

## CHAPTER- I: GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Jharkhand during the year 2009-10, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

Sl. No.		2005-06	2006-07	2007-08	2008-09	2009-10
I.	<b>Revenue raised by the State Government</b>					
	• Tax revenue	2,758.04	3,188.50	3,473.55	3,753.21	4,500.12
	• Non-tax revenue	1,426.53 <sup>1</sup>	1,250.40	1,601.40	1,951.74	2,254.15
	<b>Total</b>	<b>4,184.57</b>	<b>4,438.90</b>	<b>5,074.95</b>	<b>5,704.95</b>	<b>6,754.27</b>
II.	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes	3,175.89	4,050.90	5,109.83	5,392.11	5,547.57
	• Grants-in-aid	1,103.42	1,520.02	1,841.77	2,115.78	2,816.63
	<b>Total</b>	<b>4,279.31</b>	<b>5,570.92</b>	<b>6,951.60</b>	<b>7,507.89</b>	<b>8,364.20</b>
III.	<b>Total receipts of the State Government (I &amp; II)<sup>2</sup></b>	<b>8,463.88</b>	<b>10,009.82</b>	<b>12,026.55</b>	<b>13,212.84</b>	<b>15,118.47</b>
IV.	<b>Percentage of I to III</b>	<b>49</b>	<b>44</b>	<b>42</b>	<b>43</b>	<b>45</b>

The above table indicates that during the year 2009-10, the revenue raised by the State Government (₹ 6,754.27 crore) was 45 *per cent* of the total revenue receipts against 43 *per cent* in the preceding year. The balance 55 *per cent* of receipts during 2009-10 was from the Government of India.

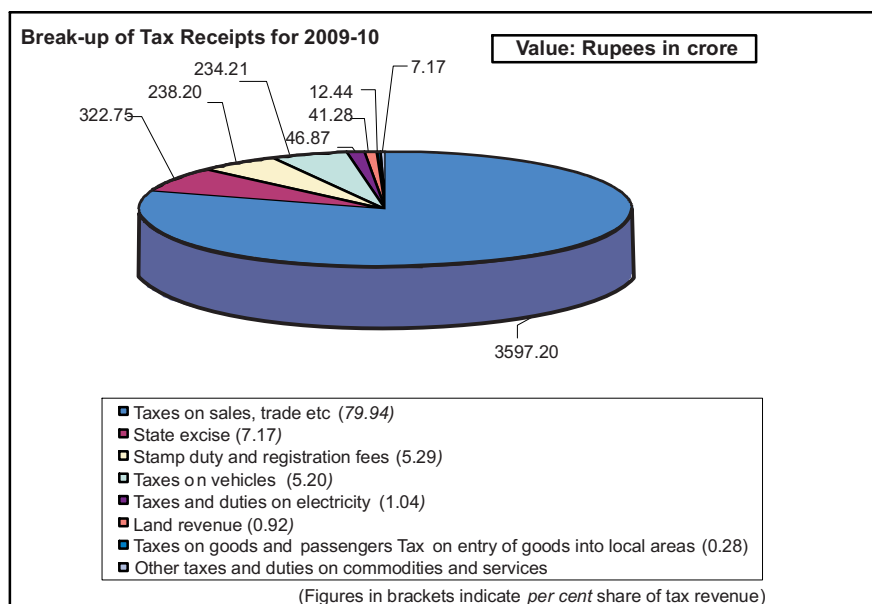
<sup>1</sup> Adjustment entry of ₹ 1 lakh.

<sup>2</sup> For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government for the year 2009-10. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0044 - Service tax, 0037 - Customs, 0038 - Union excise duties and 0045 - Other taxes and duties on commodities and services- Minor Head - 901 - Share of net proceeds assigned to State 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.

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

(Rupees in crore)

Sl. No.	Heads of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase/ decrease in 2009-10 over 2008-09
1.	Taxes on sales, trade etc.	2,212.03	2,556.90	2,845.88	2,996.20	3,597.20	(+) 20
2.	State excise	161.64	129.62	156.86	205.46	322.75	(+) 57
3.	Stamp duty and registration fees	91.93	122.02	156.26	192.16	238.20	(+) 24
4.	Taxes on vehicles	138.32	218.27	135.67	201.57	234.21	(+) 16
5.	Taxes and duties on electricity	33.87	45.14	76.47	43.47	46.87	(+) 8
6.	Land revenue	17.66	36.35	26.26	53.33	41.28	(-) 23
7.	Taxes on goods and passengers - Tax on entry of goods into local areas	96.66	74.19	71.07	54.02	12.44	(-) 77
8.	Other taxes and duties on commodities and services	5.93	6.01	5.08	7.00	7.17	(+) 2
<b>Total</b>		<b>2,758.04</b>	<b>3,188.50</b>	<b>3,473.55</b>	<b>3,753.21</b>	<b>4,500.12</b>	<b>(+) 20</b>

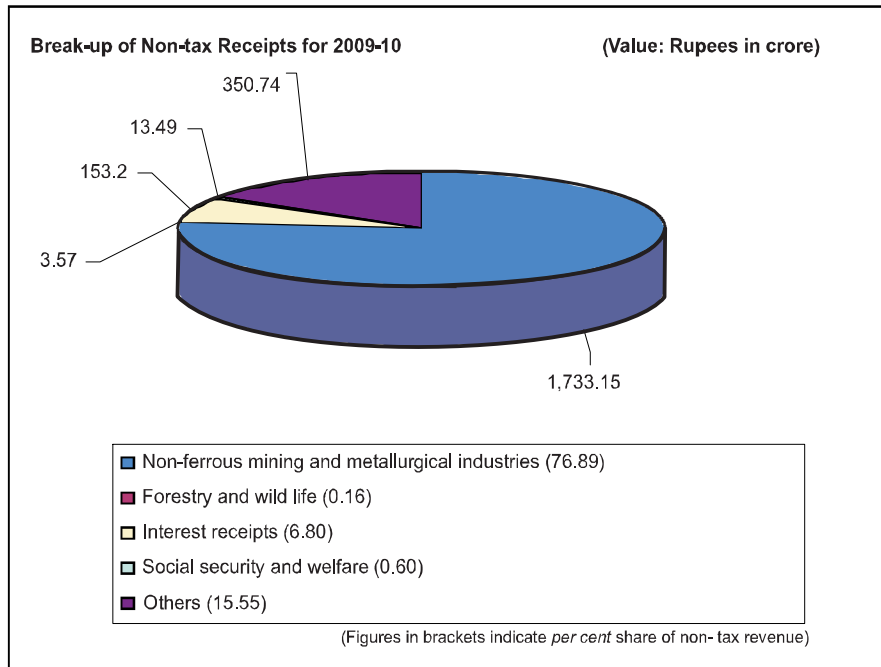


The reasons for variation though called for in June 2010 were not reported (March 2011) by the concerned Departments except by State Excise and Prohibition Department which stated that the increase in revenue was due to the new excise policy formulated in July 2008.

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

**(Rupees in crore)**

Sl. No.	Heads of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase/decrease in 2009-10 over 2008-09
1.	Non-ferrous mining and metallurgical industries	1,013.15	1,022.12	1,177.77	1,477.94	1,733.15	(+) 17
2.	Forestry and wild life	40.84	3.68	4.06	7.20	3.57	(-) 50
3.	Interest receipts	71.49	38.09	87.14	109.53	153.20	(+) 40
4.	Social security and welfare	17.94	11.65	12.57	4.25	13.49	(+) 217
5.	Others	283.11	174.86	319.86	352.82	350.74	(-) 1
<b>Total</b>		<b>1,426.53</b>	<b>1,250.40</b>	<b>1,601.40</b>	<b>1,951.74</b>	<b>2,254.15</b>	<b>(+) 15</b>



The reasons for variation though called for in June 2010 were not reported (March 2011) by the concerned departments except by Mines and Geology Department which stated that the increase in revenue was due to increase in production and dispatch of coal and bauxite.

## 1.2 Response of the departments/Government towards audit

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

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

We reviewed the IRs issued upto December 2009 and found that 10,772 paragraphs involving ₹ 7,676.65 crore relating to 2,166 IRs remained outstanding at the end of June 2010 as mentioned below alongwith the corresponding figures for the preceding two years.

(Rupees in crore)

	June 2008 <sup>3</sup>	June 2009 <sup>3</sup>	June 2010
Number of outstanding IRs	3,645	2,803	2,166
Number of outstanding audit observations	18,957	14,545	10,772
Amount involved	5,812.93	7,705.91	7,676.65

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned below:

(Rupees in crore)

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	VAT/Taxes on sales, trade etc	349	4,420	1,734.01
		Entry tax	67	147	30.38
		Electricity duty	45	90	61.33
		Entertainment tax, luxury tax, etc.	24	25	3.68
2.	Excise	State excise	73	448	241.77
3.	Revenue	Land revenue	662	1,178	1,532.14
4.	Transport	Taxes on motor vehicles	134	915	438.56

<sup>3</sup> As per the Audit Report 2007-08 and 2008-09.

5.	Stamps and registration	Stamp duty and registration fees	96	209	10.35
6.	Mines and geology	Non-ferrous mining and metallurgical industries	293	2,448	1,854.19
7.	Forest and environment	Forestry and wild life	300	746	1,704.45
8.	Social security and welfare	Water rates	123	146	65.79
<b>Total</b>			<b>2,166</b>	<b>10,772</b>	<b>7,676.65</b>

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 471 IRs issued upto December 2009. This large pendency of the IRs due to non-receipts of the replies is indicative of the fact that the heads of offices and heads of the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

**We recommend that the Government may take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as take action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.**

### 1.2.2 Departmental audit committee meetings

The Government 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 12 audit committee meetings held against the approved target of 12 meetings during the year 2009-10 and the paragraphs settled are mentioned below:

(Rupees in crore)

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Sales tax	2	18	1.59
Stamp duty and registration fees	1	51	1.90
State excise	1	51	34.84
Taxes on vehicles	2	381	163.65
Land revenue	3	659	46.46
Forestry and Wildlife	2	108	994.23
Non-ferrous mining and metallurgical industries	1	440	96.48
<b>Total</b>	<b>12</b>	<b>1,708</b>	<b>1,339.15</b>

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

The programme of local audit of tax/non-tax receipts offices is drawn up sufficiently in advance and intimations are issued, usually one month before

we commence the audit, to the Department to enable them to keep the relevant records ready for audit scrutiny.

During 2009-10, 266 tax assessment records relating to 20 offices were not made available to us for audit. Year wise breakup of such cases are given below:

<b>Name of Office<sup>4</sup></b>	<b>Year in which it was to be audited</b>	<b>Number of assessment cases not produced for audit</b>
DMO , Dhanbad	2009-10	03
DFO, Koderma	2009-10	01
DSR, Chatra	2009-10	04
DTO, Sahebganj	2009-10	02
DTO, Godda	2009-10	04
DTO, Chaibasa	2009-10	01
DTO, Deoghar	2009-10	02
DTO, Pakur	2009-10	03
DCCT, Bokaro	2009-10	20
DCCT, Pakur	2009-10	18
DCCT, Ramgarh	2009-10	22
DCCT, Ranchi West	2009-10	64
DCCT, Singhbhum Jamshedpur	2009-10	85
DCCT, Ranchi Special	2009-10	16
DCCT, Ranchi East	2009-10	03
ACCT, Godda	2009-10	06
DCLR, Chatra	2009-10	04
ACLR, Garhwa	2009-10	01
DCLR, Garhwa	2009-10	04
DCLR, Nagarutari	2009-10	03
<b>Total</b>		<b>266</b>

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

As per the instruction issued (1966) by the Government of Bihar as applicable to the Government of Jharkhand, audit observations raised during local inspection are replied by the concerned authorities after issue of inspection report(s). The observations of serious irregularities are converted into draft paragraph(s) and forwarded to the concerned administrative departments/Government for their replies/comments within six weeks. In case of non-receipt of the reply or if the reply furnished by the departments/Government is not satisfactory, the draft paragraphs are included in the Audit Report. The Government after laying the Audit Report in the legislature forwards explanatory notes on the relevant paragraphs to the Committee on Public Accounts (PAC) for vetting by the Principal Accountant General (PAG). After discussion, the PAC

<sup>4</sup> DMO: District Mining Officer, DCCT: Dy. Commissioner of Commercial Taxes, DFO : Divisional Forest Officer, DTO: District Transport Officer, DCLR : Dy. Collector of Land Revenue, DSR : District Sub Registrar, ACCT: Assistant Commissioner of Commercial Taxes and ACLR: Assistant Collector of Land Revenue.

makes recommendations for compliance by the Government within six months for final settlement of the paragraph.

Thirty four paragraphs (clubbed into twenty four paragraphs) and two reviews included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2010 (Revenue Receipts), Government of Jharkhand, were forwarded to the Secretaries to the Government of the departments concerned between April and August 2010. A meeting was held between the Chief Secretary and other Principal Secretaries of the Government of Jharkhand on 6 January 2011 to discuss the draft paragraphs/reviews for the Audit Report (Revenue Receipts) 2009-10 in which the administrative heads of the Departments assured to furnish the replies within two weeks but we have not received any reply so far from the Government (March 2011).

**We recommend that the Government may ensure that replies to the draft paragraphs are furnished within the stipulated time and remedial measures taken wherever necessary for arresting potential risk and leakage of revenue.**

### 1.2.5 Follow up on Audit Reports – summarised position

Sl. No.	Audit Report ending on	Date of presentation in legislature	No. of Paragraphs	No. of paragraphs <sup>5</sup> discussed	No. of paragraphs where Action taken note not received
1.	31 March 2000	21.03.2002	36	20	34
2.	31 March 2001	17.12.2003	35	8	33
3.	31 March 2002	03.08.2004	27	7	27
4.	31 March 2003	24.03.2005	42	8	42
5.	31 March 2004	19.12.2005	31	4	31
6.	31 March 2005	24.08.2006	29	1	29
7.	31 March 2006	04.04.2007	27	Discussion not started	-
8.	31 March 2007	26.03.2008	36	Discussion not started	-
9.	31 March 2008	10.07.2009	42	Discussion not started	-
10.	31 March 2009	13.8.2010	41	Discussion not started	-

**N.B.** Audit had no information about any decision taken by the competent authority about discussion by PAC of the pending paragraphs of the Audit Reports relating to the areas/ districts falling under the jurisdiction of Jharkhand, for the periods prior to the constitution of the State of Jharkhand.

### 1.2.6 Compliance with the earlier Audit Reports

During the years 2004-05 to 2008-09, the departments/Government accepted audit observations with a total revenue impact of ₹ 953.03 crore (out of total observation ₹ 3,633.69 crore pointed out in the Audit Reports), of which,

<sup>5</sup> During 2006-07, 48 paragraphs including reviews of Audit Report (Revenue Receipts) 1999-2000 to 2004-05 were discussed in the Public Accounts Committee (PAC) of Jharkhand. Action taken notes on four paragraphs have been received. PAC has not taken any decision regarding settlement of other paragraphs.

₹ 784.22 crore had been recovered as on 31 March 2010 as mentioned in the following table:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made	
			during 2009-10 <sup>6</sup>	upto 2009-10
2004-05	508.13	417.61	30.59	188.08
2005-06	520.78	92.01	28.26	190.14 <sup>7</sup>
2006-07	591.10	201.08	100.26	201.65 <sup>7</sup>
2007-08	842.65	153.76	47.53	104.80
2008-09	1,171.03	88.57	99.55	99.55 <sup>7</sup>
<b>Total</b>	<b>3,633.69</b>	<b>953.03</b>	<b>306.19</b>	<b>784.22</b>

It would be seen from the above table that 82.29 per cent of the accepted money value has been recovered by the Departments during the last five years.

**It is recommended that the Government may issue directions to the concerned Departments for prompt recovery of the money in respect of the cases already accepted by them.**

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

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the performance of the **Mines and Geology Department** to deal with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 1999-2000 to 2008-09 was evaluated. The succeeding paragraphs 1.3.1 to 1.3.2.1 discuss the result of our analysis.

#### 1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31<sup>st</sup> March 2010 are tabulated below:

(Rupees in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IR	Para graphs	Money value	IR	Para graphs	Money value	IR	Para graphs	Money value	IR	Para graphs	Money value
2000-01	263	2261	340.30	12	135	15.20	-	-	-	275	2396	355.50
2001-02	275	2396	355.50	30	262	467.29	1	1	0.001	304	2657	822.79
2002-03	304	2657	822.79	10	95	66.80	4	33	435.88	310	2719	453.71
2003-04	310	2719	453.71	20	252	51.24	6	44	19.84	324	2927	485.11
2004-05	324	2927	485.11	30	299	375.42	5	30	56.40	349	3196	804.13

<sup>6</sup> Figures are based on data/information furnished by the Commercial Taxes, Mines and Geology, Transport and State Excise and Prohibition Departments.

<sup>7</sup> Though the accepted money value was ₹ 92.01 crore, ₹ 201.08 crore and ₹ 88.57 crore for the Audit Report 2005-06, 2006-07 and 2008-09 respectively the Government effected recovery of ₹ 190.14 crore, ₹ 201.65 crore and ₹ 99.55 crore respectively after reviewing and accepting the cases pointed out in audit.



2005-06	349	3196	804.13	22	167	281.80	4	70	2.09	367	3293	1083.84
2006-07	367	3293	1083.84	15	234	264.43	1	-	-	381	3527	1348.27
2007-08	381	3527	1348.27	14	196	550.02	2	96	46.92	393	3627	1851.37
2008-09	393	3627	1851.37	20	183	257.96	30	358	69.30	383	3452	2040.03
2009-10	383	3452	2040.03	12	98	127.40	87	923	222.88	308	2627	1944.55

### 1.3.2 Recovery of accepted cases

We included 44 draft paragraphs involving ₹ 378.83 crore in the Audit Reports during the last 10 years i.e. from 2000-01 to 2009-10. The Department has so far accepted three paragraphs involving ₹ 11.26 crore. However, the amount recovered by the Department has not been intimated despite being requested (July 2010).

#### 1.3.2.1 Action taken on the recommendations accepted by the Departments/Government

The draft performance reviews conducted by the PAG are forwarded to the concerned Department/Government for their information with a request to furnish their replies.

After the formation of the State of Jharkhand in November 2000, a review on “Levy and collection of mining receipts” was featured in the Comptroller and Auditor General's Audit Report (Revenue Receipts) 2006-07-Government of Jharkhand wherein we had proposed eight recommendations.

The Government/department was requested (November 2010) to intimate the system adopted to monitor the action to be taken/action taken on the recommendations included in the reviews and assurances given by them in the exit conference/assurance meetings. We have not received any reply in this context from Department.

### 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 the 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 the past five years etc.

During the year 2009-10, the audit universe comprised of 560 auditable units, of which, 114 units were planned and 112 units were audited during the year. The details are mentioned in the following table:

Sl. No.	Principal Head	Total no. of units	Units planned during 2009-10	Units audited during 2009-10
1.	Taxes on sales, trade etc.	46	24	22
2.	Taxes on vehicles	27	13	13
3.	Stamp Duty and Registration Fee	41	7	7
4.	State Excise	23	10	10
5.	Land Revenue	270	22	22
6.	Non-ferrous mining and metallurgical industries	33	13	13
7.	Forestry and wild life	111	23	23
8.	Social security and welfare	9	2	2
<b>Total</b>		<b>560</b>	<b>114</b>	<b>112</b>

Besides the compliance audit mentioned above, two performance reviews on “Working of Revenue and Land Reforms Department” and “Receipts from Stamp duty and Registration Fees including IT aspect” were also taken up to examine the efficacy of the tax administration of these receipts.

## **1.5 Results of audit**

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

Our test check of the records of 112 units of commercial taxes, state excise, motor vehicles, land revenue, stamps and registration fees, electricity duty, mines and geology, forest and other non-tax receipts conducted during the year 2009-10 revealed underassessments/short levy/loss of revenue aggregating ₹ 849.88 crore in 5,576 cases. During the course of the year, the departments concerned accepted underassessments and other deficiencies of ₹ 76.90 crore involved in 4,488 cases, of which, 3,970 cases involving ₹ 58.17 crore were pointed out in audit during 2009-10 and the rest in the earlier years.

### **1.5.2 This Report**

This report contains 26 paragraphs including two performance reviews on 'Working of Revenue and Land Reforms Department' and 'Receipts from Stamp Duty and Registration Fees including IT aspect' relating to short/non-levy of tax, duty and interest, penalty etc. involving financial effect of ₹ 237.97 crore. The departments/Government have accepted audit observations involving ₹ 48.74 crore. The replies in the remaining cases have not been received (March 2011). These cases are discussed in the succeeding chapters II to VII.