

PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 has been prepared for submission to the Governor of Madhya Pradesh under Article 151 of the Constitution of India.

The Report contains significant findings of audit of Receipts and Expenditure of major Revenue earning departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2016-17, as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to period subsequent to 2016-17 have also been included, wherever necessary.

The total financial implication of this Report is ₹ 4,712.16 crore which constitutes 8.84 *per cent* of tax and non-tax revenue of the State during the year 2016-17. The Government/departments have accepted audit observations involving ₹ 2,506.49 crore, out of which ₹ 3.74 crore was recovered.

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

The Report contains the following significant findings:

1. Audit observed wide variations between the budget estimates and actual receipts under various heads of accounts. The Finance Department did not produce any evidence to show that the unduly high budget estimates were prepared after due examination of the views of the concerned administrative departments or after considering the actual trend of receipts.
2. Revenue collecting departments do not have a reliable database of outstanding arrears of revenue or a mechanism to monitor the collection of arrears. Consequently, arrears of ₹ 5,291.62 crore remained uncollected, of which ₹ 1,923.92 crore remained uncollected for more than five years.
3. Revenue collecting departments have failed to address audit observations included in Inspection Reports involving potential revenue of as much as ₹ 21,576.37 crore.
4. Over the past five years, revenue collecting departments failed to produce files/records relating to 8,042 cases to Audit, raising red flags of presumptive corruption and fraud. Audit is unable to vouchsafe the genuineness of these transactions as well.
5. 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.

Non-compliance to Public Accounts Committee (PAC)'s directions on earlier Audit Reports

6. State Excise Department failed to comply with PAC's direction (72nd Report, 2015-16) to evolve a system to ensure monitoring of disposal of foreign liquor in cases of expiry, non-renewal and cancellation of licence/label.
7. Commercial Tax Department failed to comply with PAC's directions (65th Report, 2014-15) on establishing an Internal Audit Wing and on initiating measures to ensure non-recurrence of irregularities pointed out in earlier Audit Reports.
8. Mineral Resources Department failed to comply with PAC's directions (27th Report, 2014-15) to fix time limit for recovery of dues and interest thereon.
9. The Registration and Stamps Department failed to comply with PAC's directions (65th Report, 2014-15 and 72nd Report, 2015-16) on the Audit Reports for the period 2004-05 and 2006-07.
10. Revenue Department failed to comply with PAC's directions (387th Report, 2016-17) to issue necessary orders to ensure that *panchayat upkar* (cess) is levied on premium in rural areas.
11. The Transport Department failed to comply with PAC's direction (29th Report, 2014-15) to recover the outstanding tax and penalty within fixed time limit and initiate action against officers who did not take timely action to recover the dues.

State Excise

12. Prescription of lower norms for production of alcohol from millet and sorghum, no norms for production of alcohol from rice, barley and maize, lower efficiency norms for production of alcohol from molasses and no norms for production of beer from grains deprived the Government of minimum excise duty of ₹ 1,192.12 crore.
13. The policy of Government to only allow distillers from the State to participate in tender process for supply of country liquor, without analysing the realistic cost of production of country liquor has resulted in lesser competition, cartel formation and undue benefit of ₹ 653.08 crore to distillers.
14. Unwarranted change in excise policy for supply for country liquor created liability of ₹ 48.21 crore on Government in 2016-17.
15. Fixation of asymmetric transport fees by Government for transportation of Extra neutral alcohol/ Rectified spirit between bottling units located within distillery premises and bottling units outside distillery premises resulted in undue advantage to a section of manufactures and loss of excise duty of ₹ 100.84 crore during 2012-17.

16. The Excise Department incurred expenditure of ₹ 2.16 crore on monitoring and consulting team for computerisation of the Department which was more than the cost for software development of ₹ 2.05 crore. Despite this, the work is incomplete even after lapse of 10 years.

Commercial Tax

17. Failure of the Assessing authorities (AAs) to examine essential records like audited accounts, details of material purchased, tax deducted at source (TDS) certificates, etc., led to understatement of turnover by ₹ 872.97 crore in 125 cases which resulted in short levy of value added tax (VAT) amounting to ₹ 226.13 crore including penalty.
18. Failure of AAs of main contractors, when allowing deductions to the main contractor, to cross-verify from the AAs of the sub-contractors, whether sub-contractors had paid tax on these deductions, resulted in non-inclusion of contract receipts of ₹ 171.82 crore in the taxable turnover of the sub-contractors/ main contractors, and short levy of tax of ₹ 20.60 crore including penalty.

Mining Receipts

19. Madhya Pradesh State Mining Corporation Limited (MPSMCL) did not credit royalty of ₹ 136.69 crore to the Government as the lease agreement of the MPSMCL with the Government of Madhya Pradesh (GoMP) did not stipulate deposit of entire amount of royalty received by MPSMCL from the contractor.
20. The Mineral Resources Department did not prescribe a mechanism to monitor compliance of conditions laid down by State Environment Impact Assessment Authority (SEIAA).
21. The Department did not prescribe the amount of contribution to be paid to the District Mineral Foundation in respect of minor minerals. As a result, no funds were available for welfare of mining affected areas / persons.
22. The Department did not recover royalty/dead rent/contract money of ₹ 67.03 crore from 276 lessees and 24 contractors.

Water Tax

23. Water Resources Department did not recover the outstanding water tax of ₹ 1,627.54 crore from industries, domestic water supply entities and cultivators. The Executive Engineer, Water Resources Division, Anuppur did not make concrete efforts to recover outstanding water tax of ₹ 771.06 crore even after the Hon'ble Supreme Court dismissed (March 2009) a petition filed against GoMP in this regard.

