

CHAPTER - I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Madhya Pradesh 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:

(₹ in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Revenue raised by the State Government					
	• Tax revenue	9,114.70	10,473.13	12,017.64	13,613.50	17,272.77
	• Non-tax revenue	2,208.20	2,658.46	2,738.18	3,342.86	6,382.04
	Total	11,322.90	13,131.59	14,755.82	16,956.36	23,654.81
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	6,341.35	8,088.54	10,203.50	10,767.14	11,076.99 ¹
	• Grants-in-aid	2,932.54	4,474.15	5,729.41	5,853.71	6,662.87
	Total	9,273.89	12,562.69	15,932.91	16,620.85	17,739.86
3.	Total receipts of the State (1 and 2)	20,596.79	25,694.28	30,688.73	33,577.21	41,394.67
4.	Percentage of 1 to 3	55	51	48	50	57

The above table indicates that during the year 2009-10, the revenue raised by the State Government was 57 per cent of the total receipts (₹ 41,394.67 crore) against 50 per cent in the preceding year. The balance 43 per cent of receipts during 2009-10 was from the Government of India.

¹ For details please see statement No. 11: "Detailed accounts of revenue by minor heads" in the Finance Accounts of the Government of Madhya Pradesh for the year 2009-10. Figures under the head "0021-Taxes on income other than corporation tax - Share of net proceeds assigned to States" 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 from 2005-06 to 2009-10:

(₹ in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/ decrease (-) in 2009-10 over 2008-09
1.	Tax/VAT on sales, trade etc.	4,508.42	5,261.41	6,045.07	6,842.99	7,723.82	(+) 12.87
2.	State excise	1,370.38	1,546.68	1,853.83	2,301.95	2,951.94	(+) 28.24
3.	Stamp duty and Registration fee	1,009.48	1,251.10	1,531.54	1,479.29	1,783.15	(+) 20.54
4.	Taxes on goods and passengers	578.58	744.60	916.44	1,332.57	1,332.88	(+) 0.02
5.	Taxes on vehicles	556.02	634.30	702.62	772.56	919.01	(+) 18.96
6.	Taxes and duties on electricity	842.27	714.55	626.08	343.06	2,146.49	(+) 525.69
7.	Land revenue	77.16	132.21	129.15	338.84	180.03	(-) 46.87
8.	Other taxes on income and expenditure - tax on professions, trades, callings and employments	153.08	163.81	185.02	172.29	203.92	(+) 18.36
9.	Other taxes and duties on commodities and services	14.15	19.55	20.10	20.28	19.21	(-) 5.28
10.	Hotel receipts	5.37	4.92	7.79	9.67	12.20	(+) 26.16
11.	Taxes on immovable property other than agricultural land	(-) 0.21	-	-	-	0.12	-
Total		9,114.70	10,473.13	12,017.64	13,613.50	17,272.77	

The following reasons for variation were reported by the concerned departments:

State excise- The increase of 28.24 *per cent* was stated to be due to increase in receipt of licence fee of country liquor shops.

Stamp duty and registration fee- The increase of 20.54 *per cent* was stated to be mainly due to increase in sale of non-judicial stamps.

Taxes on vehicles- The increase of 18.96 *per cent* was attributed to computerisation and intense campaign for recovery and also due to revision in rates of tax.

Taxes and duties on electricity- The increase of 525.69 *per cent* was stated to be due to the recovery and deposit of outstanding revenue of the last two years during the current year.

Land revenue-- The decrease of 46.87 *per cent* was stated to be due to less receipts of land revenue.

Tax on professions, trades, callings and employment- The increase of 18.36 *per cent* was attributed to the increase in salaries following the recommendations of the Sixth Pay Commission.

Hotel receipts- The increase of 26.16 *per cent* was attributed to the expiry of exemption period of new hotels.

The other Departments did not inform (December 2010) the reasons for variation, despite being requested (April 2010).

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

(₹ in crore)

Sl. No.	Head 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	815.31	923.91	1,125.39	1,361.08	1,590.47	(+) 16.85
2.	Forestry and wildlife	490.40	536.50	608.89	685.60	802.00	(+) 16.98
3.	Miscellaneous general services	21.30	736.58	374.60	380.17	399.12	(+) 4.98
4.	Other non-tax receipts	152.02	159.30	220.17	580.56	2,068.46	(+) 256.29
5.	Interest receipts	527.20	132.73	206.98	163.29	1,284.03	(+) 686.35
6.	Other administrative services	67.20	59.55	68.15	55.58	80.94	(+) 45.63
7.	Major and medium irrigation	29.57	29.82	37.42	37.08	56.75	(+) 53.05
8.	Police	26.16	24.26	25.03	23.63	41.98	(+) 77.66
9.	Public works	53.08	16.39	20.33	21.74	27.37	(+) 25.90
10.	Medical and public health	11.73	20.88	21.93	20.88	21.84	(+) 4.60
11.	Co-operation	14.23	18.54	29.29	13.25	9.08	(-) 31.47
Total		2,208.20	2,658.46	2,738.18	3,342.86	6,382.04	

The following reasons for variation were reported by the concerned Departments:

Non-ferrous mining and metallurgical industries- The increase of 16.85 *per cent* was stated to be due to revision of royalty on major minerals and constant vigil and monitoring by the Department.

Other non-tax receipts- The increase of 256.29 *per cent* was stated mainly due to increase in receipts on account of electricity produced from Sardar Sarovar Project.

Interest receipts- The increase of 686.35 *per cent* was stated mainly due to increase in receipts of interest on loan to Madhya Pradesh Electricity Board.

Co-operation- The decrease of 31.47 *per cent* was stated to be due to decrease in audit fee and weak financial position of co-operative societies.

The other departments did not inform (December 2010) the reasons for variation, despite being requested (April 2010).

1.2 Response of the Departments/Government towards audit

The succeeding paragraphs 1.2.1 to 1.2.6 discuss the response of the Departments/Government towards audit observations/recommendations.

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

The Accountant General (Works & Receipt Audit), Madhya Pradesh (AG) 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 AG 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.

Inspection reports issued up to December 2009 disclosed that 15,608 paragraphs involving ₹ 9,862.06 crore relating to 5,040 IRs remained outstanding at the end of June 2010 as mentioned below along with the corresponding figures for the preceding two years.

	June 2008	June 2009	June 2010
Number of outstanding IRs	6,251	6,201	5,040
Number of outstanding audit observations	19,693	19,731	15,608
Amount involved (₹ in crore)	5,255.99	5,319.01	9,862.06

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

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)
1.	Commercial Tax	Taxes/VAT on sales, trade etc.	848	3,799	713.64
2.	Energy	Electricity duty	76	275	1,833.81
3.	State excise	Entertainment tax	204	333	18.28
		Excise duty	336	1,065	596.74

(1)	(2)	(3)	(4)	(5)	(6)
4.	Revenue	Land revenue	1,584	4,282	2,683.27
5	Transport	Taxes on motor vehicles	350	1,780	314.59
6	Stamps and registration	Stamp duty and registration fee	635	1,606	126.75
7	Mines and geology	Royalty and rent	294	1,009	2,654.81
8.	Forest and environment	Forest produce receipts	353	629	846.24
9.	Food and civil supplies	Other non-tax receipts	122	267	17.22
10.	Agriculture		140	317	16.30
11.	Co-operative		98	246	40.41
Total			5,040	15,608	9,862.06

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 197 IRs issued up to December 2009. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to 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 audit committee meetings held during the year 2009-10 and the paragraphs settled are mentioned below:

(₹ in crore)

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Commercial tax	05	585	24.10
Mining	02	186	7.90
Stamp duty and registration fees	03	365	15.08
State excise	02	171	60.54
Land revenue	01	138	26.85
Forest	03	164	108.51
Total	16	1,609	242.98

Above table shows that the settlement of outstanding paragraphs has not been satisfactory in the case of Mining and State Excise Departments. This was mainly due to non-production of relevant records by the Departments during the audit committee meetings.

1.2.3 Non-production of records to audit for scrutiny

The programme of local audit of Commercial Tax, Motor Vehicle Tax, State Excise, Stamp duty and Registration fee, Land Revenue and Mining Receipts offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Department to enable them to keep the relevant records ready for audit scrutiny.

During 2009-10, as many as 539 assessment files, registers and other relevant records relating to 83 offices were not made available to audit. In 192 cases, tax involved was ₹ 106.31 crore and in the remaining cases the tax effect could not be computed. Year-wise break up of such cases are given below:

(₹ in crore)

Name of Department No. of offices	Year in which it was to be audited	Number of assessment cases not audited	Number of cases in which revenue involved could be ascertained	Revenue involved
<u>Commercial Tax</u> 13	2009-10	192	192	106.31
<u>Motor Vehicle Tax</u> 05	2009-10	13	-	-
<u>State Excise</u> 04	2009-10	12	-	-
<u>Stamps and Registration</u> 13	2009-10	23	-	-
<u>Land Revenue</u> 42	2009-10	274	-	-
<u>Mining</u> 06	2009-10	25	-	-
Total		539	192	106.31

1.2.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the audit office to the Principal Secretaries/ Secretaries of the Departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the department is invariably indicated at the end of each paragraph included in the Audit Report.

79 draft paragraphs (clubbed into 57 paragraphs) included in this Report were sent to the Principal Secretaries/Secretaries of the concerned Departments. Their replies have not been received (December 2010).

The paragraphs pertaining to these Departments have been included in this Report without the response of the Departments.

1.2.5 Follow up on Audit Reports - summarised position

The Report of the Comptroller & Auditor General of India for the year ended 31 March 2009 (Revenue Receipts) was laid on the table of *Vidhan Sabha* on 12 March 2010. Reports for the years 2005-06 to 2007-08 have been partly discussed by the Public Accounts Committee (PAC). The recommendations of the PAC have been received for Audit Reports pertaining to different years.

Action taken reports (ATN) on the PAC recommendations upto 1992-93 have been received. In respect of Audit Reports for 1993-94 and thereafter, ATNs have not been received from the concerned Departments although instructions of November 1994 issued by the State Legislature Affairs Department stipulate that these should be issued within six months from the date of recommendations by the PAC.

1.2.6 Compliance with the earlier Audit Reports

During the years between 2004-05 and 2008-09, the Departments/Government accepted audit observations involving ₹ 869.19 crore of which only ₹ 12.60 crore has been recovered till 31 March 2009 as mentioned below:

(₹ in crore)

Year of the Audit Report	Total money value of the Report	Accepted money value	Amount recovered
2004-05	41.96	13.24	0.28
2005-06	85.85	32.56	2.42
2006-07	318.57	288.61	1.93
2007-08	623.43	421.89	4.86
2008-09	1,339.50	112.89	3.11
Total	2,409.31	869.19	12.60

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 action taken on the paragraphs and reviews included in the Audit Reports of the last 10 years in respect of **one Department** is evaluated and included in each Audit Report.

The succeeding paragraphs 1.3.1 to 1.3.2.2 discuss the performance of the **Forest 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.

1.3.1 Position of Inspection Reports

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

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money Value	IRs	Para-graphs	Money Value	IRs	Para-graphs	Money Value	IRs	Para-graphs	Money Value
upto 2003-04	603	1,788	77,763.46	51	158	15,181.66	18	117	1,278.26	636	1,829	91,666.86
2004-05	636	1,829	91,666.86	55	205	22,142.42	27	199	5,266.01	664	1,835	1,08,543.27
2005-06	664	1,835	1,08,543.27	151	554	41,559.28	123	534	52,311.75	692	1,855	97,790.80
2006-07	692	1,855	97,790.80	27	74	8,325.05	71	257	12,465.99	648	1,672	93,649.86
2007-08	648	1,672	93,649.86	64	161	16,112.22	130	451	31,719.24	582	1,382	78,042.84
2008-09	582	1,382	78,042.84	46	128	20,773.85	155	386	28,209.91	473	1,124	70,606.78
2009-10	473	1,124	70,606.78	73	229	39,820.90	126	335	15,347.98	420	1,018	95,079.70

Out of 335 paragraphs cleared during the year 2009-10, 171 paragraphs were cleared by the field audit parties in compliance of the orders/norms issued by the AG and by the staff at headquarters on the basis of replies received from the Department. Remaining 164 paragraphs were settled in Audit Committee meetings held with the joint efforts made by the AG and the Department.

1.3.2 Assurance given by the Department/Government on the issues highlighted in the Audit Report

1.3.2.1 Recovery of accepted cases

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

(₹ in crore)

Year of AR	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	Cumulative position of recovery of accepted cases
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1999-2000	06	6.94	01	0.58	-	-
2000-01	08	10.63	01	1.00	-	-
2001-02	02	8.46	-	-	-	-
2002-03	04	4.86	02	4.16	-	-
2003-04	03	0.89	-	-	-	-
2004-05	02	4.00	-	-	-	-
2005-06	01	7.00	01	7.00	-	-

(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006-07	01	36.50	01	36.50	27.59	27.59
2007-08	02	0.83	01	0.73	-	-
2008-09	Review on Forest receipts in MP	222.67	--	0.27	--	--

For monitoring the recovery in audit observations, inspection of subordinate offices is conducted by the Additional Principal Chief Conservator of Forest/Chief Conservator of Forest from time to time. Besides, review of audit paragraphs is performed by the Principal Chief Conservator of Forest (Finance/Budget).

As shown in the above table, recovery of ₹ 27.59 crore was made during 2006-07 which is abysmal. In respect of upto date position of recoveries in other accepted cases, the department has not furnished the required information (December 2010).

1.3.2.2 Action taken on the recommendations accepted by the Departments/Government

The draft performance reviews conducted by the AG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the Department's/Government's views are included while finalising the reviews for the Audit Reports.

The following paragraphs discuss the issues highlighted in the review on the Forest Department featured in the last 10 Audit Reports including the recommendations and action taken by the Department on the recommendations accepted by it as well as the Government.

Year of AR	Name of the Review	Number of recommendations	Details of the recommendations accepted	Status
1999-2000	Collection and disposal of <i>tendu patta</i>	Recommendations not included in the reviews.		
2000-01	Extraction and disposal of timber			
2002-03	Forest offences in Madhya Pradesh	02	-	Specific comments on recommendations have not been furnished by the Department (December 2010).
2008-09	Forest receipts in Madhya Pradesh	08	-	Specific comments on recommendations have not been furnished by the Department (December 2010).

1.4 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in government revenues and tax administration i.e. budget speech, white paper on state finances, reports of the Finance Commission (state and central), recommendations of the taxation reforms committee; statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years etc.

During the year 2009-10, the audit universe comprised of 983 auditable units, of which 458 units were planned, of which 449 units were audited during the year 2009-10 which is 45.68 *per cent* of the total auditable units.

Besides the compliance audit mentioned above, two performance reviews 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

Test check of the records of 449 units of Commercial tax, State excise, Motor vehicles, Forest and other Departmental offices conducted during the year 2009-10 revealed underassessment/short levy/loss of revenue aggregating ₹ 3,366.12 crore in 28,674 cases. During the course of the year, Departments accepted underassessment and other deficiencies of ₹ 1,738.52 crore involved in 18,071 cases which were pointed out in audit during 2009-10. The Departments collected ₹ 4.64 crore in 1,940 cases during 2009-10.

1.5.2 This Report

This report contains 57 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) including two reviews on Land revenue receipts and Electricity duty, fees and cess relating to short/non-levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 1,469.91 crore. The Departments/Government have accepted audit observations involving ₹ 942.89 crore out of which ₹ 3.26 crore has been recovered. The replies in the remaining cases have not been received (December 2010). These are discussed in succeeding chapters II to IX.