

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 2009-10, 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:

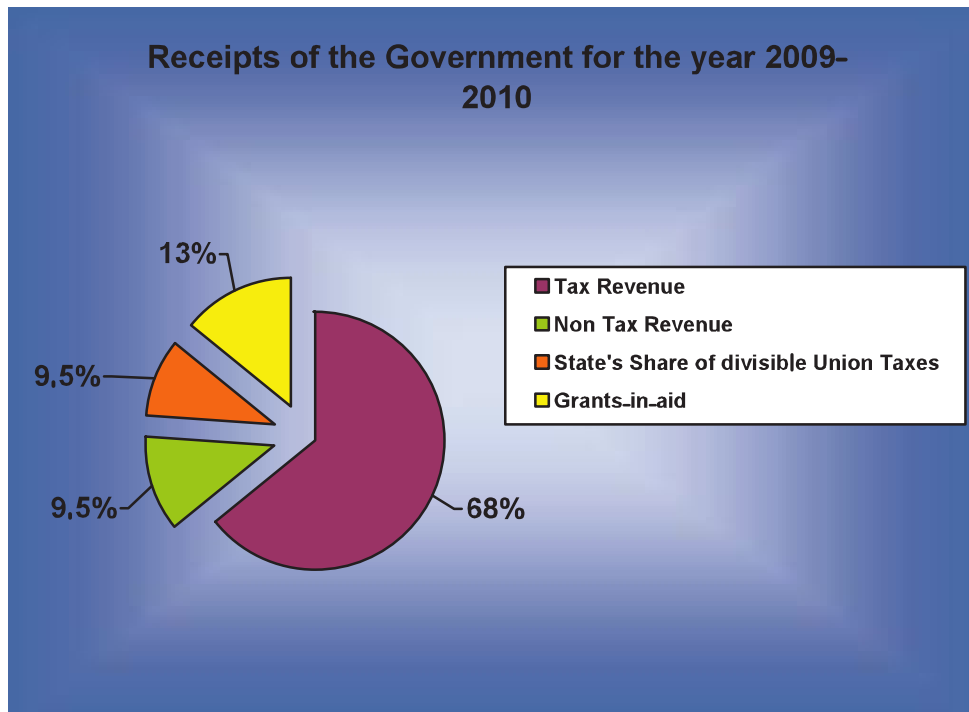
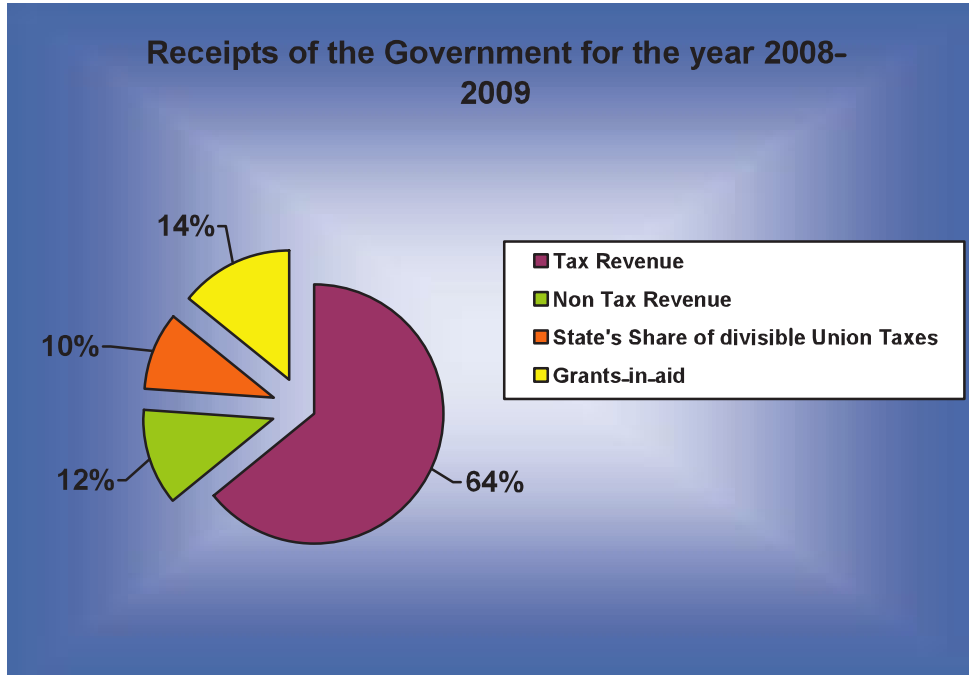
(Rupees in crore)

Sl. no.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
I.	Revenue raised by the State Government					
	• Tax revenue	33,540.24	40,099.24	47,528.41	52,029.94	59,106.33
	• Non-tax revenue ¹	5,167.92 (5,935.05)	6,706.50 (7,518.25)	16,935.25 (16,947.97)	9,750.77 (9,789.94)	8,263.97 (8,352.61)
	Total	38,708.16 (39,475.29)	46,805.74 (47,617.49)	64,463.66 (64,476.38)	61,780.71 (61,819.88)	67,370.30 (67,458.94)
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	4,982.00	6,022.76	7,597.22	8,018.41	8,248.12
	• Grants-in-aid	3,981.00	8,555.13	7,509.55	11,432.39	11,203.23
	Total	8,963.00	14,577.89	15,106.77	19,450.80	19,451.35
III.	Total revenue receipts of the State Government	47,671.16 (48,438.29)	61,383.63 (62,195.38)	79,570.43 (79,583.15)	81,231.51 (81,270.68)	86,821.65 (86,910.29)
IV.	Percentage of I to III	81	76	81	76	78

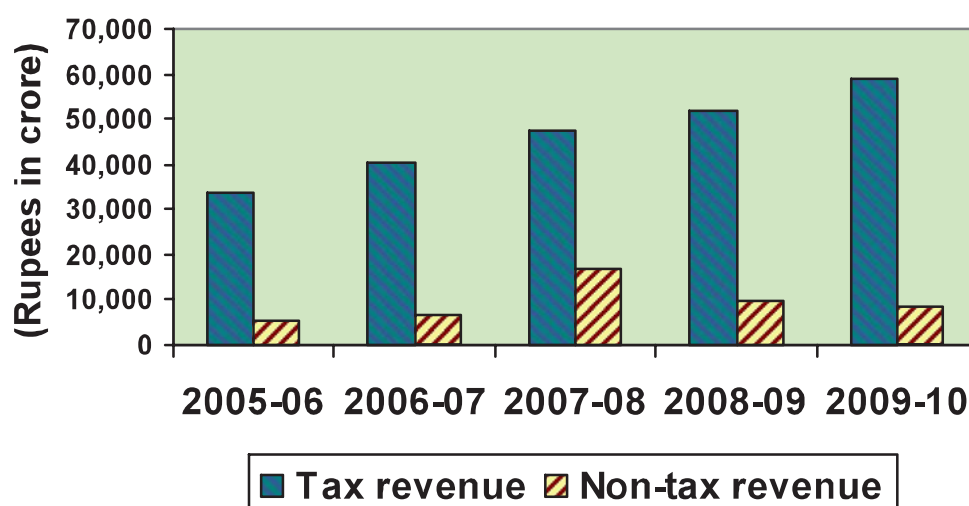
The above table indicates that during the year 2009-10, the revenue raised by the State Government was 78 per cent of the total net revenue receipts (₹ 86,821.65 crore) against 76 per cent in 2008-09. The balance 22 per cent of receipts during 2009-10 was received from the Government of India.

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 2009-10. 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 2008-09 and 2009-10 and trend of growth of tax and non-tax revenue during the period 2005-06 to 2009-10 are shown below in the pie charts and the bar chart.



**Growth of tax and non-tax revenue
from 2005-06 to 2009-10**



As can be seen from the bar chart the tax revenue of the State increased by 76 per cent in 2009-10 as compared to 2005-06 and the non-tax revenue increased by 228 per cent in 2007-08 as compared to 2005-06 and then decreased by 51 per cent in 2009-10 as compared to 2007-08.

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.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/decrease (-) in 2009-10 over 2008-09
1.	Sales tax/VAT						
	• State sales tax, VAT etc.	17,358.56	21,583.06	24,368.22	27,805.30	30,170.70	(+)8.51
	• Central sales tax	2,318.18	2,547.66	2,384.58	2,875.23	2,505.32	(-)12.87
2.	State excise	2,823.85	3,300.70	3,963.05	4,433.76	5,056.63	(+)14.05
3.	Stamp duty and registration fees	5,265.86	6,415.72	8,549.57	8,287.63	10,773.65	(+)30.00
4.	Taxes and duties on electricity	1,660.87	1,577.19	2,687.87	2,394.86	3,289.32	(+)37.35
5.	Taxes on vehicles	1,309.11	1,841.06	2,143.11	2,220.22	2,682.30	(+)20.81
6.	Taxes on goods and passengers	504.63	224.48	388.27	891.95	976.60	(+)9.49

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
7.	Other taxes on income and expenditure-taxes on professions, trades, callings and employments	1,157.70	1,246.72	1,488.26	1,561.17	1,612.35	(+)3.28
8.	Other taxes and duties on commodities and services	712.40	878.31	1,043.17	1,013.58	1,325.39	(+)30.76
9.	Land revenue	428.97	484.17	512.22	546.22	714.04	(+)30.72
10.	Service tax	0.11	0.17	0.09	0.02	0.03	(+)50.00
	Total	33,540.24	40,099.24	47,528.41	52,029.94	59,106.33	

The reasons for significant variations in the receipts in 2009-10 from that of 2008-09 in respect of principal heads of revenue are as under:

State Excise: The increase was mainly due to increase in rates of state excise duties on country fermented liquors (90 *per cent*), on sale of commercial and denatured spirits and medicated wines (585 *per cent*) and medicinal and toilet preparations containing alcohol, opium, etc., (105 *per cent*).

Stamp duty and registration fees : The increase is mainly due to increase in receipts on account of court fees realised from stamps and increase in sale of stamps under the sub head “Stamps judicial” which increased by 37 *per cent* and 158 *per cent*, respectively. Increase was also due to increase in duty on impressing of documents, sale of stamps and other receipts under the sub head Stamps “Non-judicial” which increased by 21 *per cent*, 39 *per cent* and 475 *per cent*, respectively. Under the sub head “registration fees” there was an increase in fees for registering documents and “other receipts” which increased by 32 *per cent* and 263 *per cent*, respectively.

Taxes and duties on electricity: The increase was due to increase in rate of electricity duty and tax on sale of electricity which resulted in increase under the sub heads taxes “consumption and sale of electricity” and “fees collected under the Indian Electricity Rules” which increased by 38 *per cent* and 37 *per cent*.

Taxes on vehicles: The increase was mainly due to increase in receipts of motor vehicles tax which increased by 29 *per cent*.

Other taxes and duties on commodities and services: The increase was mainly due to increase in receipts under the detailed heads - betting tax, education cess, health cess, cesses under other Acts and “other receipts” which increased by 61, 64, 275, 158 and 300 *per cent*, respectively.

Land Revenue: The increase was due to increase in receipts under land revenue tax, receipts from sale of Government estates and “other receipts” which increased by 41, 39 and 26 *per cent*, respectively.

The Departments did not inform (November 2010) the reasons for variation, despite being requested (April 2010), hence the reason for variations have been taken from the Finance Accounts.

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

(Rupees 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.	Interest receipts	1,737.24	2,503.92	1,170.17	1,016.67	1,342.00	(+)32.00
2.	Dairy development	612.25	611.87	453.60	471.01	487.30	(+)3.46
3.	Other non-tax receipts	614.21	696.03	953.87	1,200.60	1,681.01	(+)40.01
4.	Forestry and wild life	92.02	121.37	195.73	259.76	226.48	(-)12.81
5.	Non-ferrous mining and metallurgical industries	698.00	819.44	1,091.19	1,215.67	1,466.73	(+)20.65
6.	Miscellaneous general ² services (including lottery receipts)	390.69	801.64	11,509.38	3,913.08	979.89	(-)74.96
7.	Power	174.61	133.83	344.07	413.28	456.61	(+)10.48
8.	Major and medium irrigation	372.39	444.93	626.41	631.77	812.58	(+)28.62
9.	Medical and public health	126.92	159.20	170.69	131.22	234.30	(+)78.56
10.	Co-operation	55.76	64.46	67.72	87.78	97.28	(+)10.82
11.	Public works	88.82	154.09	101.91	154.77	162.31	(+)4.87
12.	Police	106.60	101.84	140.20	137.27	163.45	(+)19.07
13.	Other administrative services	98.41	93.88	110.31	117.89	154.03	(+)30.66
Total		5,167.92	6,706.50	16,935.25	9,750.77	8,263.97	

The reasons for variations in the receipts for 2009-10 from that of 2008-09, in respect of principal heads of revenue though called for (April 2010) from

² Net of expenditure on prize winning lottery tickets.

concerned Departments were not furnished (November 2010). However, some of the significant variations in the receipts during 2009-10 over those of the previous year as seen from Finance Accounts were as follows:

Interest receipts: The increase was due to increase in receipts of interest realised on investment of cash balances and interest received from Public Sectors and other undertakings which increased by 181 and 111 *per cent*, respectively.

Other non-tax receipts: The increase was mainly due to increase in receipts under “family welfare” (336 *per cent*), “water supply and sanitation” (274 *per cent*), “other social services” (217 *per cent*) and “other rural development” (511 *per cent*).

Non-ferrous, mining and metallurgical industries: The increase was due to increase in receipts under the sub-head “mineral concession fees, rents and royalties” which increased by 32 *per cent*.

Miscellaneous General Services: The decrease was due to decrease in receipts of guarantee fees by 84 *per cent*.

Major and medium Irrigation : The increase in receipts was mainly due to increase in receipts from major irrigation projects - Amba, Bhatsa, Chankapur, Nimna-Terna, Purna, Vaitarna, Warna, Chaskaman and medium irrigation-commercial project.

Medical and public health: The increase was mainly due to increase in receipts from patients for hospital and dispensary services, Employees’ State Insurance Scheme and from drug manufactures under Urban Health Services and receipts/contributions from patients and others and other receipts under Rural Health Services and other systems under medical education, training and research.

Police: The increase was mainly due to increase in receipts on account of police supplied to other parties and fees, fines and forfeitures which increased by 126 and 38 *per cent*, respectively.

Other Administrative Services: The increase was mainly due to increase in receipts on account of sale proceeds of election forms and documents, fees, fines and forfeitures and other receipts which increased by 208, 849 and 335 *per cent*, respectively.

The Departments did not inform (November 2010) the reasons for variation, despite being requested (April 2010), hence the reason for variations were based on the Finance Accounts.

1.2 Response of the Departments/Government to audit observations

The offices of the Principal Accountant General (Audit)-I, Mumbai 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. After inspections by field parties inspection reports (IRs) are issued to the heads of offices, with copies of the same 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.

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

Scrutiny of the inspection reports issued upto 31 December 2009 revealed that 9,811 observations relating to 4,681 IRs involving ₹ 1,419.02 crore, remained outstanding at the end of June 2010 as mentioned below, alongwith the corresponding figures for the preceding two years.

	2007-08 June	2008-09 June	2009-10 June
Number of outstanding IRs	4,566	4,672	4,681
Number of outstanding audit observations	10,037	10,101	9,811
Amount involved (Rupees in crore)	1,009.19	1,154.08	1,419.02

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 (Rupees in crore)
1.	Finance	Taxes/VAT on sales, trade, etc	1,368	3,408	169.38
2.	Revenue and Forest	Land Revenue	1,207	2,361	590.66
3.	Relief and Rehabilitation	Stamp duty and registration fees	945	2,218	378.82
4.	Revenue and Forest	Forest receipts	164	293	56.67
5.	Home	State Excise	115	195	4.51
6.	Home	Motor Vehicle tax	173	332	21.25
7.	Revenue and Forest	Entertainment Duty	265	421	9.58
8.	Finance	Profession Tax	105	143	1.12
9.	Urban Development	Repair Cess	8	9	2.63

10.	Urban Development	Residential Premises Tax	46	54	0.22
11.	Revenue and Forest	Education Cess and Employment Guarantee Cess	78	120	9.00
12.	Industry, Energy and Labour	Electricity duty	55	80	129.44
13.	Home, Irrigation, Revenue and Forest, Public Works, Agriculture & Co-operation, Industry, Energy and Labour, Education	Non-tax	152	177	45.74
	Total		4,681	9,811	1,419.02

In respect of the above observations, 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 in respect of 1,940 observations relating to 661 IRs, issued upto December 2009 involving revenue of ₹ 145.10 crore. Huge 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 have failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AsG in the IRs.

It is recommended that the Government takes suitable steps to evolve a mechanism 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 schedule 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 (ACM) held during the year 2009-10 and the paragraph settled are mentioned below:

(Rupees in crore)

Administrative Department	Head of revenue	Number of meetings held	No. of paras discussed	Number of paragraphs settled	Amount
Finance	Sales tax	10	2,884	1,411	41.26
	Profession tax	1	105	22	0.23
Home	Motor vehicle tax	2	213	47	0.38
	State Excise	1	35	11	0.01

Revenue and Forest	Land Revenue	1	92	69	0.84
	Forest	1	45	37	14.90
	Entertainments duty	1	154	24	0.12
Urban Development	Education cess and employment guarantee cess	1	53	0	0
	Residential premises tax	1	38	0	0
Total		19	3,619	1,621	57.74

As can be seen from above, as against 3,619 paras discussed 1,621 (45 *per cent*) could be settled in the meetings, indicating that the Departments were not adequately prepared with full and final compliance in respect of the audit observations made in the local audit reports. Meetings were held only by four Departments. No meetings were held by the Industry, Energy and Labour, Public Works, Irrigation, and Agriculture and Co-operation Departments. As 9,811 paras were outstanding at the end of June 2010, it indicates that the machinery created for this purpose was not put to use effectively.

The Government may take proactive action to send replies in advance so that more number of paras could be settled in the ACM. Special efforts may also be made to comply to the old outstanding paras.

1.2.3 Non-production of records to Audit for scrutiny

The programme of local audit of Sales Tax/VAT receipts Offices is drawn up in advance and intimations are issued, usually much before the commencement of audit to the Department to enable them to keep the relevant records ready for audit scrutiny.

Upto 2009-10, 466 tax records of dealers whose returns were examined/accepted by the Sales Tax Department, for the audit periods 2001-02, 2002-03 and 2004-05 to 2009-10, were not made available to audit during those years. Out of this, in respect of 351 tax records, tax involved was ₹ 144.56 crore and in the remaining 115 cases the tax effect was not available in the Departmental records during audit. Of the 466 cases, 111 cases pertained to 32 units in which examination/acceptance of returns of major dealers are dealt with. Year wise break up of such cases are given below:

(Rupees in lakh)

Name of Office	Year in which it was to be audited	Number of assessment cases not audited	Number of cases in which revenue involved could not be ascertained	Number of cases in which revenue involved could be ascertained	Revenue involved
Sales Tax Department	2001-02	1	1	-	-
	2002-03	16	11	5	4.54
	2004-05	6	4	2	95.81
	2005-06	4	2	2	2.19
	2006-07	14	3	11	306.26
	2007-08	60	12	48	355.16
	2008-09	61	11	50	1,538.33
	2009-10	304	71	233	12,153.36
	Total	466	115	351	14,455.65

Though these units are audited annually, 162 out of 466 tax records involving revenue of ₹ 20.02 crore though requisitioned during the audits of these units in subsequent years were not made available to audit (November 2010).

The Government/Department may ensure that the tax records are made available to audit during the audit period itself so that any underassessment/short recovery of tax involved in these cases could be pointed out by audit for timely action.

1.2.4 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 32 paragraphs) included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2010 were forwarded to the secretaries of the respective Departments between April 2010 and August 2010 through demi-official letters. Replies to most of the paragraphs (clubbed into 32 paragraphs) have not been received. Such paragraphs have been included in this report.

1.2.5 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 2010, the Departments had not submitted remedial explanatory memoranda on 61 paragraphs for the years from 1997-98 to 2007-08 (excluding 1999-2000)³ 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	2007-08	Total
1.	Revenue and forests	3	2	--	5	--	3	2	2	6	5	28
2.	Finance	--	--	--	--	--	--	--	--	2	1	3
3.	Home	--	--	--	--	--	--	--	2	--	8	10
4.	Urban development	--	--	1	2	1	--	--	--	--	--	4
5.	Industries, energy and labour	--	--	--	1	--	--	--	--	1	2	4
6.	Relief and rehabilitation	--	3	--	1	1	--	--	3	1	--	9
7.	Co-operation	--	--	--	--	--	1	--	--	1	--	2
8.	Public Works Department	--	--	--	--	--	1	--	--	--	--	1
Total		3	5	1	9	2	5	2	7	11	16	61

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 have not been received in respect of 46 recommendations of the PAC from the Departments concerned as mentioned in the following table:

³ 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

1.2.6 Compliance to the earlier Audit Reports

During the period from 2001-02 to 2008-09, the Departments/Government accepted audit observations involving ₹ 3,432.03 crore, out of which an amount of ₹ 981.96 crore had been recovered till 31 March 2010 as mentioned below:

Year of Audit Report	Total money value	Accepted money value	(Rupees in crore)
			Recovery made
2001-02 to 2004-05	4,295.04	1,787.80	816.33
2005-06	1,332.03	123.15	19.73
2006-07	854.63	495.92	8.77
2007-08	818.90	167.44	53.51
2008-09	3,246.16	857.72	83.62
Total	10,546.76	3,432.03	981.96

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.

1.3 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 and 1.3.2 discuss the performance of the State Excise Department to deal with the cases detected in the course of local audit conducted during the periods 2002-2003 to 2008-2009.

1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last seven years, paragraphs included in these reports and their status as on 31.3.2010 are tabulated below:

(Rupees in lakh)

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
2002-03 ⁴	72	94	180.27	48	87	43.98	64	100	185.26	56	81	38.99
2003-04	56	81	38.99	54	140	833.44	26	66	26.72	84	155	845.71
2004-05	84	155	845.71	71	147	189.53	61	140	162.63	94	162	872.61
2005-06	94	162	872.61	69	140	401.21	65	146	176.42	94	156	1097.40
2006-07	98	156	1097.40	67	118	188.14	57	114	553.84	108	160	731.70
2007-08	108	160	731.70	61	103	42.25	57	102	137.27	112	161	636.68
2008-09	112	161	636.68	95	200	308.33	67	143	333.17	140	228	611.84

During the period between 2002-03 to 2007-08, five ACMs were conducted by the Department, out of which in four ACMs 178 paras were discussed and 48 paras were cleared.

The Department may make effective use of the machinery created for settling outstanding audit observations.

In order to obtain speedy compliance to the outstanding paras statement of such paras are forwarded to the concerned Departments of the Government in January and July every year. The outstanding paras are also pursued through periodic references to the concerned offices and also through the field parties which visit these offices for audit in the subsequent years. Further, apart from the ACMs regular meetings are also held with heads of offices for discussion of issues wherein the Departmental views do not concur with the audit observation.

1.3.2 Recovery of accepted cases

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

⁴ The position is from May 2002.

(Rupees in lakh)

Year of Audit Report ⁵	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases
2002-03	1	5.37	1	5.00	5.00	5.00
2004-05	1	104.65	1	42.18	42.18	42.18
2005-06	1	76.36	1	49.71	49.71	61.31
2006-07	2	260.60	2	260.60	217.53	230.02
2007-08	4	6,607.15	3	232.75	17.90	30.55
2008-09	1	18.62	1	18.27	10.13	18.27
Total	10	7,072.75	9	608.51	342.45	387.33

As seen from the above table, out of 10 paras involving ₹ 70.73 crore, nine paras involving ₹ 6.09 crore, were accepted by the Department. The amount recovered in respect of these paragraphs was ₹ 3.42 crore (November 2010).

The Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority.

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 5 years, features of the tax administration, audit coverage and its impact during past 5 years etc.

During the year 2009-10, the audit universe comprised of 2,865 auditable units, of which 991 units were planned and audited which is 35 per cent of the total auditable units. The details are shown in the **Annexure**.

Besides, the compliance audit mentioned above, one performance review was also taken up to examine the efficacy of the tax administration of these receipts.

⁵ There were no paragraphs on state excise during the years 2000-01, 2001-02 and 2003-04.

1.5 Results of audit

1.5.1 Position of local audit conducted during the year

Test check of the records of 991 units of 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 2009-10 (except paragraph No. 6.4, 6.5 & 6.6.1 which were noticed in audit during May 2010) revealed underassessments/short levy/loss of revenue amounting to ₹ 1,934.54 crore in 23,730 cases. During the course of the year, the Departments accepted underassessments of ₹ 23.95 crore in 3,625 cases of which 819 cases involving ₹ 7.67 crore were pointed out in 2009-10 and rest in earlier years. The Departments collected ₹ 12.09 crore during 2009-10.

1.5.2 This Report

This report contains 31 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 performance review on “Assessment, levy and collection of taxes and other receipts in the motor vehicles Department” relating to short/non-levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 4.50 crore and audit observations involving financial effect of ₹ 55.17 crore (total ₹ 59.67 crore). The Departments/Government have accepted audit observations involving ₹ 19.37 crore, out of which ₹ 2.39 crore has been recovered. The replies in the remaining cases have not been received (November 2010). These are discussed in succeeding chapters II to VII.