

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 2008-09, 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:

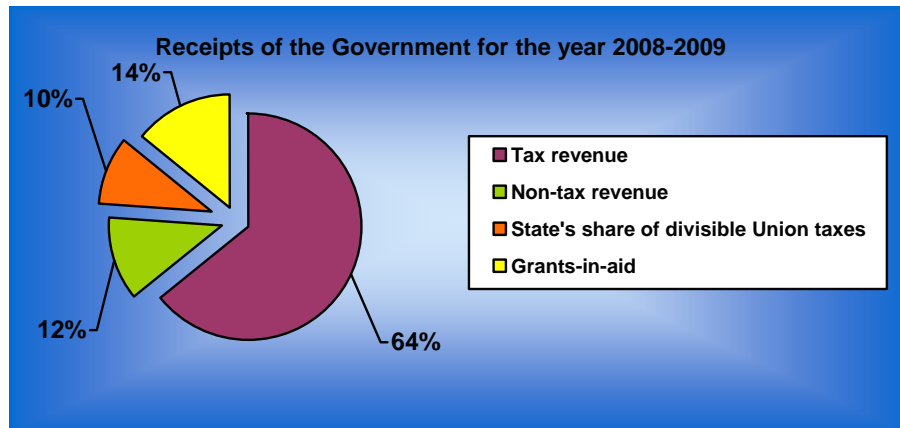
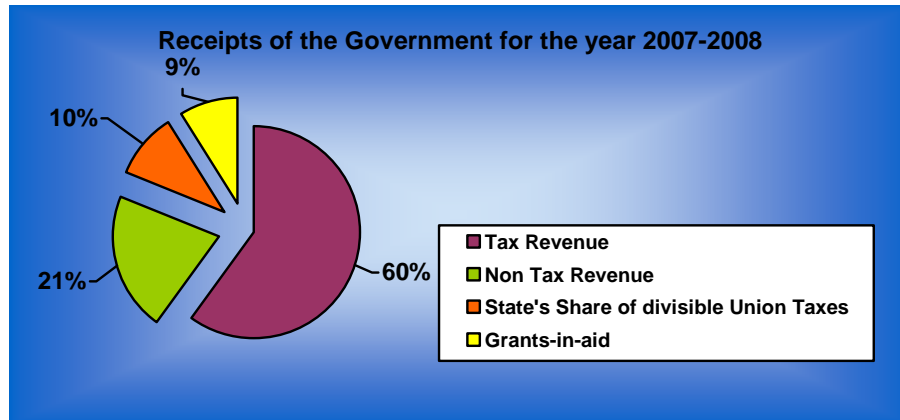
(Rupees in crore)

Sl. no.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
I.	Revenue raised by the State Government					
	• Tax revenue	30,605.75	33,540.24	40,099.24	47,528.41	52,029.94
	• Non-tax revenue ¹	3,505.22 (4,118.83)	5,167.92 (5,935.05)	6,706.50 (7,518.25)	16,935.25 (16,947.97)	9,750.77 (9,789.94)
	Total	34,110.97 (34,724.58)	38,708.16 (39,475.29)	46,805.74 (47,617.49)	64,463.66 (64,476.38)	61,780.71 (61,819.88)
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	3,595.03	4,982.00	6,022.76	7,597.22	8,018.41
	• Grants-in-aid	2,693.72	3,981.00	8,555.13	7,509.55	11,432.39
	Total	6,288.75	8,963.00	14,577.89	15,106.77	19,450.80
III.	Total receipts of the State	40,399.72 (41,013.33)	47,671.16 (48,438.29)	61,383.63 (62,195.38)	79,570.43 (79,583.15)	81,231.51 (81,270.68)
IV.	Percentage of I to III	84	81	76	81	76

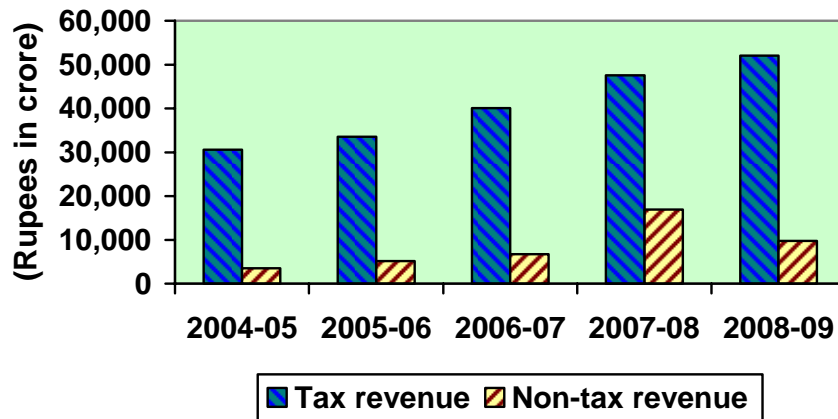
The above table indicates that during the year 2008-09, the revenue raised by the State Government was 76 per cent of the total net revenue receipts (Rs. 81,231.51 crore) against 81 per cent in 2007-08. The balance 24 per cent of receipts during 2008-09 was received from the Government of India.

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 2008-09. The figures above those in brackets are lower because of netting of expenditure on prize winning tickets from Lottery receipts. Further, figures under the heads '0020 - corporation tax, 0021 - taxes on income other than corporation tax, 0028 - other taxes on income and expenditure, 0032 - wealth tax, 0037 - customs, 0038 - Union excise duties, 0044 - service tax and 0045 - other taxes and duties on commodities and services' - share of net proceeds assigned to the State booked in the Finance Accounts under tax revenue have been excluded from the revenue raised by the state and included in the State's share of divisible Union taxes in this statement.

The comparative figures of sources of revenue for 2007-08 and 2008-09 and trend of growth of tax and non-tax revenue during the period 2004-05 to 2008-09 are shown below in the pie charts and the bar chart.



Growth of tax and non-tax revenue from 2004-05 to 2008-09



1.1.2 The following table presents the details of tax revenue raised during the period 2004-05 to 2008-09:

(Rupees in crore)

Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+)/decrease (-) in 2008-09 over 2007-08
1.	Sales tax/VAT						
	• State sales tax, VAT etc.	16,399.62	17,358.56	21,583.06	24,368.22	27,805.30	(+)14.10
	• Central sales tax	2,417.10	2,318.18	2,547.66	2,384.58	2,875.23	(+)20.58
2.	State excise	2,218.87	2,823.85	3,300.70	3,963.05	4,433.76	(+)11.88
3.	Stamp duty and registration fees	4,116.49	5,265.86	6,415.72	8,549.57	8,287.63	(-) 3.06
4.	Taxes and duties on electricity	1,673.76	1,660.87	1,577.19	2,687.87	2,394.86	(-)10.90
5.	Taxes on vehicles	1,177.14	1,309.11	1,841.06	2,143.11	2,220.22	(+)3.60
6.	Taxes on goods and passengers	427.75	504.63	224.48	388.27	891.95	(+)129.72
7.	Other taxes on income and expenditure-taxes on professions, trades, callings and employments	1,076.57	1,157.70	1,246.72	1,488.26	1,561.17	(+)4.90
8.	Other taxes and duties on commodities and services	737.73	712.40	878.31	1,043.17	1,013.58	(-)2.84
9.	Land revenue	360.72	428.97	484.17	512.22	546.22	(+)6.64
10.	Service tax	--	0.11	0.17	0.09	0.02	(-)77.78
	Total	30,605.75	33,540.24	40,099.24	47,528.41	52,029.94	

The reasons for significant variations in the receipts in 2008-09 from that of 2007-08, in respect of principal heads of revenue as furnished by the concerned departments were as under:

Sales tax: The increase in receipts is mainly due to the lifting of stay granted during the earlier years for levy of tax on sugarcane purchase which was not extended for the year 2008-09 by the department, introduction of filing of e>Returns resulting in the increase of compliance level of the dealers, economic growth upto November 2008 and increase in the receipts on sale of motor spirit.

State excise: The increase was mainly due to the increase in the rates of State excise duties on country liquor, medicinal and toilet preparations containing alcohol, opium etc., and licence fees. Further, there was increase in receipts

on account of fines and confiscations, service and service fees and other receipts.

The other departments did not inform (November 2009) the reasons for variation, despite being requested (April 2009).

1.1.3 The following table presents the details of the non-tax revenue raised during the period from 2004-05 to 2008-09:

(Rupees in crore)

Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+)/decrease (-) in 2008-09 over 2007-08
1.	Interest receipts	737.46	1,737.24	2,503.92	1,170.17	1,016.67	(-)13.12
2.	Dairy development	676.10	612.25	611.87	453.60	471.01	(+)3.84
3.	Other non-tax receipts	584.56	614.21	696.03	953.87	1,200.60	(+)25.87
4.	Forestry and wild life	88.62	92.02	121.37	195.73	259.76	(+)32.71
5.	Non-ferrous mining and metallurgical industries	574.80	698.00	819.44	1,091.19	1,215.67	(+)11.41
6.	Miscellaneous general ² services (including lottery receipts)	117.17	390.69	801.64	11,509.38	3,913.08	(-)66.00
7.	Power	5.16	174.61	133.83	344.07	413.28	(+)20.12
8.	Major and medium irrigation	335.68	372.39	444.93	626.41	631.77	(+)0.86
9.	Medical and public health	107.98	126.92	159.20	170.69	131.22	(-)23.12
10.	Co-operation	48.86	55.76	64.46	67.72	87.78	(+)29.62
11.	Public works	64.29	88.82	154.09	101.91	154.77	(+)51.87
12.	Police	96.63	106.60	101.84	140.20	137.27	(-)2.09
13.	Other administrative services	67.91	98.41	93.88	110.31	117.89	(+)6.87
Total		3,505.22	5,167.92	6,706.50	16,935.25	9,750.77	

The reasons for variations in the receipts for 2008-09 from that of 2007-08, in respect of principal heads of revenue though called for (April 2009) from concerned departments, were not received (November 2009). However, some of the significant variations in the receipts during 2008-09 over those of the previous year, as observed by audit, were as follows:

Other non-tax receipts: The increase was mainly due to increase in receipts under "Urban Development" (375 per cent) on account of receipt of fees on the additional Floor Space Index (FSI) granted by the Government during the

² Net of expenditure on prize winning lottery tickets.

year 2008-09 and receipts on account of increase in sale of seeds, manures, fertilisers, agricultural implements and machinery under the head “Crop Husbandry” (77 per cent).

Miscellaneous General Services: The decrease of Rs. 7,596.30 crore mainly on account of the transfer³ of Rs. 10,868 crore by the State Government from 18 statutory funds maintained in Public Account to Consolidated Fund of the State as non-tax receipts. Had such transfer not been made, the receipts under this head would have been Rs. 641.38 crore in the year 2007-08 and would have shown an increase of Rs. 3,271.70 crore in 2008-09 mainly due to crediting of Guarantee fees of Rs. 3,432.36 crore by various irrigation corporations.

Power: The increase was mainly due to increase in receipts from “Vaitarna Dam Foot Power House”.

Medical and public health: The decrease was mainly due to less receipts under “Employees State Insurance Schemes” which reduced by 88 per cent.

Co-operation: The increase was mainly due to increase in “Audit fees” on account of collection of arrears of audit fees and fees received from special audit of Primary Agricultural Societies and other receipts which increased by 33 per cent and 28 per cent respectively.

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and the actuals of revenue receipts for the year 2008-09 in respect of the principal heads of tax and non-tax revenue were as follows:

(Rupees in crore)

Sl. no.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
1.	Sales tax and other taxes ⁴	29,039.00	30,680.53	(+)1,641.53	(+)5.65
2.	State excise	4,500.00	4,433.76	(-)66.24	(-)1.47
3.	Stamp duty and registration fees	9,600.00	8,287.63	(-)1,312.37	(-)13.67
4.	Taxes and duties on electricity	2,600.00	2,394.86	(-)205.14	(-)7.89
5.	Taxes on vehicles	2,426.18	2,220.22	(-)205.96	(-)8.49
6.	Taxes on goods and passengers	594.00	891.95	(+)297.95	(+)50.16
7.	Other taxes on income and expenditure - taxes on professions, trades, callings and employments	1,449.88	1,561.17	(+)111.29	(+)7.68

³ This transfer was effected through Government Resolutions dated 10 and 15 March 2008, issued in pursuance to Maharashtra Ordinance No. II of 2008 dated 22 February 2008 and ratified vide Maharashtra Act No. V of 2008 dated 19 March 2008 and cabinet decision dated 3 May 2007 respectively, on the plea that the same cannot be utilised for any other purposes other than those mentioned in the Acts under which these funds are maintained.

⁴ Other taxes totalling Rs. 130.21 crore, included tax on sale of motor spirits and lubricants, surcharge on sales tax and tax on purchase of sugarcane.

8.	Other taxes and duties on commodities and services	984.28	1,013.58	(+)29.30	(+)2.98
9.	Land revenue	700.00	546.22	(-)153.78	(-)21.97
10.	Interest receipts	1,085.36	1,016.67	(-)68.69	(-)6.33
11.	Dairy development	611.93	471.01	(-)140.92	(-)23.03
12.	Other non-tax receipts	824.75	1,200.60	(+)375.85	(+)45.57
13.	Forestry and wild life	254.31	259.76	(+)5.45	(+)2.14
14.	Non-ferrous mining and metallurgical industries	1,146.00	1,215.67	(+)69.67	(+)6.08
15.	Miscellaneous general services				
	• Lottery receipts	48.57	3.79	(-)44.78	(-)92.20
	• Other receipts ⁵	281.35	3,909.29	(+)3,627.94	(+)1,289.48
16.	Power	399.58	413.28	(+)13.70	(+)3.43
17.	Major and medium irrigation	718.58	631.77	(-)86.81	(-)12.08
18.	Medical and public health	199.04	131.22	(-)67.82	(-)34.07
19.	Co-operation	103.76	87.78	(-)15.98	(-)15.40
20.	Public works	102.15	154.77	(+)52.62	(+)51.51
21.	Police	139.70	137.27	(-)2.43	(-)1.74
22.	Other administrative services	106.55	117.89	(+)11.34	(+)10.64
23.	Service tax	0.00	0.02	(+)0.02	
	Total	57,914.97	61,780.71		

Taxes on goods and passengers: The increase was mainly due to receipt of passenger tax of Rs. 298.53 crore receivable from Maharashtra State Road Transport Corporation for the year 2007-08 which was adjusted during the year 2008-09.

The reasons for variations, though called for (April 2009) from the concerned departments were not furnished to audit except the Motor vehicle department (November 2009).

1.3 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessments of sales tax, profession tax, entry tax and luxury tax for the year 2008-09 and the corresponding figures for the preceding two years as furnished by the department is as mentioned in the following table:

⁵ Includes Debt Relief of Rs. 339.97 crore given by Department of Expenditure, Ministry of Finance, Government of India on repayment of consolidated loan.

(Rupees in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Finance Department							
Sales tax/ VAT, etc.	2006-07	25,259.71	389.34	25.67	1,799.49	23,875.23	106
	2007-08	28,903.67	324.84	43.02	2,709.67	26,561.86	109
	2008-09	32,234.87	248.10 ⁶	--	2,057.84	30,425.13	106
Profession tax	2006-07	1,203.04	38.66	2.40	0.35	1,243.75	97
	2007-08	1,454.49	24.22	5.17	1.28	1,482.60	98
	2008-09	1,489.39	67.23	--	0.46	1,556.16	96
Entry tax	2006-07	3.66	2.25	Nil	Nil	5.91	62
	2007-08	4.43	2.84	0.35	Nil	7.62	58
	2008-09	5.04	0.20	--	Nil	5.24	96
Luxury tax	2006-07	192.96	0.88	0.26	Nil	194.10	99
	2007-08	246.25	42.56	19.45	Nil	308.26	80
	2008-09	261.48	1.18	--	Nil	262.66	100

The above table shows that collection of revenue at the pre-assessment stage ranged between 58 and 109 *per cent* during 2006-07 to 2008-09. Under VAT, the collection of revenue at pre-assessment stage to the net collection ranged between 106 to 109 *per cent* for the period 2006-07 to 2008-09. This indicates that the VAT collection is mainly through voluntary compliance. During this period the amount collected at the pre-assessment stage was more than the amount due to the Government resulting in refunds aggregating Rs. 6,567 crore. The revenue collected after pre-assessment stage was quite low.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years 2006-07, 2007-08 and 2008-09 alongwith the relevant all India average percentage of expenditure on collection to gross collection for the year 2007-08 are given in the following table:

⁶ Figure includes penalties for delay in payment of sales tax, etc. bifurcation of which was not made available.

(Rupees in crore)

Sl. no.	Head of revenue	Year	Gross collection ⁷	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2007-08
1.	VAT	2006-07	24,130.72	139.19	0.58	0.83
		2007-08	26,752.80	155.53	0.58	
		2008-09	30,680.53	216.38	0.71	
2.	State excise	2006-07	3,300.70	42.22	1.28	3.27
		2007-08	3,963.05	39.45	1.00	
		2008-09	4,433.76	39.25	0.89	
3.	Taxes on vehicles	2006-07	1,841.06	41.06	2.23	2.58
		2007-08	2,143.11	46.52	2.17	
		2008-09	2,220.22	57.93	2.61	

The overall cost of collection is lower as compared to all India average except for collection of taxes on motor vehicles which is marginally higher than the all India average for the year 2007-08.

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue as furnished by the department amounted to Rs. 34,185.26 crore, of which Rs. 6,904.71 crore had been outstanding for more than five years, as mentioned in the following table:

(Rupees in crore)

Sl. no.	Head of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than five years as on 31 March 2009	Remarks
1.	Sales tax, etc.	33,971.82	6,824.87	Stay orders were granted by the appellate authorities for Rs. 11,439.68 crore; recovery proceedings for Rs. 9,382.70 crore were not initiated as the time limit was not over and the remaining amount was in different stages of recovery.
2.	State excise	8.52	7.71	Recoveries amounting to Rs. 2.05 crore were pending in the courts. Out of the balance amount of Rs. 6.47 crore, recovery of Rs. 1.71 crore was in progress as arrears of land revenue and Rs. 4.76 crore was in the process of recovery.
3.	Sale of jail articles	10.44	6.27	Suitable instructions regarding recovery of arrears of revenue have already been issued to subordinate offices. Efforts were being made for speedy recovery.
4.	Electricity duty/ Inspection fees	194.48	65.86	The Government had instructed the concerned district collectors to recover the arrears of electricity duty as arrears of land revenue.
Total		34,185.26	6,904.71	

⁷ Figures as per the Finance Accounts.

1.6 Arrears in assessment

The following table shows the details of pending assessment cases for the years 2006-07, 2007-08 and 2008-09 as furnished by the departments :

Year	Opening balance	New cases due for assessment	Total assessments due	Disposal			Balance at the end of the year	Percentage of column 8 to 4
				Cases not to be assessed ⁸	Cases disposed	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sales tax, VAT, etc.								
2006-07	35,15,907	Nil ⁹	35,15,907	16,74,602	9,21,801	25,96,403	9,19,504	26
2007-08	9,19,504	Nil ⁹	9,19,504	2,86,634	95,755	3,82,389	5,37,115	58
2008-09	5,37,115	91,024	6,28,139	3,04,881	1,39,266	4,44,147	1,83,992	29
Motor spirit tax								
2006-07	8,333	Nil ⁹	8,333	223	500	723	7,610	91
2007-08	7,610	Nil ⁹	7,610	531	303	834	6,776	89
2008-09	6,776	102	6,878	2,384	152	2,536	4,342	63
Profession tax								
2006-07	7,07,093	2,28,437	9,35,530	--	3,08,041	3,08,041	6,27,489	67
2007-08	6,27,489	1,07,363	7,34,852	--	1,09,044	1,09,044	6,25,808	85
2008-09	6,25,808	2,46,934	8,72,742	28,155	16,609	44,764	8,27,978	95
Purchase tax on sugarcane								
2006-07	1,104	93	1,197	--	488	488	709	59
2007-08	709	3	712	--	68	68	644	90
2008-09	644	313	957	9	67	76	881	92
Entry tax								
2006-07	39	528	567	--	201	201	366	65
2007-08	366	496	862	--	809	809	53	6
2008-09	53	96	149	34	50	84	65	44
Lease tax								
2006-07	6,460	Nil ⁹	6,460	189	720	909	5,551	86
2007-08	5,551	Nil ⁹	5,551	475	322	797	4,754	86
2008-09	4,754	407	5,161	477	448	925	4,236	82
Luxury tax								
2006-07	7,483	1,019	8,502	--	1,212	1,212	7,290	86
2007-08	7,290	388	7,678	--	1,535	1,535	6,143	80
2008-09	6,143	3,547	9,690	1,455	2,040	3,495	6,195	64
Tax on works contracts								
2006-07	1,72,972	Nil ⁹	1,72,972	3,570	13,540	17,110	1,55,862	90
2007-08	1,55,862	Nil ⁹	1,55,862	9,501	5,146	14,647	1,41,215	91
2008-09	1,41,215	4,814	1,46,029	17,159	6,362	23,521	1,22,508	84
Total								
2006-07	44,19,391	2,30,077	46,49,468	16,78,584	12,46,503	29,25,087	17,24,381	37
2007-08	17,24,381	1,08,250	18,32,631	2,97,141	2,12,982	5,10,123	13,22,508	72
2008-09	13,22,508	3,47,237	16,69,745	3,54,554	1,64,994	5,19,548	11,50,197	69

⁸ These cases were not to be assessed according to the Government Resolution dated 5 January 2007.

⁹ No cases were identified for assessment by the department after the implementation of VAT.

Immediate action needs to be taken to finalise the remaining cases in sales tax as VAT has been introduced in the state from 2005-06. However, the number of pending cases in profession tax and tax on works contracts is large. The department should initiate steps to complete the assessments within a definite time frame.

1.7 Evasion of tax

The details of cases of evasion of tax detected, assessed/finalised and the demands for additional tax raised as reported by the Sales Tax, State Excise and Transport Department are mentioned in the following table:

Name of tax	Cases pending as on 31 March 2008	Cases detected during 2008-09	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2009
				No. of cases	Amount of demand (Rupees in crore)	
Sales Tax	2,425 ¹⁰	855	3,280	471	128.10	2,809
State Excise	Nil	1	1	1	0.11	Nil
Taxes on vehicles	3,223	745	3,968	2,037	2.75	1,931

As against a total of 3,280 cases detected upto 2008-09, the Sales Tax Department could finalise only 471 cases (14.36 per cent).

1.8 Write-off and waiver of revenue

During the year 2008-09, demands for Rs. 3.33 crore in 6,510 cases and Rs. 12.83 lakh in 17 cases, relating to Sales Tax and State Excise respectively were written off by the respective departments as irrecoverable due to the following reasons:

(Rupees in lakh)

Sl. no.	Reasons	Sales tax, etc		State excise	
		No. of cases	Amount	No. of cases	Amount
1.	Whereabouts of defaulters not known	217	280.06	07	4.74
2.	Defaulters no longer alive	--	--	03	0.24
3.	Defaulters not having any property	6,292	52.83	01	0.50
4.	Defaulters adjudged insolvent	--	--	02	0.30
5.	Other reasons	1	0.38	04	7.05
6.	Remission of penalty	--	--	--	--
Total		6,510	333.27	17	12.83

¹⁰ Reconciled position furnished by the Department

1.9 Refunds

The number of refund cases pending at the beginning of the year 2008-09, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2008-09, as reported by the departments are mentioned in the following table:

(Rupees in crore)

Category	Taxes on vehicles		Taxes and duties on electricity		State excise		Sales Tax, VAT, etc	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Claims outstanding at the beginning of the year	1,105	0.87	93	5.77	78	1.65 ¹¹	4,577	502.94
Claims received during the year	656	0.47	308	24.39	23	0.20	25,573	4,382.34
Refunds made during the year	680	0.96	256	28.26	20	0.17	14,311	3,018.79
Balance outstanding at the end of the year	1,081	0.38	145	1.90	81	1.68	15,839	1,866.49

It was noticed that while there was marginal improvement in processing of refunds in case of taxes on vehicles. In all other taxes/duty the pending refund cases have increased at the close of the year.

1.10 Response of the Government to audit observations

The offices of the Principal Accountant General (Audit)-I, Mumbai (AsG) and the Accountant General (Audit)-II, Nagpur (AsG) arrange to conduct periodical inspections of the various offices of the Government departments to test check transactions of the tax and non-tax receipts and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by inspection reports (IRs) issued to the heads of offices, with copies to the next higher authorities. The Government of Maharashtra, Finance Department's circular dated 10 July 1967 provides for response by the executive to the IRs issued by the 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.

Inspection reports issued upto 31 December 2008, disclosed that 10,101 observations relating to 4,672 IRs involving Rs. 1,154.08 crore, remained outstanding at the end of June 2009. Of these, 1,741 IRs containing 3,314 observations involving Rs. 383.59 crore had not been settled for more than four years. The year-wise position of the outstanding IRs and paragraphs is detailed in the **Annexure-I**.

In respect of 1,824 paragraphs relating to 658 IRs involving Rs. 237.15 crore, issued upto December 2008, even the first replies, which were required to be received from the heads of offices within one month, had not been received.

¹¹ Reconciled position furnished by the Department.

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

The details of outstanding IRs were reported to the Government in August 2009; their reply had not been received (October 2009).

1.11 Departmental audit committee meetings

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

In order to expedite clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly and ensure that final action is taken in respect of all the audit observations outstanding for more than a year, leading to their settlement. During the year 2008-09, 12 meetings by the Finance Department, three meetings by the Revenue and Forest Department, one meeting by the Urban Development Department and one meeting by the Industry, Energy and Labour Department were convened. During the meetings 878 paragraphs involving Rs. 41.40 crore of money value were settled. Meetings were not held by Home, Housing, Public Works, Irrigation and Agriculture and Co-operation departments. The Government departments may make effective use of the machinery created for settling outstanding audit observations.

1.12 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.

Draft paragraphs (clubbed into 35 paragraphs) included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2009 were forwarded to the secretaries of the respective departments between April and August 2009 through demi-official letters.

Replies to most of the paragraphs (clubbed into 35 paragraphs) have not been received. Such paragraphs have been included in this report.

1.13 Follow-up on Audit Reports - summarised position

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

A review of the outstanding explanatory memoranda on paragraphs included in the Reports of the Comptroller and Auditor General of India (Revenue Receipts) which were still to be discussed by the Public Accounts Committee (PAC), disclosed that as on 30 September 2009, the departments had not submitted remedial explanatory memoranda on 55 paragraphs for the years from 1997-98 to 2006-07 (excluding 1999-2000)¹² as detailed below:

Sl. no.	Name of the department	1997-98	1998-99	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Total
1.	Revenue and forests	4	2	--	5	1	5	3	--	11	31
2.	Finance	--	--	--	--	--	1	--	--	3	4
3.	Home	1	--	--	1	--	--	--	2	--	4
4.	Urban development	--	--	1	2	1	--	--	--	--	4
5.	Industries, energy and labour	--	--	--	1	--	--	--	--	1	2
6.	Relief and rehabilitation	--	3	--	1	1	--	--	1	1	7
7.	Co-operation	--	--	--	--	--	1	--	--	1	2
8.	Public Works Department	--	1	--	--	--	--	--	--	--	1
Total		5	6	1	10	3	7	3	3	17	55

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

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

¹² 1999-2000 – Explanatory memoranda were received and the Audit Report discussed

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

1.14 Compliance with the earlier Audit Reports

During the period from 2001-02 to 2007-08, the departments/Government accepted audit observations involving Rs. 2,574.31 crore, out of which an amount of Rs. 878.50 crore had been recovered till 31 March 2009 as mentioned below:

(Rupees in crore)			
Year of Audit Report	Total money value	Accepted money value	Recovery made
2001-02	493.85	206.13	99.01
2002-03	1,999.22	553.98	95.17
2003-04	1,246.50	693.77	590.75
2004-05	555.47	333.92	31.15
2005-06	1,332.03	123.15	19.73
2006-07	854.63	495.92	8.62
2007-08	818.90	167.44	34.07
Total	7,300.60	2,574.31	878.50

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.

1.15 Amendment to Act/Rules

During the year 2008-09, the Government had amended Act/Rules addressing the concerns raised by audit through audit reports. These changes are briefly mentioned in the following table :

Reference of Audit Report (AR) paragraph	Issue raised in audit	Amendment to Act/Rules etc.
Paragraph 3.2.3 of AR 2005-06 (RR)	<p>Scrutiny of instruments of Sub-Registrar offices revealed that though the vendors/owners paid/received consideration authorising them to develop/construct and sell the immovable property, these instruments were misclassified as development agreements instead of power of attorney with consideration.</p> <p>In reply the department stated that they were correctly classified. The replies are not tenable as it is evident from the recitals of the instruments that the owners on receipt of consideration from the developers/promoters authorised the developer to enter into agreement to sell the constructed property to the prospective buyers and therefore, instrument should have been construed as power of attorney with consideration and stamped accordingly.</p>	<p>The Government vide gazette notification dated 2 May 2008 amended in article 5, in clause (g-a).</p> <p>(i) in sub-clause (i), in column 2, for the portion beginning with the words "Five rupees" and ending with the words "value of the property", the following portion shall be substituted, namely : "The same duty as is leviable on a Conveyance under clause (b), (c) or (d), as the case may be, of Article 25, on the market value of the property."</p>

1.16 Results of audit

Test check of the records relating to sales tax, stamp duty and registration fees, land revenue, motor vehicles tax, state excise, other tax receipts, forest receipts and other non-tax receipts conducted during 2008-09 revealed under assessments/short levy/loss of revenue amounting to Rs. 3,185.28 crore in 7,205 cases. During the course of the year, the departments accepted under assessments of Rs. 174.39 crore in 4,321 cases of which 699 cases involving Rs. 128.27 crore were pointed out in 2008-09 and rest in earlier years and recovered Rs. 154.29 crore. No replies have been received in respect of the remaining cases (November 2009).

This report contains 35 paragraphs including four reviews relating to non/short levy of taxes, duties, interest and penalty etc., involving Rs. 3,246.16 crore. The departments/Government accepted audit observations involving Rs. 857.72 crore, of which Rs. 83.61 crore alongwith an interest of Rs. 2.87 lakh had been recovered upto November 2009. No replies have been received in the other cases (November 2009). These are discussed in succeeding chapters II to VII.