete or not duly countersigned by competent authorities. In cases of Land revenue also, the reason for non-settlement was non-production of relevant documents and recovery being under progress. In case of Commercial tax, State excise and Mining departments, the paras in which demand notices were issued could not be settled because of pending recovery.

It is evident that despite getting prior intimation of DACs, the departments/Government could not ensure the settlement of old paras by production of relevant documents to audit. The non-satisfactory response of the departments on DACs resulted in non-settlement of old outstanding paras of IRs.

The position of settlement was intimated to the Department/Government (between January 2017 and May 2017). No subsequent replies of the Department/Government or evidences in support of recovery were received by audit in case of non-settled paras.

Recommendation:

The Government should direct all departments to settle pending audit observations through periodic DAC meetings, and ensure that the departmental participation in such meetings is closely monitored.

1.5.2 Records not produced to Audit for scrutiny

The programme of local audit of Tax Revenue/Non-tax Revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the period 2012-17, 8,042 assessment files, returns, refunds, registers and other relevant records⁷ were not made available to audit. The above fact was included in the Inspection Reports and the same were sent to the Secretaries of the departments. However, it was again brought to the notice (March 2018) of the Secretaries and Administrative heads of all the departments. The tax effect could not be computed in all such cases. Non-furnishing of records to Audit raises red flags of presumptive corruption and fraud. Audit is unable to vouchsafe the genuineness of these transactions as well.

Recommendations:

The Government should introduce measures to ensure that departmental officers invariably produce records to Audit especially after sufficient notice is given, and initiate disciplinary action against officers who fail to produce records to Audit, including the records mentioned above.

1.5.3 Follow up on the Audit Reports-summarised position

As per the recommendations of the High Powered Committee⁸, *suo motu* explanatory notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the departments, duly vetted by the Accountant General, to the Public Accounts Committee (PAC) within three months⁹ from the date of placing of Audit Reports in the Legislature.

Explanatory Notes in respect of 61 paragraphs¹⁰ of the Audit Reports for the period from 2012-13 to 2015-16 had not been received (March 2018) from State Revenue departments (Commercial Tax, State Excise, Transport, Land Revenue, Registration and Stamps and Mineral Resources).

As per the instructions issued (November 1994) by the State Legislative Affairs Department, Action Taken Reports (ATRs) on the recommendations of the PAC should be submitted within six months from the date of recommendations by the PAC. In spite of these provisions, the ATRs on audit

⁷ Land Revenue (394), Commercial tax (7,151), State Excise (49), Transport (30), Registration and Stamps (47) and Mineral Resources (37), and others (334).

⁸ High Powered Committee appointed to review the response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India (Shakdher Committee Report).

⁹ *Suo motu* replies to be furnished within three months; in case Audit paragraphs are not selected by the PAC/COPU during this period.

¹⁰ 2012-13 (03), 2013-14 (07), 2014-15 (03) and 2015-16 (48).

paragraphs of the Reports were being delayed inordinately.

After issue of Recommendation Reports ¹¹ by the PAC, ATRs in respect of 135 paragraphs of the Audit Reports for the period from 1991-92 to 2010-11 were not been received upto March 2017 from State Revenue departments (Commercial Tax, State Excise, Transport, Land Revenue, Registration and Stamps and Mineral Resources).

Recommendation:

The Government may initiate action to address the shortcomings and system defects pointed out by Audit, to plug the leakage of revenue. The Government may also ensure that all departments promptly prepare ATRs on PAC recommendations.

1.5.4 Compliance to earlier Audit Reports

During the period from 2011-12 to 2015-16, the departments/Government accepted audit observations involving ₹ 689.09 crore of which only ₹ 94.08 crore was recovered till March 2017 as mentioned below:

Table 1.8
Compliance to earlier Audit Reports

(₹ in crore)

Year of the AR	Total money value of the Report	Accepted money value	Amount recovered	Percentage of recovery to amount accepted
2011-12	247.82	115.54	51.80	44.83
2012-13	343.19	181.88	14.45	07.94
2013-14	368.07	54.64	13.49	24.69
2014-15	614.76	153.15	07.79	05.09
2015-16	970.62	183.88	06.55	03.56
Total	2,544.46	689.09	94.08	13.65

The Department-wise details of recovery in respect of last five years Audit Reports is shown separately in subsequent chapters.

1.6 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports /Audit Reports by the Department/Government, the action taken on the Draft Paragraphs and PAs included in the Audit Reports of the last 10 years for **Department of Registration and Stamps** was evaluated and included in this Audit Report.

The succeeding paragraphs 1.6.1 to 1.6.3 discuss the performance of the **Department of Registration and Stamps** under revenue Major Head 0030 and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2006-07 to 2015-16.

1.6.1 Position of Inspection Reports

The summarised position of the Inspection Reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2017 are tabulated in **Table 1.9**.

¹¹ Received from December 2004 to December 2016 in this office.

Table 1.9
Position of Inspection Reports

(₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the quarter			Closing balance at the end of 31 March 2017		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2007-08	860	1,893	84.86	57	210	16.03	148	239	15.26	769	1,864	85.63
2008-09	769	1,864	85.63	80	315	26.03	133	397	15.95	716	1,782	95.72
2009-10	716	1,782	95.72	88	290	33.76	223	643	27.83	581	1,429	101.65
2010-11	581	1,429	101.65	65	264	62.16	237	477	20.41	409	1,216	143.39
2011-12	409	1,216	143.39	53	203	60.13	53	232	28.78	409	1,187	174.73
2012-13	409	1,187	174.73	98	344	49.01	69	169	10.88	438	1,362	212.86
2013-14	438	1,362	212.86	74	290	97.73	44	182	18.64	468	1,470	291.95
2014-15	468	1,470	291.95	103	455	318.99	22	81	5.97	549	1,844	604.97
2015-16	549	1,844	604.97	73	317	99.36	0	16	0.50	622	2,145	703.83
2016-17	622	2,145	703.83	78	294	26.16	2	19	0.07	698	2,420	729.92

The increase in the number of outstanding paragraphs is indicative of the fact that adequate steps were not taken by the Department to settle the number of outstanding IRs and paragraphs.

1.6.2 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 upto March 2017 are mentioned in **Table 1.10**.

Table 1.10
Recovery of accepted cases

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during the year (2016-17)	Cumulative position of recovery of accepted cases as of 31 March 2017
2006-07	6	2.45	4	0.55	0	0.51
2007-08	1 Review	91.57	1	45.76	0	8.58
2008-09	11	16.81	8	16.35	0	2.15
2009-10	9	14.72	7	14.11	0	2.06
2010-11	13	34.22	7	11.21	3.85	3.99
2011-12	10	32.71	10	28.11	0.24	0.32
2012-13	4+1 PA	173.05	3	139.22	0.37	0.41
2013-14	1 PA	85.46	1	15.24	0	0.03
2014-15	6	7.99	2	6.46	2.79	2.79
2015-16	12 + 1 PA	85.11	2	44.50	0	0

It is evident that the Department's efforts for recovery of accepted outstanding amount in respect of old paragraphs, prior to 2010-11, was unsatisfactory. The

recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government.

The Government has not made specific provisions in the Act or issued instructions to the Department to fix a timeline for effecting recovery in such cases and to ensure that such irregularities do not occur in future. Therefore, non-response of the Department to audit report paras not only resulted in non-recovery of deficient amount of Stamp duty and Registration fee but also persistence of similar natured irregularities in all the subsequent audit reports. Some of them, noticed by audit during 2016-17, have been incorporated in Chapter-6 of this report.

Recommendation:

The Government may take special efforts to ensure recovery at least in accepted cases.

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

The draft PA reports of the AG are forwarded to the concerned Department/Government for their information and replies. These PAs are also discussed in exit conferences and the Department's/Government's views are included while finalising the PAs for the Audit Reports.

PAs relating to Registration and Stamps Department featured during the last five years in the Audit Reports, total number of recommendations, details of the recommendations accepted by the Department/Government and up to date status of accepted recommendations are given in **Table 1.11**.

Table 1.11
Action taken on the accepted recommendations

Year of Report	Name of the PA	Total No. of re-commenda-tions	Details of the accepted Recommendations
2012-13	"Levy of Stamp duty on development agreements and mortgage deeds of developing land"	3	<ul style="list-style-type: none"> • The Government may consider prescribing a periodic return by the public offices to the District Registrars (DRs) containing details of documents presented before them to safeguard the leakage of leviable stamp duty. • The Government may consider prescribing a periodic return on the number of documents presented and found not duly stamped by the public offices for submission to the DRs. Norms for regular inspection of public offices by the DRs may be laid down.

			<ul style="list-style-type: none"> The Government may consider prescribing rates of development of land in the Market value guidelines for determining estimated development expenditure and a mechanism to ensure that the development expenditure is correctly assessed in mortgage deed, to avoid the leakage of Government revenue. It may also consider ensuring that mortgage deeds are registered and duly stamped before issuing permission for development.
2013-14	“Assessment and levy of Stamp duty and Registration fees”	6	<ul style="list-style-type: none"> The Department may ensure necessary co-ordination for timely exchange of information from other bodies/departments to safeguard against leakage of revenue.
2015-16	Information Technology Audit on “e-Registration (SAMPADA)”	5	<ul style="list-style-type: none"> The Department may utilise the services of State based research institutes like MANIT Bhopal, IIT Indore, etc. to impart training to its officials and form a dedicated IT support team of its own. Department may consider doing away with the services of outsourced persons in the work related to e-Registration on the SAMPADA platform considering the sensitive nature of data related to registration of documents. Action for delay in implementation of project as well as supply of hardware may be taken against those responsible. Legacy data may be digitised and migrated in the system on priority to safeguard citizens from threat of multiple registry of a property. Rules may be mapped in the SAMPADA software, as and when the Government notifies changes in the Act/Rules. The provisions of the Act may be suitably mapped in the application to prevent revenue leakages. Second level authorisation of data and documents may be implemented on priority to ensure proper recovery of revenue. The registered documents should be delivered to parties within the time defined in the objectives of SAMPADA. Complaint redressal mechanism may be made robust so that the core objectives of SAMPADA for ensuring transparency and empowering the users can be achieved. The Government may fully operationalise all the modules of the SAMPADA in order to eliminate manual intervention.

All the above recommendations of the PAs were accepted by the Department during exit conferences. However, the Department has taken no action to address the shortcomings accepted by them.

Recommendation:

The Government may issue instructions to the Registration and Stamps Department to take appropriate action on the accepted audit

recommendations of previous Audit reports.

1.7 Results of audit

Position of local audit conducted during the year

Audit test-checked records of 392 units relating to Commercial tax, State excise, Taxes on vehicles, Land revenue, Stamps and Registration fees, Mining receipts and Water tax during 2016-17 and observed underassessment/short levy/loss of revenue amounting to ₹ 6,270.37 crore in 2,73,032 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 3,081.23 crore involved in 14,974 cases which were pointed out in audit during 2016-17 and recovered ₹ 5.15 crore in 151 cases.

1.8 Coverage of this Report

This Report contains 22 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years, which could not be included in earlier reports) and one PA on **“Levy and collection of Excise Duty”** and three Audits on **“Sand mining and environmental consequences”**, **“Assessment of taxes on works contracts and builders under MPVAT Act”** and **“Assessment and collection of Water Tax”** with effect of ₹ 4,712.16 crore.

Most of the audit observations are of a nature that may reflect similar errors/omissions in other units of the State Government departments, but not covered in the test check.

The departments/Government may therefore like to internally examine all the other units with a view to ensuring that they are functioning as per requirement and rules.

The Government/ departments have accepted audit observations involving ₹ 2,506.49 crore out of which ₹ 3.74 crore was recovered. The replies in the remaining cases along with documents in support of action intimated by the Department have not been received. These are discussed in succeeding Chapters 2 to 8.