

PREFACE

This Report for the year ended 31 March 2010 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising taxes on sales, trade *etc.*, taxes on motor vehicles, land revenue, stamp duty and registration fee, state excise and other tax and non-tax receipts of the State.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 2009-10, as well as those noticed in earlier years but could not be included in the previous reports.

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

OVERVIEW

This Report contains 26 paragraphs involving ₹ 56.68 crore and a performance audit review on Allotment/Sale of land and Recovery of conversion charges involving revenue implications of ₹ 179.32 crore, relating to non/short levy of tax, interest, penalty etc. total ₹ 236 crore. Some of the significant audit findings are mentioned below:

I. General

The total revenue receipts of the Government of Rajasthan during 2009-10 were ₹ 35,385.01 crore as against ₹ 33,468.85 crore for the year 2008-09. The revenue raised by the Government amounted to ₹ 20,972.49 crore comprising tax revenue of ₹ 16,414.27 crore and non-tax revenue of ₹ 4,558.22 crore. The receipts from the Government of India were ₹ 14,412.52 crore (State's share of divisible Union taxes: ₹ 9,258.13 crore and grants-in-aid: ₹ 5,154.39 crore). Thus, the State Government could raise 59 *per cent* of its total revenue receipts. Taxes on sales, trade *etc.* (₹ 9,681.38 crore), state excise (₹ 2,300.48 crore), stamp duty and registration fee (₹ 1,362.94 crore), taxes on motor vehicles (₹ 1,372.87 crore) and non-ferrous mining and metallurgical industries (₹ 1,612.26 crore) were the major sources of tax and non-tax revenue during 2009-10.

(Paragraph 1.1)

Inspection reports, issued upto December 2009, disclosed that 6,765 paragraphs involving ₹ 2,112.69 crore relating to 2400 IRs remained outstanding at the end of June 2010 for want of compliance by various Departments. Out of above 1,147 paragraphs of 621 IRs involving ₹ 244.05 crore were outstanding for more than five years.

(Paragraph 1.2.1 and 1.3.1)

The Departments/Government accepted audit observations involving ₹ 619.18 crore pertaining to the Audit Reports for the years from 2004-05 to 2008-09, of which ₹ 132.89 crore had been recovered till September 2010.

(Paragraph 1.2.5)

Test-check during 2009-10 revealed underassessment, short levy and loss of revenue amounting to ₹ 1,554.36 crore in 42,511 cases. The concerned Departments accepted underassessment and other deficiencies of ₹ 182.92 crore involved in 15,968 cases, of which 7,789 cases involving ₹ 92.90 crore were pointed out in audit during the year 2009-10 and the rest in earlier years. The Departments recovered ₹ 14.98 crore in 3,770 cases at the instance of audit during the year 2009-10.

(Paragraph 1.5.1)

II. Taxes on Sales, Trade *etc.*

Reverse tax and interest amounting to ₹ 85 lakh were not/short levied.

(Paragraph 2.12.1)

Tax and interest ₹ 42.85 lakh were levied short due to under assessment of taxable turnover.

(Paragraph 2.12.2)

Tax and interest ₹ 77.63 lakh were short levied due to irregular exemption to mini cement plant.

(Paragraph 2.13.2)

Loss of ₹ 60.41 lakh incurred due to incorrect grant of composition of tax and non-levy of differential amount of tax.

(Paragraph 2.13.3)

III. Taxes on Motor Vehicles

Motor vehicles tax and special road tax ₹ 13.94 crore were not realised from the owners of 6,409 vehicles.

(Paragraph 3.8.1)

Special road tax and penalty amounting to ₹ 63.30 lakh were not levied on 25 state carriage vehicles of Rajasthan State Road Transport Corporation, plying during the period of surrender of their registration certificates.

(Paragraph 3.8.2)

One time tax ₹ 28.97 lakh on construction equipment vehicles was not realised.

(Paragraph 3.8.3)

IV. Land revenue

During conducting performance audit review on **Allotment/Sale of Land and Recovery of conversion charges**, we noticed that:-

- Due to absence of an appropriate institutional mechanism, Government remained unaware of encroachment on land, its utilisation and need of land reforms to augment State revenues. The revenue collection decreased in 2009-10 due to lack of any concerted efforts to mobilize land resources and lack of effective control systems to ensure prompt receipt of conversion charges.

(Paragraph 4.5.8.1)

- Settlement operations were not undertaken for 18 to 55 years after becoming due, resulting in non-mapping of land and non-revision of land rent.

(Paragraph 4.5.8.2)

- The Department did not resume land valuing ₹ 64.19 crore in eight cases though it was not used for the allotted purpose for more than 49 years.

(Paragraph 4.5.9.2)

- The Jaipur Development Authority and Urban Improvement Trust, Bikaner did not deposit Government's share amounting to ₹ 7.91 crore of sale proceeds of land.

(Paragraph 4.5.10.1)

- Short assessment of cost of land by ₹ 255.60 crore resulted in loss of ₹ 51.12 crore in terms of Government share.

(Paragraph 4.5.10.3)

- Cost of land and conversion charges were either not recovered or recovered at incorrect rates from Central Government departments resulting in non/short recovery of ₹ 62.11 crore.

(Paragraph 4.5.14)

- In violation of guidelines prescribed by Board of Revenue, daily and fortnightly backups were not taken in compact disc.

(Paragraph 4.5.21.7)

- There was delay in preparation of jamabandies and updating mutations in 39 villages of 8 tehsils.

(Paragraph 4.5.21.11)

- The entire amount of ₹ 5.31 crore for scanning and digitization of *Khasra* maps provided by the Central Government could not be utilised due to lack of planning.

(Paragraph 4.5.21.12)

- A reliable system of maintenance of land records and generation of records is not available even after incurring expenditure of ₹ 30.49 crore up to March 2008 on computerisation of land records.

(Paragraph 4.5.23)

V. Stamp Duty and Registration Fee

Stamp duty and registration fee aggregating to ₹ 25.17 crore were levied short.

(Paragraph 5.9.1.1)

Stamp duty and registration fee of ₹ 0.55 crore were not recovered.

(Paragraph 5.9.5)

VI. State Excise

Licence fee of ₹ 1.51 crore for composite shops was short levied from 48 composite shops.

(Paragraph 6.9.1)

VII. Non-Tax Receipts

Water Resources Department

Undue benefits ₹ 3.66 crore given to companies by adjusting recovery of interest against principal amount of dues.

(Paragraph 7.5)

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The revenue receipts of the Government of Rajasthan comprises of tax and non-tax revenue raised by the State Government, the State's share of net proceeds of divisible Union taxes and duties assigned to State and grants-in-aid received from the Government of India. The position of the receipts during the year 2009-10 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	9,880.23	11,608.24	13,274.73	14,943.75	16,414.27
	• Non-tax revenue	2,737.67	3,430.61	4,053.93	3,888.46	4,558.22
	Total	12,617.90	15,038.85	17,328.66	18,832.21	20,972.49
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	5,300.08	6,760.37	8,527.60	8,998.47	9,258.13
	• Grants-in-aid	2,921.21	3,792.96	4,924.36	5,638.17	5,154.39
	Total	8,221.29	10,553.33	13,451.96	14,636.64	14,412.52
3.	Total revenue receipts of the State Government (1 and 2)	20,839.19	25,592.18	30,780.62	33,468.85	35,385.01¹
4.	Percentage of 1 to 3	61	59	56	56	59

The above table indicates that during the year 2009-10, the revenue raised by the State Government (₹ 20,972.49 crore) was 59 per cent of the total revenue receipts against 56 per cent in the preceding year. The balance 41 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 Rajasthan for the year 2009-10. Figures under the head 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0022 - Taxes on agriculture income, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties and 0044 - Service tax - share of net proceeds assigned to State booked in the Finance Accounts under A - Tax revenue have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this statement.

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

(₹ 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.	5,245.41	6,272.15	7,345.84	8,442.02	9,681.38	(+) 15
	Central sales tax	348.23	448.56	404.90	462.48	482.15	(+) 4
2.	State excise	1,521.80	1,591.09	1,805.12	2,169.90	2,300.48	(+) 6
3.	Stamp duty and registration fees						
	Stamps-judicial	30.95	48.84	30.61	30.61	30.47	Nil
	Stamps-non-judicial	638.95	863.74	1,316.41	1,137.54	1,104.79	(-) 3
	Registration fee	361.89	381.10	197.33	188.48	227.68	(+) 21
4.	Taxes and duties on electricity	471.35	515.88	584.23	654.05	699.99	(+) 7
5.	Taxes on motor vehicles	908.18	1,023.61	1,164.40	1,213.56	1,372.87	(+) 13
6.	Taxes on goods and passengers	236.71	247.60	160.61	189.87	176.10	(-) 7
7.	Other taxes on income and expenditure, tax on professions, trades, callings and employments	0.25	0.06	0.04	0.04	0.04	Nil
8.	Other taxes and duties on commodities and services	31.70	46.04	58.91	64.52	58.52	(-) 9
9.	Land revenue	84.30	116.71	155.29	162.52	147.66	(-) 9
10.	Other taxes	0.51	52.86	51.04	228.16	132.14	(-) 42
	Total	9,880.23	11,608.24	13,274.73	14,943.75	16,414.27	(+) 10

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

Taxes on sales, trade etc.: The increase (15 per cent) was due to proper monitoring, check on tax evasion and recovery efforts of the Department and increase in the rate of tax on some commodities.

Taxes on motor vehicles: The increase (13 per cent) was mainly due to organising special campaign for achieving revenue targets, recovery of penalty from transport vehicles and one time tax/lump-sum tax.

Other taxes: The decrease (42 per cent) was due to 50 per cent reduction in rates of land tax.

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

(₹ 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.	Interest receipts	990.21	1,072.72	1,112.43	1,195.96	1,185.45	(-) 1
2.	Forestry and wild life	40.07	45.24	58.30	57.74	56.35	(-) 2
3.	Non-ferrous mining and metallurgical industries	814.08	1,196.52	1,226.61	1,275.59	1,612.26	(+) 26
4.	Miscellaneous general services	305.87	528.28	919.72	580.33	739.30	(+) 27
5.	Major and medium irrigation	46.79	60.56	57.92	54.16	48.83	(-) 10
6.	Medical and public health	16.70	30.62	39.11	36.87	56.55	(+) 53
7.	Co-operation	14.79	22.23	27.01	18.13	21.03	(+) 16
8.	Public works	27.86	47.47	53.41	93.43	62.75	(-) 33
9.	Police	75.86	42.61	94.81	71.43	126.24	(+) 77
10.	Other administrative services	54.02	54.84	54.71	49.57	49.12	(-) 1
11.	Other non-tax receipts	351.42	329.52	409.90	455.25	600.34	(+) 32
Total		2,737.67	3,430.61	4,053.93	3,888.46	4,558.22	(+) 17

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

Non-ferrous mining and metallurgical industries: The increase (26 per cent) was mainly due to more receipts of minerals concession fees, rents and royalties.

Miscellaneous general services: The increase (27 per cent) was mainly due to amount pertaining to Rajasthan Poverty Fund transferred under this head after deletion of section 6A from Fiscal Responsibilities and Budget Management Act, 2005 by the State Government.

Major and medium irrigation: The decrease (10 per cent) was mainly due to less receipt of charges of water sold for irrigation and other purposes.

Medical and public health: The increase (53 per cent) was mainly due to increased receipts from Employees State Insurance Scheme.

Co-operation: The increase (16 per cent) was mainly due to more receipts of grants-in-aid from National Co-operative Development Corporation.

Public works: The decrease (33 per cent) was mainly due to less receipts of rent and less recovery of percentage charges.

Police: The increase (77 per cent) was mainly due to more receipts of police force supplied to other Governments and parties.

Other non-tax receipts: The increase (32 per cent) was due to more receipts of rent, transport equilisation *etc.*

1.2 Response of the Government towards audit

Audit observations are communicated to the Government to which replies are required to be furnished by them within one month. The draft paragraphs on important irregularities are forwarded to Finance Department as well as to concerned head of the Departments with the request to furnish replies. The facts of non-receipt of replies from the Government are invariably indicated in the Audit Report. In respect of paragraphs included in the Audit Reports, the Departments are required to submit explanatory memoranda duly vetted by Audit to State Legislature. The concerned Departments have to take necessary steps to send their action taken notes on the recommendations of the Public Accounts Committee on Audit Reports.

1.2.1 Enforcing accountability and protecting the interest of the State Government

The Accountant General (Commercial and Receipt Audit), Rajasthan 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 with issue of the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the head 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 Accountant General 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.

IRs, issued upto December 2009, disclosed that 6,765 paragraphs relating to 2,400 IRs involving ₹ 2,112.69 crore remained outstanding at the end of June 2010 as mentioned below along with the corresponding figures for the preceding two years.

Particulars	June 2008	June 2009	June 2010
Number of outstanding IRs	2,335	2,502	2,400
Number of outstanding audit observations	6,435	6,918	6,765
Amount involved (₹ in crore)	1,554.58	1,391.66	2,112.69

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

Sl. no.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Amount involved (₹ in crore)
1.	Commercial taxes	Taxes/VAT on sales, trade etc.	403	1,452	426.47
		Entertainment tax, luxury tax etc.	28	34	8.84
		Electricity duty	40	63	1.55
2.	Transport	Taxes on motor vehicles	445	1,314	308.28
3.	Land revenue	Land revenue	331	516	213.76
		Land and buildings tax	11	16	0.71
4.	Registration and stamps	Stamp duty and registration fee	800	1,951	82.76
5.	State excise	State excise	144	356	95.68
6.	Mines, geology and petroleum	Non-ferrous mining and metallurgical industries	198	1,063	974.64
Total			2,400	6,765	2,112.69

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 (30 June 2010) for 171 IRs issued upto 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 Accountant General in the IRs.

We recommend that the Government takes suitable steps to introduce 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 schedule

and also fail to take action to recover loss/outstanding revenue in a time bound manner.

1.2.2 Departmental audit committee meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of paragraphs in the IRs. The Departments were required to conduct at least four meetings (one in each quarter) of audit committee in a year. Besides, for settlement of audit paragraphs, audit sub-committee meetings were also to be organised in the Departments. The details of the audit committee and audit sub-committee meetings held during the year 2009-10 and the paragraphs settled are mentioned below:

Name of Department	Number of audit committee meetings held	Number of audit sub-committee meetings held	Number of paragraphs settled	Amount (₹ in crore)
Commercial taxes	3	Nil	Nil	Nil
Transport	4	6	326	12.64
Land revenue	1	27	248	16.86
Registration and stamps	3	13	334	14.58
State excise	3	Nil	Nil	Nil
Mines, geology and petroleum	1	Nil	Nil	Nil
Total	15	46	908	44.08

During the year 2009-10, no audit sub-committee meeting was conducted by the Commercial Taxes, State Excise and Mines, Geology and Petroleum Departments, though, the matter was brought to the notice of the Secretaries of the concerned Departments.

The Government needs to take suitable measures to strengthen the system of audit committees which has become ineffective.

1.2.3 Response of the Departments

The Finance Department issued directions to all the Departments in August 1969 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within three weeks of their receipt. The draft paragraphs are forwarded 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 three weeks. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Draft paragraphs proposed to be 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 July and October 2010. Out of 58 cases (clubbed into 27 paragraphs of this report) issued, the Departments have accepted the audit observations in 37 cases.

1.2.4 Follow-up on Audit Reports - summarised position

According to the instructions issued by the Finance Department, all Departments are required to furnish explanatory memoranda vetted by Audit to the Secretariat of State Legislature in respect of paragraphs included in the Audit Reports within three months of their being laid on the table of the House.

The position of paragraphs which appeared in the Audit Reports and those pending discussion as on 30 September 2010 is given in **Annexure-A**. A total of 176 paragraphs pertaining to the period 2002-03 to 2008-09 were pending for discussion by the Public Accounts Committee.

As per the Rules and Procedures of the Public Accounts Committee of the Rajasthan State Assembly framed in 1997, the concerned Departments have to take necessary steps to send their action taken notes on the recommendations of the Public Accounts Committee on the Audit Reports within six months from the date of its presentation to the House. We observed that 188 action taken notes were outstanding as on 30 September 2010 as detailed in **Annexure-B**.

1.2.5 Compliance to the earlier Audit Reports

In respect of Audit Reports pertaining to the years 2004-05 to 2008-09, the Government/Departments accepted audit observations involving ₹ 619.18 crore, of which ₹ 132.89 crore had been recovered till September 2010 as mentioned below:

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2004-05	276.63	16.14	6.07
2005-06	352.81	116.90	24.76
2006-07	315.25	254.28	3.16
2007-08	666.55	165.12	82.01
2008-09	392.71	66.74	16.89
Total	2,003.95	619.18	132.89

As against accepted money value of ₹ 619.18 crore, only ₹ 132.89 crore (21.46 *per cent*) were recovered during the last five years. **Efforts may be made for early recovery of the accepted amount.**

1.3 Mechanism to deal with issues raised by Audit

The action taken by the Departments/Governments on the paragraphs of IRs and Audit Reports for the preceding ten years and reviews included in the

Audit Reports of the last five years is mentioned below:

1.3.1 Position of inspection reports

The summarised position of outstanding paragraphs of IRs and their status as on 30 June 2010 are tabulated below:

(₹ in crore)

Year	Opening balance as on 1-7-2009			Addition during the year ²			Clearance during the year ³			Closing balance		
	IRs	Para- graphs	Amounts	IRs	Para- graphs	Amounts	IRs	Para- graphs	Amounts	IRs	Para- graphs	Amounts
Up to 2000-01	105	173	7.24	-	-	-	29	55	1.35	76	118	5.89
2001-02	76	134	20.65	-	-	-	18	32	13.56	58	102	7.09
2002-03	117	212	12.57	-	-	-	25	69	4.16	92	143	8.41
2003-04	206	414	47.84	-	-	-	53	139	8.88	153	275	38.96
2004-05	301	709	207.88	-	-	-	59	200	24.18	242	509	183.70
2005-06	318	819	330.86	-	-	-	52	173	118.33	266	646	212.53
2006-07	392	1,127	251.63	-	-	-	56	260	73.43	336	867	178.20
2007-08	459	1,479	255.03	-	-	-	74	457	80.14	385	1,022	174.89
2008-09	389	1,577	333.02	154	672	322.19	72	505	173.04	471	1,744	482.17
2009-10	-	-	-	344	1,495	858.94	23	156	38.09	321	1,339	820.85
Total	2,363	6,644	1,466.72	498	2,167	1,181.13	461	2,046	535.16	2,400	6,765	2,112.69

IRs issued upto December 2009 disclosed that 1,147 paragraphs of 621 IRs involving ₹ 244.05 crore were outstanding for more than five years for want of compliance.

1.3.2 Assurances given by the Departments/Government on the issues highlighted in the Audit Reports

1.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, accepted by the Departments and the amount recovered as on

² Audit conducted between July 2008 to June 2009 of which IRs issued during January 2009 to December 2009.

³ July 2009 to June 2010.

30 September 2010 are mentioned below:

(₹ in crore)

Year of Audit Report	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
1999-00	37	293.24	Not available	24.03	Not available	Not available
2000-01	44	421.94	Not available	39.29	Nil	22.54
2001-02	45	448.86	36	99.65	Nil	30.52
2002-03	46	382.52	36	220.03	Nil	62.83
2003-04	31	381.48	30	234.77	0.02	49.52
2004-05	27	276.63	23	16.14	0.11	6.07
2005-06	39	352.81	25	116.90	3.62	22.18
2006-07	41	315.25	22	254.28	0.30	3.16
2007-08	39	666.55	30	165.12	0.82	82.01
2008-09	48	392.71	14	66.74	16.85	16.89
Total	397	3,931.99	216	1,236.95	21.72	295.72

During the years from 1999-2000 to 2008-09, 397 paragraphs involving ₹ 3,931.99 crore were included in Audit Reports. The Government/ Departments accepted audit observations involving ₹ 1,236.95 crore, of which ₹ 295.72 crore (24 per cent) only had been recovered (30 September 2010) during the last 10 years.

Efforts may be made to settle the paragraphs and recover the amount involved.

1.3.2.2 Action taken on the recommendations highlighted in various reviews

The Government is expected to take appropriate action on the accepted recommendations highlighted in various reviews conducted by the Accountant General. The status of action taken by the Government on the accepted recommendations in 10 reviews of eight Departments featured in the last five Audit Reports is shown in **Annexure-C**. The action taken by the Government includes strengthening the monitoring mechanism, issuance of fresh directions, re-examination of the matter for recovery of charges /fees etc.

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 954 auditable units, of which 510 units were planned and audited during the year 2009-10, which is 53 *per cent* of the total auditable units. Besides the compliance audit, one performance review was 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 510 units of Commercial taxes, State excise, Transport, Mining and other departmental offices conducted during the year 2009-10 revealed under-assessments, short levy/loss of revenue *etc.* aggregating to ₹ 1,554.36 crore in 42,511 cases. During the year, the Departments concerned accepted under-assessments and other deficiencies of ₹ 182.92 crore involved in 15,968 cases of which 7,789 cases involving ₹ 92.90 crore were pointed out in audit during 2009-10 and the rest in the earlier years. The Departments collected ₹ 14.98 crore in 3,770 cases during 2009-10.

1.5.2 This Report

This report contains 26 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) ₹ 56.68 crore and one performance review on “Allotment/Sale of Land and Recovery of conversion charges” involving financial impact ₹ 179.32 crore (total ₹ 236 crore). The Departments/Government have accepted audit observations involving ₹ 64.05 crore, of which ₹ 3.51 crore have been recovered. The replies in the remaining cases have not been received (October 2010). These are discussed in succeeding chapters II to VII.

CHAPTER-II: TAXES ON SALES, TRADE *ETC.*

2.1 Tax administration

The assessment, levy and collection of value added tax in Rajasthan is governed under the Rajasthan Value Added Tax Act, 2003 (RVAT) effective from 1.4.2006. Besides, Central Sales Tax Act, 1956 (CST Act) and the rules made thereunder are also in operation for inter-state sales.

The Commissioner of Commercial Taxes is responsible for administration of Sales/Value Added Tax at the level of Department, while Secretary, Finance Department exercises administrative powers at the Government level. The Commissioner of Commercial Taxes is assisted by six Additional Commissioners, 29 Deputy Commissioners, 48 Assistant Commissioners, 101 Commercial Taxes Officers and 323 Assistant Commercial Taxes Officers.

2.2 Analysis of budget preparation

Budget estimates and revised estimates under the head “Taxes on sales, trade *etc.*” during last five years ending 2009-10 were as under:

(₹ in crore)

Year	Budget estimates	Revised estimates	Variation excess (+) or shortfall (-)	Percentage of variation
2005-06	5,425.00	5,500.00	(+) 75	(+) 1.38
2006-07	6,240.00	6,650.00	(+) 410	(+) 6.57
2007-08	7,676.00	7,600.00	(-) 76	(-) 0.99
2008-09	8,500.00	9,100.00	(+) 600	(+) 7.06
2009-10	10,030.00	10,200.00	(+) 170	(+) 1.69

The budget estimates were prepared keeping in view inflationary trends and normal growth rate. During 2005-10, there was marginal variation from (-) 1 to (+) 7 *per cent* between budget estimates and revised estimates. The fluctuation was mainly due to variation in rates of different tax on commodities.

2.3 Trend of receipts

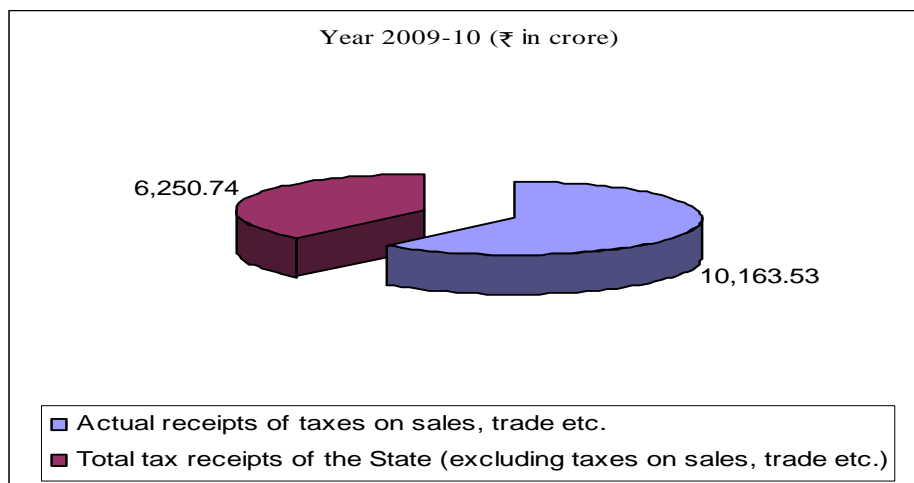
Actual receipts from the Commercial Taxes Department during the year 2005-06 to 2009-10 along with the total tax receipts of the State during the

same period is exhibited in the following table:

(₹ in crore)

Year	Revised estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts to total tax receipts
2005-06	5,500.00	5,593.64	(+) 93.64	(+) 1.70	9,880.23	56.61
2006-07	6,650.00	6,720.71	(+) 70.71	(+) 1.06	11,608.24	57.90
2007-08	7,600.00	7,750.74	(+) 150.74	(+) 1.98	13,274.73	58.39
2008-09	9,100.00	8,904.50	(-) 195.50	(-) 2.15	14,943.75	59.59
2009-10	10,200.00	10,163.53	(-) 36.47	(-) 0.36	16,414.27	61.92

Receipts of taxes on sales, trade *etc.* during the year 2009-10 along with total tax receipts of the State (excluding receipts of taxes on sales, trade *etc.*) is shown in the following pie chart:



The receipts of Commercial Taxes Department remained 57 to 62 *per cent* of the total tax receipts of the State. There has been constant increase in the revenue collection under this head and the percentage of collection with reference to total tax receipts of the State has also increased during the period 2005-06 to 2009-10.

2.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 amounted to ₹ 2,457.05 crore, of which ₹ 759.61 crore were outstanding for more than five years. The

following table depicts the position of arrears of revenue as on 31 March 2010.
(₹ in crore)

Year of arrear	Opening balance of arrears as on 1.4.2009	Amount collected during the year 2009-10	Closing balance of arrears as on 31.3.2010
Upto 2004-05	818.35	58.74	759.61
2005-06	151.24	11.10	140.14
2006-07	282.76	83.29	199.47
2007-08	553.08	199.17	353.91
2008-09	1,877.70	873.78	1,003.92
Total	3,683.13	1,226.08	2,457.05

The total amount of arrears upto the year 2008-09 stood at ₹ 2,457.05 crore. The chances of recovery of arrears of ₹ 759.61 crore, outstanding for more than five years, are bleak.

We recommend that the Government should take appropriate action to recover the arrears.

2.5 Cost of VAT per assessee

The following statement shows collection of Sales Tax/Value Added Tax per assessee during the last five years:

Year	Number of Assesseees	Sales Tax Revenue (₹ in crore)	Revenue per Assessee (₹ per lakh)
2005-06	2,58,614	5,593.64	2.16
2006-07	3,00,909	6,720.21	2.23
2007-08	3,19,537	7,750.74	2.43
2008-09	3,44,852	8,904.50	2.58
2009-10	3,76,688	10,163.53	2.70

2.6 Arrears in assessments

The details of cases pending assessment during the years 2005-06 to 2009-10 are mentioned below:

Year	Opening balance	New cases due for assessment	Total	Cases disposed	Cases pending at the end of year
2005-06	64,830	1,90,787	2,55,617	2,54,740	877
2006-07	877	2,43,771	2,44,648	2,43,618	1,030
2007-08	1,030	2,57,923	2,58,953	2,57,609	1,344
2008-09	1,344	2,54,289	2,55,633	2,55,262	371
2009-10	371	3,03,950	3,04,321	3,04,217	104

The word 'assessment' used in the paragraph denotes the number of self assessment returns finalised or to be finalised by the Department. The number of cases scrutinised for tax audit and tax audit completed has not been

intimated by the Department, since no cases have been selected by them for audit.

2.7 Cost of collection

The gross collection of the revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period from 2005-06 to 2009-10 alongwith the relevant all India average percentage of expenditure on collection to gross collection for same period are as follows:

(₹ in crore)

Sl. no.	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage
1.	2005-06	5,593.64	52.42	0.94	0.91
2.	2006-07	6,720.71	60.05	0.90	0.82
3.	2007-08	7,750.74	53.76	0.70	0.83
4.	2008-09	8,904.50	70.21	0.80	0.88
5.	2009-10	10,163.53	85.90	0.85	NA

2.8 Impact of audit reports

During the last five years upto 2008-09, audit through its audit reports had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, concealment/suppression of turnover, application of incorrect rate of tax, incorrect computation of tax *etc.* with revenue implication of ₹ 396.15 crore in 47 paragraphs. Of these, the Department/Government had accepted audit observations in 28 paragraphs involving ₹ 173.37 crore and had since recovered ₹ 3.66 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount	Number	Amount
2004-05	6	98.45	4	3.06	4	1.59
2005-06	14	100.98	8	8.00	3	1.30
2006-07	11	150.60	6	144.26	2	0.09
2007-08	5	17.88	2	0.26	2	0.23
2008-09	11	28.24	8	17.79	5	0.45
Total	47	396.15	28	173.37	16	3.66

The amount of recovery is less than the accepted amount because in some cases demands were pending against the dealers who were not traceable while in other cases demands were pending at various stages of recovery. **Efforts**

are required for recovery of accepted amount and settlement of other outstanding paragraphs.

2.9 Working of Internal Audit Wing

Financial Advisor is the head of the Internal Audit Wing. In the Department, 13 internal audit parties are working, each headed by Assistant Accounts Officer. Planning for internal audit of units are made on the basis of importance and revenue realisation. The position of last five years' internal audit was as under:

Year	Pending units	Units due for audit during the year	Total units due for audit	Units audited during the year	Units remained un-audited	Shortfall in per cent
2005-06	0	443	443	441	2	0.50
2006-07	2	443	445	445	-	-
2007-08	0	443	443	378	65	15
2008-09	65	396	461	357	104	23
2009-10	104	393	497	299	198	40

There was a shortfall in conducting internal audit ranging between 15 to 40 per cent during the years 2007-08 to 2009-10.

We further noticed that Department had not made serious efforts to settle the 17,386 paragraphs of internal audit which were outstanding at the end of the year 2009-10. Year-wise break up of outstanding paragraphs is as under:

Year	Up to 2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Total
No. of paras	6,279	2,096	2,189	2,203	2,162	2,457	17,386

We observed that 6,279 paragraphs of internal audit reports were outstanding upto the year 2004-05. Thus, the purpose of internal audit was defeated as the issues raised by internal audit were not paid due attention.

Internal audit is an essential part of internal control mechanism. **Government may consider strengthening functioning of Internal Audit Wing in order to plug the leakage of revenue and comply with the provisions of the Act and Rules.**

2.10 Results of audit

During test-check of the records of 79 units relating to Sales Tax/VAT, we noticed under-assessment of tax and other irregularities involving ₹ 35.05 crore in 1,533 cases, which broadly fall under the following categories:

Sl. no.	Category	Number of cases	Amount (₹ in crore)
1.	Under-assessment due to irregular or incorrect allowances of deduction	99	5.43
2.	Irregular grant of exemption	153	4.88
3.	Non-assessment of taxable turnover	309	4.23
4.	Short levy of tax due to application of incorrect rate of tax	93	3.24
5.	Non-levy of penalty/interest	102	0.66
6.	Non-levy of purchase tax	1	0.04
7.	Other irregularities	776	16.57
Total		1,533	35.05

During the year 2009-10, the Department accepted under-assessment and other deficiencies of ₹ 18.42 crore in 477 cases, of which 138 cases involving ₹ 0.86 crore were pointed out in audit during the year 2009-10 and the rest in the earlier years. The Department recovered ₹ 3.25 crore in 83 cases during the year 2009-10, of which 18 cases involving ₹ 21.88 lakh had been pointed out in audit during the year 2009-10 and the rest in earlier years.

After issue of the draft paragraph, the Department recovered/adjusted ₹ 5.65 lakh pertaining to one observation pointed out during 2009-10.

A few illustrative audit observations involving ₹ 4.42 crore are mentioned in the succeeding paragraphs.

2.11 Audit observations

We observed during test-check of the assessment records of sales tax/VAT in Commercial Taxes Department several cases of non-observance of provisions of Acts/Rules, non/short levy of tax/interest, incorrect computation of tax, incorrect grant of input tax credit, incorrect deferment of tax, incorrect grant of composition amount in lieu of tax liability under RST/RVAT/CST Acts. We pointed out some of these omissions in earlier years also, but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit so that occurrence of such cases can be avoided.

2.12 Non-observance of provisions of Acts/Rules

The RST/RVAT Act and Rules provides for:-

- (a) Levy of reverse tax in cases where Input Tax Credit (ITC) was allowed wrongly;*
- (b) levy of tax on taxable turnover including sale or purchases during inter-state trade;*
- (c) levy of tax at prescribed rates;*
- (d) grant of ITC in respect of purchases made by registered dealers from registered dealers within the State; and*
- (e) levy of interest at prescribed rate.*

During test check of records we noticed that some of the above provisions were not observed by the assessing authorities in cases mentioned in paragraphs 2.12.1 to 2.12.5. This resulted in non/short levy/realization of tax/interest of ₹ 1.71 crore.

2.12.1 Reverse tax

By issue of notification dated 31.3.2006 under section 18(4) of the RVAT, the State Government allowed a dealer to claim input tax credit, in excess of four *per cent* of the tax paid in the State on the purchase of goods (i) which were consigned outside the State by way of stock/branch/depot transfer or (ii) which were used as raw material in the manufacture of goods and such manufactured goods were consigned outside the State by way of stock/branch/depot transfer. Under section 18(1)(e) of the RVAT input tax credit on purchase of any taxable goods made within the State for the purpose of being used as raw material in the manufacture of exempted goods was not admissible. In cases, where input tax credit was wrongly allowed, reverse tax was to be levied.

During test-check of the assessment records of four offices (between November 2009 and February 2010), we observed that while finalising of assessments of six dealers for the year 2006-07, the assessing authorities failed to levy reverse tax in accordance with the provisions of the RVAT. This resulted in non/short levy of reverse tax

and interest of ₹ 0.85 crore as mentioned in the following table:

(₹ in crore)

Sl. no.z	Name of circle (No. of dealers)	Assessment year Month of assessment	Turnover / Purchase	Branch transfer and/or exempted sale (per cent of turnover)	Tax to be reversed (T) and interest (I) Tax reversed	Short levy of tax and interest	Remarks
1	2	3	4	5	6	7	8
1	Special Circle, Bhilwara (1)	2006-07 March 2009	30.21	6.47 (21.40)	T- 0.16 ----	0.16	The cases were reported to the Government in March 2010. The Government intimated (July 2010) that an amount of ₹ 16.19 lakh had been reversed from the excess deposits of inputs tax credit.
2	Assistant Commissioner, Raisinghnagar (3)	2006-07 August 2008 and March 2009	4.29	-	T- 0.10 ----	0.10	The cases were reported to the Government in march 2010. The Government intimated (August 2010) that ₹ 4.37 lakh had been recovered. However, details of recovery of remaining amount are awaited.

1	2	3	4	5	6	7	8
3	Special Circle-II, Jodhpur (1)	2006-07 June 2008	25.07	11.83 (47.19)	T- 0.47 I- 0.05 0.34	0.18	The cases were reported to Government in April 2010. The reply is awaited (October 2010).
4	Circle 'A', Bhiwadi (1)	2006-07 March 2009	-	10.28	T- 0.41 ----	0.41	The cases were reported to Government in April 2010. The reply is awaited (October 2010).
Total			59.57		1.19 0.34	0.85	

2.12.2 Underassessment of taxable turnover

Under section 4 of RVAT and section 8 of CST Act, the leviable tax at the prescribed rate is determined on the taxable turnover including sale or purchase during inter-state trade of different commodities. Moreover, interest at the prescribed rate is also leviable on delayed payment of tax under section 55 of the RVAT Act. Further, section 2(36) of the RVAT Act envisaged that *ex-post facto* grant of discounts or incentives or rebates or rewards and the like shall not be excluded from the sale price.

Test-check of the assessment records of three offices revealed (between September 2009 and October 2009) that while finalising assessments of 15 dealers for the year 2006-07, the Assessing Authorities either applied incorrect rates of tax on taxable turnover or assessed taxable turnover to a lesser extent. These were due to non-inclusion of *ex-post facto* trade discount or rebates in the sale price and ignoring the actual figures of purchases *etc.* This resulted in short levy

of tax and interest of ₹ 42.85 lakh as mentioned below:

Sl. no	Name of circle	Assessment year/month of assessment	No. of dealers	Observation in brief
1	2	3	4	5
1	Circle 'A', Alwar and Circle 'B', Bhilwara	2006-07 March 2009	14	Despite explicit provision for inclusion of <i>ex-post facto</i> grant of discounts or rebates in the turnover figures the assessing authorities failed to include them in case of taxable turnover of 14 dealers of mobile-set, cement, tyre-tubes and fridge amounting to ₹ 4.15 crore from the sale price/taxable turnover of ₹ 30.72 crore. Underassessment of taxable turnover resulted in short levy of tax of ₹ 25.59 lakh besides interest of ₹ 2.37 lakh.

1	2	3	4	5
2.	Special Circle-V, Jaipur	2006-07 March 2009	1	A dealer depicted gross turnover of ₹ 2.73 crore during the year 2006-07 against actual purchase of goods valuing ₹ 5.45 crore made from out of the State. The assessing authority accepted the turnover as reported by the dealer. Under- assessment of taxable turnover of ₹ 2.72 crore resulted in short levy of tax of ₹ 10.87 lakh and interest of ₹ 4.02 lakh.

After we pointed out, the Assessing Authority (CTO, Circle A, Alwar) has created (October 2010) a demand of ₹ 21.24 lakh in 13 cases while in case of Circle 'B', Bhilwara, the Assistant Commissioner intimated (June 2010) that an amount of ₹ 12.39 lakh had been adjusted against the excess deposits of the dealer and the rest amount ₹ 15,637 had been deposited in Government account. In case of Special Circle-V, Jaipur, the Government confirmed (July 2010) that the gross turnover of the dealer was ₹ 5.45 crore and the taxable turnover of the dealer was ₹ 1.32 crore during the year 2006-07. Further report on action taken is awaited (October 2010).

2.12.3 Application of incorrect rate of tax

By issue of a notification dated 31.3.2006 under section 4 and section 8 of the RVAT, the State Government has prescribed different rates of tax for different commodities. The commodities for which no specific rate has been prescribed are to be taxed at the general rate of tax *i.e.* 12.5 *per cent*. Further, interest under section 55 of the RVAT is also leviable for default in making payment of tax.

During scrutiny of the assessment records of Assistant Commissioner, Special Circle-V, Jaipur, for the year 2008-09, we noticed (October 2009) that a dealer made inter-state purchases of motor parts (₹ 6.36 crore) and tractor parts (₹ 2.51 crore) valuing ₹ 8.87 crore during 2006-07. As entry

tax is leviable on motor-parts and not on tractor-parts, the dealer accordingly paid entry tax of one *per cent* on purchases of motor-parts (including diesel engine and parts) valuing ₹ 6.36 crore. The total sales valuing ₹ 9.21 crore (total purchase: ₹ 8.87 crore plus benefit: ₹ 0.34 crore) made by the dealer during the year 2006-07 included sale of motor parts (₹ 4.74 crore), tractor parts (₹ 2.67 crore) and diesel engine parts (₹ 1.80 crore). The dealer charged tax at the rate of 12.5 *per cent* and 4 *per cent* on sale of motor-parts and tractor-parts/diesel engine respectively. The dealer made purchase of diesel engine parts valuing ₹ 1.80 crore as motor-parts and paid entry tax at one *per cent* but sold them as diesel engine-parts in the State at 4 *per cent* instead of general rate of tax 12.5 *per cent*. Tax at the rate of 4 *per cent* was accordingly deposited by the dealer. The AA while finalising the assessment, in March 2009, also levied tax at the rate of four *per cent* on sale of diesel engine parts valuing ₹ 1.80 crore (which were purchased by the dealer as motor parts) instead of levying tax at general rate of 12.5 *per cent*. Thus, application of incorrect rate of tax on sale of diesel engine parts, resulted in short levy of tax of ₹ 15.26 lakh besides interest of ₹ 5.65 lakh.

After we pointed out (October 2009), the Department stated (April 2010) that the dealer has deposited tax at the rate of 12.5 *per cent*. The reply is not acceptable as the dealer has deposited tax at the rate of 4 *per cent* instead of 12.5 *per cent*. The dealer showed the goods as diesel engine parts which is wrong as he had paid entry tax on them which is applicable on motor parts.

We reported the omission to Government (April 2010); their reply is awaited (October 2010).

2.12.4 Levy of tax at lower rate

By issue of a notification dated 24.03.2005 under the RST, the State Government prescribed a tax rate of four *per cent* on “Poha” during the year 2005-06.

On scrutiny of the assessment records of the Commercial Taxes Office, Circle-B, Kota for the year 2007-09, we found (June 2009) that five dealers, who purchased the paddy from outside the State, after processing the

same, sold “Poha” for ₹ 2.54 crore during the year 2005-06 and paid tax at the rate of one *per cent* by treating it as rice under notification dated 20.4.2005. “Poha” is a different commodity and was specifically liable to tax at four *per cent* vide notification dated 24.03.2005. However, the assessing authority, while finalising (between September 2007 and February 2008) the assessments of these dealers for the relevant year, incorrectly allowed tax rate at one *per cent* instead of levying the tax at the correct rate of four *per cent*. This resulted in short levy of tax and interest of ₹ 10.96 lakh (Tax ₹ 7.61 lakh + interest : ₹ 3.35 lakh).

After we pointed out the cases (July 2009), the Department intimated (October 2009) that a demand of ₹ 10.96 lakh has been raised and the dealers have gone into appeal against the assessment.

We reported the matter to the Government (March 2010); their reply is awaited (October 2010).

2.12.5 Irregular grant of input tax credit

As per section 2(17) of the RVAT, input tax means tax paid or payable by a registered dealer in the course of business, on the purchase of any goods made from a registered dealer. Further, section 18 of the Act *ibid*, input tax credit (ITC) shall be allowed to registered dealers in respect of purchase of any taxable goods made within the State from a registered dealer, for the purposes as prescribed thereunder.

During scrutiny of the assessment records of Commercial Taxes Officer, Circle-A, Bikaner for the period 2008-09, we found (August 2009) that a dealer purchased gram and *gwar* valuing ₹ 3.77 crore from the dealers outside the

State and claimed ITC of ₹ 10.88 lakh on it. The ITC was not available on the purchases from outside the State, however, the assessing authority, while finalising (March 2009) the assessment of the dealer irregularly allowed the ITC as claimed. This resulted in irregular grant of ITC of ₹ 10.88 lakh.

We pointed out the omission to the Department (September 2009) and reported to the Government (April 2010); their replies are awaited (October 2010).

2.13 Non-compliance of provisions of notifications

The Government notifications issued provides for:-

- (a) Grant of exemption to exempted units after deduction of ITC;
- (b) grant of benefit of composition to entitled units who applied within the prescribed due dates; and
- (c) allowing benefit of Composition Scheme for *Saraffa* dealers subject to compliance of certain conditions specified therein

During test check of records we noticed that some of the provisions above notifications were not observed by the assessing authorities in cases mentioned in paragraphs 2.13.1 to 2.13.3. This resulted in incorrect grant of deferment/ non/short levy/realization of tax/interest of ₹ 2.71 crore.

2.13.1 Incorrect deferment of tax

As per notification dated 31.3.2006 issued by the State Government under section 20(3) of the RVAT and section 9 of the CST Act, industrial units availing the benefit of exemption from tax, *inter alia*, under the Rajasthan Sales Tax/the Central Sales Tax Exemption Scheme for Industries (Incentive Scheme), 1998 were allowed to defer the payment of tax payable by them to the extent mentioned thereunder. Besides, as per section 17 of the RVAT the term “tax-payable” by a dealer is the amount of tax leviable under the Act less the amount of input tax credit.

2.13.1.1 On scrutiny of the assessment records of Commercial Taxes Office, Circle-A, Bhiwadi for the period 2008-09, we noticed (January 2010) that in case of an unit, allowed deferment under Incentive Scheme, 1998, the tax payable during the year 2006-07 was ‘nil’ after deduction of input tax credit of ₹ 2.77 crore from the tax

leviable ₹ 2.38 crore. However, despite tax-payable being nil by the unit during 2006-07, the assessing authority incorrectly allowed deferment of payment of tax of ₹ 1.15 crore. (VAT: ₹ 21.45 lakh and CST: ₹ 93.17 lakh) in contravention of aforesaid provisions. This resulted in undue benefit to the assessee.

We pointed out the omission to the Department (February 2010) and reported to the Government (April 2010); their replies are awaited (October 2010).

2.13.1.2 On scrutiny of the assessment records of the Assistant Commissioner, Special Circle-II, Jodhpur for the period 2008-09, we observed (February 2009) that unit-II of a dealer allowed exemption under Incentive Scheme, 1998. Deferment for tax-liability (60 *per cent* from 1.4.2006 to 12.6.2006 and 50 *per cent* from 13.6.2006 to 31.3.2007) was granted on 5.9.2006 to unit-II at the option of dealer. We observed that in case of unit-II, proportionate amount of input tax credit of ₹ 24.56 lakh was not deducted from the tax ₹ 39.20 lakh

payable under the RVAT during 2006-07. Based on the amount of tax payable, the actual allowance of deferment of tax worked out to ₹ 7.60 lakh. While finalising the assessment in January 2009, the assessing authority, allowed deferment of tax ₹ 20.36 lakh instead of ₹ 7.60 lakh. This resulted in grant of excess allowance of deferment of tax ₹ 12.76 lakh, besides interest of ₹ 5.10 lakh.

We pointed out the omission to the Department (March 2010) and reported to the Government (April 2010); their replies are awaited (October 2010).

2.13.2 Incorrect exemption from tax to an existing mini cement plant

By issue of notification dated 11.7.2006, the State Government notified the Compounded Levy Scheme for Mini Cement Plants, 2006. Under this Scheme, the registered dealers having mini cement plants were permitted to opt for compounding of their tax liability. The existing mini cement plants opting for this scheme should submit an application to the Assessing Authority within a period of 30 days from the publication of this notification or before the expiry of another 30 days from the stipulated period with a penalty of 50 *per cent* of the annual composition amount. There was no provision in the Scheme for entertaining the application for composition after the expiry of 60 days (*i.e.* after 8.9.2006) from the publication of notification *ibid.*

Existing mini cement plant (200 Ton per day production capacity) means any plant that has been set up and is in production at any time up to effective date of the scheme.

During scrutiny of the assessment records of the Commercial Taxes Office, Special Circle-VII, Jaipur (now Special Circle-VI, Jaipur) for the period 2008-09, we observed (January 2010) that an owner of an existing mini cement plant of 200 ton per day production capacity, opted for this scheme, and submitted an application on 29.9.2006, after stipulated period of 60 days (*i.e.* after 8.9.2006) for issue of composition certificate for the period October 2006 to March 2007.

The assessing authority, despite having no power for entertaining an application after the due date, entertained the application and issued composition certificate irregularly. Accordingly, the dealer deposited compound levy of ₹ 9.60 lakh on sale of cement valuing ₹ 5.24 crore instead of tax (at the rate of 12.5 *per cent*) amounting to ₹ 65.45 lakh. This resulted in short levy of tax of ₹ 55.85 lakh during the period from October 2006 to March 2007. Besides, interest of ₹ 21.78 lakh was also leviable.

After we pointed out, the Government stated (August 2010) that a demand of ₹ 78.94 lakh had been raised. Report on recovery is awaited (October 2010).

2.13.3 Incorrect grant of composition of tax *in lieu* of tax liability

Vide notification dated 6.5.2006, the State Government notified the 'Composition Scheme for *Saraffa* dealers, 2006' allowing such dealers to opt for composition amount *in lieu* of their tax liability in respect of their sales, subject to compliance of certain conditions specified therein. In case, the dealer violates any of the conditions of the scheme, the assessing authority may cancel the composition certificate under clause 7.6 of the scheme and in that case the dealer shall be liable for action under the provisions of the RVAT, and rules made thereunder.

During audit of the assessment records of the Assistant Commissioner, Circle-B, Jaipur for the period 2008-09, we observed that no system was in vogue for monitoring the compliance of the provisions of the composition scheme. Out of eight cases of *saraffa*¹ dealers test-checked (March 2010), we observed that in all the cases the AA failed to issue composition certificates as per clause 5.2, and the dealers did not file their turnover details within 60 days from the closure of the relevant

year as per clause 6.0. All these dealers, further, failed to deposit the composition amount within the specified period and four *Saraffa* dealers did not even submit applications for opting of this scheme under clause 5.1.

Despite non-compliance of the mandatory conditions specified in the scheme by the dealers, the AA failed to take action against these dealers under clause 7.6 of the scheme for assessing them as normal assessee under RVAT and realise the differential amount of tax. This resulted in incorrect grant of composition of tax and non-levy of differential amount of tax of ₹ 43.15 lakh, besides interest of ₹ 17.26 lakh.

We pointed out the omission to the Department and reported to the Government (April 2010); their replies are awaited (October 2010).

¹ The dealer who deals in all kinds of jewellery, ornaments and articles made of gold, silver and other precious metals and alloys thereof with or without precious or semi-precious stones including diamonds.

CHAPTER-III: TAXES ON MOTOR VEHICLES

3.1 Tax administration

The Transport Department is responsible for registration of vehicles, grant of permits and licences for vehicles and exercises control over vehicles plying in the State. The Department also issues licences to drivers, conductors and traders and fitness certificate of vehicles. Levy and collection of taxes, fees and penalties under the provisions of the Motor Vehicles Act, 1988, the Central Motor Vehicles Rules, 1989, the Rajasthan Motor Vehicles Taxation Act (RMVT Act), 1951, the Rajasthan Motor Vehicles Taxation Rules, 1951 and the Rajasthan Motor Vehicles Rules, 1990 are other responsibilities of the Department. Work relating to registration and fitness of vehicles, grant of licences, collection of taxes, fees, penalties *etc.* has been computerised in the Department.

The Transport Department is headed by Transport Commissioner who is assisted by three Additional Commissioners and seven Deputy Commissioners at headquarter level. The entire State is divided into 11 regions, headed by Regional Transport Officers cum *ex-officio* Member Regional Transport Authority. Besides, there are 37 vehicles registration cum taxation offices headed by District Transport Officers.

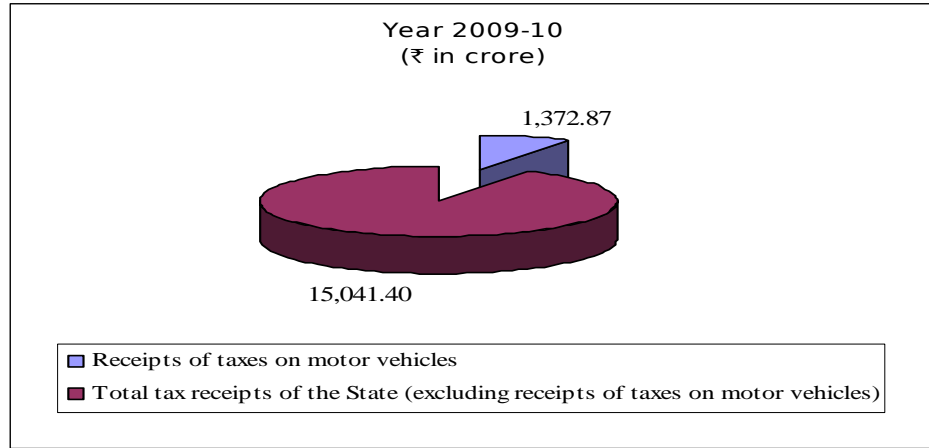
3.2 Trend of receipts

Receipts of taxes on motor vehicles during the years from 2005-06 to 2009-10 along with the total tax receipts of the State have been exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Receipts of taxes on motor vehicles	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	880.00	908.18	(+) 28.18	(+) 3.20	9,880.23	9.19
2006-07	950.00	1,023.61	(+) 73.61	(+) 7.74	11,608.24	8.82
2007-08	1,075.00	1,164.40	(+) 89.40	(+) 8.32	13,274.73	8.77
2008-09	1,200.00	1,213.56	(+) 13.56	(+) 1.13	14,943.75	8.12
2009-10	1,300.00	1,372.87	(+) 72.87	(+) 5.61	16,414.27	8.36

Receipts of taxes on motor vehicles during the year 2009-10 along with total tax receipts of the State (excluding receipts of taxes on motor vehicles) is shown in the following pie chart:



Though in actual terms, receipts of taxes on motor vehicles registered marginal increase every year but the percentage of receipts of taxes on motor vehicles as compared to total tax receipts of the State is decreasing every year in comparison to the year 2005-06. By the year 2009-10, these receipts accounted for 8.36 per cent of total tax receipts of the State.

3.3 Cost of collection

The gross collection of the revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period from 2005-06 to 2009-10 alongwith the relevant all India average percentage of expenditure on collection to gross collection for same period are as follows:

(₹ in crore)

Sl. no.	Year	Gross collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of expenditure
1.	2005-06	908.18	13.67	1.51	2.67
2.	2006-07	1,023.61	15.56	1.52	2.47
3.	2007-08	1,164.40	17.44	1.50	2.58
4.	2008-09	1,213.56	29.25	2.41	2.93
5.	2009-10	1,372.87	27.04	1.97	NA

Increase in expenditure on collection of revenue during the year 2008-09 was due to increase in salary of staff on account of implementation of recommendations of sixth central pay commission in the State.

The percentage of expenditure on collection of taxes on motor vehicles to gross collection was always on lower side in comparison to all India average percentage.

3.4 Impact of audit reports

We, through our audit reports had pointed out cases of non/short levy, non/short realisation, underassessment/loss of revenue, application of incorrect rate of tax, incorrect computation of tax *etc.* with revenue implication of ₹ 107.03 crore in 33 paragraphs during the last five years. Of these, the Department/Government had accepted audit observations in 30 paragraphs involving ₹ 55.87 crore and had since recovered ₹ 19.36 crore in 29 paragraphs (September 2010) as shown in the following table:

(₹ in crore)

Year of Audit Reports	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount	Number	Amount
2004-05	8	7.83	6	2.82	6	0.91
2005-06	6	19.07	6	5.65	6	2.01
2006-07	6	7.23	6	5.92	6	2.27
2007-08	10	25.15	10	21.50	10	13.60
2008-09	3	47.75	2	19.98	1	0.57
Total	33	107.03	30	55.87	29	19.36

These audit paragraphs required recovery from large number of vehicles. The Department has to recover the objected amount from owners of each such vehicle.

The Government may issue instructions to the Department to recover the amount involved in the audit paragraphs on priority.

3.5 Working of Internal Audit Wing

Internal Audit Wing is headed by Financial Advisor and assisted by one Sr. Accounts Officer and two Accounts Officers. Five internal audit parties are working in the Department each headed by Assistant Accounts Officer. The position of last five years of internal audit was as under:

Year	Pending units	Units due for audit during the year	Total units due for audit	Units audited during the year	Units remained unaudited	Shortfall in per cent
2005-06	14	77	91	91	-	-
2006-07	0	77	77	77	-	-
2007-08	0	79	79	75	4	5
2008-09	4	79	83	67	16	19
2009-10	16	79	95	89	6	6

There was a shortfall in conducting internal audit ranging between 5 to 19 *per cent* in the years 2007-08 to 2009-10.

We further noticed that Department had not made serious efforts to settle the 10,508 paragraphs of 1,236 inspection reports for the years upto 2008-09

which were outstanding at the end of 2009-10. Year-wise break up of outstanding paragraphs of internal audit reports is as under:

Year	1991-92 to 2004-05	2005-06	2006-07	2007-08	2008-09	Total
Paras	6,915	1,006	802	780	905	10,508

Paragraphs of internal audit reports were outstanding since 1991-92. Thus, the very purpose of internal audit was defeated.

Government may consider strengthening functioning of Internal Audit Wing in order to take appropriate measures for plugging the leakage of revenue and comply with the provisions of the Act. Appropriate instructions may also be issued to the Department for taking action on the reports of Internal Audit Wing.

3.6 Results of audit

During test-check of the records of 44 units relating to receipts of ₹ 1,213.56 crore, we noticed non/short recovery of tax and other irregularities involving ₹ 99.64 crore in 9,411 cases which fall under the following categories:

Sl. no.	Category	Number of cases	Amount (₹ in crore)
1.	Non/short recovery of tax, penalty, interest and compounding fees	9,290	99.42
2.	Non/short computation of motor vehicles tax/special road tax	9	0.02
3.	Other irregularities	112	0.20
Total		9,411	99.64

During the year 2009-10, the Department accepted underassessment and other deficiencies of ₹ 38.44 crore in 8,704 cases, of which 4,137 cases involving ₹ 11.04 crore were pointed out in audit during the year 2009-10 and the rest in earlier years. An amount of ₹ 1.84 crore was realised in 1,314 cases during the year 2009-10, out of which ₹ 1.34 crore in 772 cases pointed out in 2009-10 and rest of ₹ 0.50 crore in 542 cases in earlier years.

A few illustrative audit observations involving ₹ 15.02 crore are mentioned in the succeeding paragraphs.

3.7 Audit observations

During scrutiny of records in Transport Department, we noticed several cases of non-levy of tax, fee and penalty. Some of these omissions were pointed out in earlier years but not only the irregularities persist, these remain undetected till an audit is conducted. These cases are illustrative and are based on a test check carried out by us. There is need to improve the internal control system including strengthening of internal audit.

3.8 Non-compliance of provisions of the Acts/Rules

The provisions of RMVT Act and Rules provides for:-

- (i) Levy and collection of tax on all motor vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time;
- (ii) levy of tax where a vehicle is found plying after the surrender of RC and in addition levy of penalty equal to five times of the amount of tax in such cases; and
- (iii) levy of lump-sum tax on all transport vehicles at the rates prescribed and levy of penalty for default in payment.

During test check of records we noticed that departmental authorities did not observe some of the above provisions in cases as mentioned in paragraphs 3.8.1 to 3.8.4. This resulted in non-realisation of revenue of ₹ 15.02 crore.

3.8.1 Taxes on motor vehicles not realised

Under Section 4 of the RMVT Act, 1951 and the rules made thereunder, motor vehicles tax is to be levied and collected on all motor vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time. Further, under section 6 of the Act, *ibid*, penalty is also leviable on belated payment of tax.

During audit of records of 37 offices for the period 2008-09, we noticed (between May and March 2010) that motor vehicles tax and special road tax in respect of 6,409 vehicles for the period between April 2006 and March 2009 were not paid by the owners of these vehicles. There was nothing on record to show that the vehicles were off the road or were transferred to any other district/State. This resulted in non-realisation of tax amounting to

₹ 13.94 crore as mentioned below. Besides, penalty is also leviable till date of actual payment of tax.

(₹ in crore)

Sl. no.	Category of vehicles	No. of vehicles	Period of tax	Amount of tax	Name of offices
1.	Goods vehicles	2,360	April 2006 to March 2009	3.40	Regional Transport Offices (RTOs) Alwar, Bikaner, Dausa, Jodhpur, Kota, Pali, Sikar and Udaipur; District Transport Offices (DTOs) Barmer, Beawar, Bharatpur, Bhilwara, Bundi, Churu, Deedwana, Dholpur, Dungarpur, Hanumangarh, Jaipur (goods vehicles), Jhalawar, Jhunjhunu, Karauli, Kotputli, Nagaur, Pratapgarh, Rajsamand, Sawaimadhapur, Sirohi, Sriganganagar and Tonk.
2.	Contract carriages (seating capacity upto 13 persons excluding driver)	2,253	April 2006 to March 2009	3.33	RTOs Alwar, Bikaner, Chittorgarh, Dausa, Jodhpur, Kota, Pali, Sikar and Udaipur; DTOs, Banswara, Baran, Barmer, Beawar, Bharatpur, Bhilwara, Bundi, Churu, Dungarpur, Jaipur (contract carriage), Jaisalmer, Jhalawar, Jhunjhunu, Karauli, Kotputli, Nagaur, Rajsamand, Sawaimadhapur, Sriganganagar and Tonk.
3.	Contract carriages (seating capacity more than 13 persons excluding driver)	206	April 2008 to March 2009	2.42	RTOs Ajmer, Bikaner, Chittorgarh, Jodhpur, Kota, Sikar and Udaipur; DTOs, Dungarpur, Jaipur (contract carriage), Jhunjhunu and Pratapgarh.
4.	Stage carriages	513	April 2008 to March 2009	1.78	RTOs Ajmer, Alwar, Bikaner, Jodhpur, Sikar and Udaipur; DTOs Barmer, Bhilwara, Churu, Deedwana, Jaipur (stage carriages), Jhunjhunu, Nagaur and Pratapgarh.
5.	Articulated goods vehicles	561	April 2006 to March 2009	1.49	RTOs Ajmer, Bikaner, Chittorgarh, Jodhpur, Sikar and Udaipur; DTOs Beawar, Bhilwara, Deedwana, Jaipur (goods vehicles), Kotputli, Nagaur, Rajsamand and Sirohi.
6.	Passenger vehicles kept without permits	98	April 2008 to March 2009	0.67	RTOs Alwar, Jodhpur and Kota, DTOs Bhilwara, Churu, Jaipur (stage carriage) and Kotputli
7.	Dumpers/ tippers	418	April 2006 to March 2009	0.85	RTOs Bikaner, Chittorgarh, Kota and Udaipur; DTOs Baran, Barmer, Bhilwara, Bundi, Jaisalmer, Jhunjhunu, Nagaur and Rajsamand.
Total		6,409		13.94	

In terms of provisions of paragraph 5.7.10 of Departmental Manual, the Department is required to issue demand notice in cases of vehicles where the tax has not been deposited/short deposited. Such demand notices were required to be entered in Demand & Collection Register. Further, in cases of vehicles where tax has not been paid, the list of such vehicles with route details along with tax due is required to be intimated to the enforcement branch for their recovery. Furthermore, in respect of vehicles where current/arrears of tax has not been deposited and these vehicles are not in use,

the action to recover the arrears from the movable/immovable property of vehicle owner is required to be taken. We observed that the taxation officers did not initiate action to levy and realise the tax due.

After we pointed out, the Government stated (October 2010) that in respect of 1,426 vehicles, an amount of ₹ 2.76 crore had been recovered and in respect of 82 vehicles, ₹ 20.28 lakh were not recoverable due to issue of no objection certificates, cancellation of registration certificates, change of registration, re-registration of vehicles, surrender of registration certificates, rebate in tax for the period of election duty *etc.* However, the records produced at the time of audit did not reflect the stated position. The Department was required to maintain proper records for effective monitoring and put in place a control mechanism to ensure compliance of prescribed procedures. Further the arrears of tax are recoverable as arrears of land revenue. The report on action taken in the remaining cases is awaited (October 2010).

3.8.2 Non-recovery of special road tax from vehicles plying during the period of surrender of registration certificates

Under the RMVT Act, 1951 and the rules made thereunder, vehicles are not liable to pay tax for the period during which their registration certificates (RC) are surrendered to the Transport Department. However, where a vehicle is found plying after the surrender of RC, the tax on such vehicle shall be payable for entire period of surrender along with a penalty equal to five times the amount of tax.

On cross verification of the records between May 2009 and November 2009 relating to surrender of RC in the five offices¹ with returns/records maintained by Rajasthan State Road Transport Corporation for the years 2007-08 and 2008-09, we found that 25 stage carriage vehicles of Rajasthan State Road Transport Corporation plied during the period of surrender of RC. The Department does not have a system to check the vehicles plying after surrender of

RC. This resulted in non-realisation of special road tax amounting to ₹ 10.55 lakh and penalty amounting to ₹ 52.75 lakh aggregating to ₹ 63.30 lakh.

After we pointed out the cases, the Department stated (July 2010) that action was being taken for recovery.

We reported the matter to the Government (April 2010); their reply is awaited (October 2010).

¹ RTOs Ajmer, Alwar and Chittorgarh; DTOs Jalore and Karauli.

3.8.3 One time tax in respect of construction equipment vehicles not realised

By issue of notification dated 27.3.2006 under section 4(1) (b) of the RMVT Act, 1951, the State Government prescribed the rates of one time tax to be levied on all construction equipment vehicles (non transport vehicles). In terms of these orders in respect of already registered vehicles, one time tax would also be payable at prescribed rates.

During audit of records of four offices² for the year 2008-09, we noticed (between May 2009 and January 2010) that one time tax in respect of 34 already registered construction equipment vehicles was not paid by the owners of these vehicles. The taxation officers did not initiate any action to realise the amount

of tax due. This resulted in non-realisation of one time tax amounting to ₹ 28.97 lakh.

After we pointed out the cases, the Government stated (October 2010) that in respect of nine vehicles, an amount of ₹ 5.58 lakh had been recovered. The report on action taken in the remaining cases is awaited (October 2010).

3.8.4 Outstanding instalments of lump-sum tax not recovered

Under section 4-C of the RMVT Act, 1951 and notifications issued thereunder from time to time, a lump-sum tax on all transport vehicles was to be levied at the rates prescribed by the State Government from time to time. The lump-sum tax could be paid in full or in three equal instalments within a period of one year. Further, under section 6 of the Act, penalty was leviable on late payment of tax.

During audit of records of two offices³ for the years 2008-09, we noticed (between October 2009 and January 2010) that in respect of 80 transport vehicles, in which option of payment of lump-sum tax in three equal instalments was given between March 2006 and November 2008, the owners of these vehicles paid the first instalment but failed to pay the remaining one or two instalments. The taxation officers did not initiate any action to realise the

amount of tax due. This resulted in non-realisation of lump-sum tax amounting to ₹ 15.67 lakh. Besides, penalty was also leviable till the date of payment of tax.

After we pointed out the cases, the Government stated (October 2010) that in respect of 38 vehicles, an amount of ₹ 8.90 lakh had been recovered. The report on action taken in the remaining cases is awaited (October 2010).

² RTOs Ajmer and Kota; DTOs Bhilwara and Dungarpur.

³ RTO Sikar; DTO Bhilwara.

CHAPTER-IV: LAND REVENUE

4.1 Tax administration

The assessment and collection of land revenue is governed under the Rajasthan Land Revenue Act, 1956 and the rules made thereunder. Land revenue mainly comprises of rent on land, lease rent, premium, conversion charges payable on use of agricultural land for other purpose, receipts from sales of Government land *etc.*

The administrative power of the Department is vested in the Revenue Department in the Government. The overall control relating to revenue matters vests with the Board of Revenue.

4.2 Impact of audit reports

During the last five years upto 2008-09, audit through its audit reports had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemptions, application of incorrect rate of tax, incorrect computation *etc.*, with revenue implication of ₹ 295.60 crore in 12 paragraphs. Of these, the Department/Government had accepted audit observations in 12 paragraphs involving ₹ 170.28 crore and had since recovered ₹ 82.76 crore. The details are shown in the following table:

(₹ in crore)

Year of audit	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount	Number	Amount
2004-05	4	3.17	4	1.75	2	0.61
2005-06	2	29.98	2	28.66	1	14.84
2006-07	1	22.14	1	22.14	-	-
2007-08	4	239.19	4	116.60	2	66.18
2008-09	1	1.13	1	1.13	1	1.13
Total	12	295.60	12	170.28	6	82.76

The Government should make efforts for early recovery of balance amount pointed out in the audit reports.

4.3 Working of Internal Audit Wing

There are 15 internal audit parties, each consisting of three members, which conduct audit of 570 offices on annual basis. The position of number of units, planned for audit, actually audited and remained in arrears during the years from 2005-06 to 2009-10 was as follows:

Year	No. of units	No. of units planned for audit	No. of units actually audited	No. of units in arrear	Percentage of units in arrear
2005-06	567	567	541	26	5
2006-07	567	567	486	81	14
2007-08	567	557	502	55	10
2008-09	570	532	436	96	18
2009-10	570	468	398	70	15

During the years 2008-09 and 2009-10, the pendency of internal audit was 18 and 15 *per cent* respectively and was attributed to general elections held during the period. Criteria of selection of units for internal audit was not intimated to audit.

4.4 Results of audit

During test-check of the records of the 118 units of Land Revenue Department conducted during the year 2009-10, we noticed non-recovery and loss of revenue *etc.* amounting to ₹ 369.56 crore in 4,391 cases. A performance audit review **Allotment/Sale of Land and Recovery of conversion charges** was also conducted which has revenue implications of ₹ 179.32 crore. Details are as under:

Sl.no.	Category	Number of cases	Amount (₹ in crore)
1.	Allotment/Sale of Land and Recovery of conversion charges (A review)	1	179.32
2.	Non-recovery of price of command/uncommand/custodian/ceiling land <i>etc.</i>	2,775	102.56
3.	Non-recovery of premium and rent from Central/State Government departments/undertakings	225	58.13
4.	Non-recovery of conversion charges from 'Khatedars'	251	3.61
5.	Non-regularisation of cases of trespassers on Government land	145	2.20
6.	Other irregularities	994	23.74
Total		4,391	369.56

During the year 2009-10, the Department accepted underassessment and other deficiencies of ₹ 7.89 crore in 920 cases, of which 52 cases involving ₹ 73.74 lakh were pointed out in audit during the year 2009-10 and the rest in earlier years. The Department recovered ₹ 4.32 crore in 703 cases during the year 2009-10, of which 29 cases involving ₹ 51.64 lakh related to the year 2009-10 and the rest to the earlier years.

During test-check of the records of Land Revenue Department, we observed non/short levy/recovery of demand of revenue as mentioned in the succeeding paragraphs of this chapter. Some omissions were pointed out in earlier years but not only did the irregularities persist, these remain undetected till an audit is conducted. These cases are illustrative and are based on a test-check carried out by us. There is need for the Government to improve the internal control system including strengthening of internal audit in order to avoid recurrence of such cases.

A few illustrative cases involving ₹69.13 lakh and a performance audit review on “Allotment/Sale of Land and Recovery of conversion charges” with financial impact of ₹179.32 crore are mentioned in the following paragraphs.

4.5 Performance Audit on Allotment/Sale of Land and Recovery of conversion charges

Highlights

- Due to absence of an appropriate institutional mechanism, Government remained unaware of encroachment on land, its utilisation and need of land reforms to augment State revenue. The revenue collection decreased in 2009-10 due to lack of any concerted efforts to mobilize land resources and lack of effective control systems to ensure prompt receipt of conversion charges.

(Paragraph 4.5.8.1)

- Settlement operations were not undertaken for 18 to 55 years after becoming due, resulting in non-mapping of land and non-revision of land rent.

(Paragraph 4.5.8.2)

- The Department did not resume land valuing ₹ 64.19 crore in eight cases though it was not used for the allotted purpose for more than 49 years.

(Paragraph 4.5.9.2)

- The Jaipur Development Authority and Urban Improvement Trust, Bikaner did not deposit Government's share amounting to ₹ 7.91 crore of sale proceeds of land.

(Paragraph 4.5.10.1)

- Short assessment of cost of land by ₹ 255.60 crore resulted in loss of ₹ 51.12 crore in terms of Government share.

(Paragraph 4.5.10.3)

- Cost of land and conversion charges were either not recovered or recovered at incorrect rates from Central Government departments resulting in non/short recovery of ₹ 62.11 crore.

(Paragraph 4.5.14)

- In violation of guidelines prescribed by Board of Revenue, daily and fortnightly backups were not taken in compact disc.

(Paragraph 4.5.21.7)

- There was delay in preparation of *jamabandies* and updating mutations in 39 villages of 8 tehsils.

(Paragraph 4.5.21.11)

- The entire amount of ₹ 5.31 crore for scanning and digitization of *Khasra* maps provided by the Central Government could not be utilised due to lack of planning.

(Paragraph 4.5.21.12)

- A reliable system of maintenance of land records and generation of records is not available even after incurring expenditure of ₹ 30.49 crore up to March 2008 on computerisation of land records.

(Paragraph 4.5.23)

4.5.1 Introduction

Inter-relationship of people and land has been fundamental progress of civilisation. Effective and efficient use of land, being a scarce and a limited resource, leads to economic development of any society. Recognising that land is a source of wealth lies at the heart of effective public administration. Land Revenue policies need to be directed for this objective. Main components of land revenue are rent on land, lease rent, premium, conversion charges and sale proceeds of Government land.

The assessment and collection of land revenue on allotment /sale of land, levy and receipt of conversion charges for change in use of land is governed under the Rajasthan Land Revenue (RLR) Act, 1956 and the rules made thereunder. Rajasthan Tenancy Act, 1955 describes types of tenancy and rights and obligations of land holders *etc.*

4.5.2 Organisational set up

The powers of administrative department are vested in the Revenue Department in the Government. The overall control relating to revenue related judicial matters along with supervision and monitoring over revenue officers vests with the Board of Revenue (BOR). The BOR is assisted by 33 Collectors at district level, 191 Sub-Divisional Officers (SDOs) at sub-division level and 244 Tehsildars at tehsil level in all matters relating to assessment and collection of land revenue. BOR is also the State level implementing authority for computerisation of land records in Rajasthan.

4.5.3 Scope of audit

We reviewed the records of 10 out of 33 offices of the District Collectors along with tehsils and other concerned offices besides the BOR covering the period from 2004-05 to 2008-09 during the period from December 2009 to July 2010. Selection of districts was made on the basis of Probability Proportional to Size with Replacement method of sampling. Records relating to assessment and collection of conversion charges and lease rent of selected Urban Local Bodies (ULBs) were also scrutinised.

Further, to ascertain the adequacy and effectiveness of computerisation of land records, review was also conducted at BOR and in 14 tehsils¹, selected from all the seven divisions of the State keeping in view the guidelines issued by the Government of India, provisions of RLR Act and rules made thereunder.

¹ Alwar, Bayana, Bhilwara, Chaksu, Chittorgarh, Churu, Dausa, Jaipur, Jaisalmer, Jodhpur, Kishangarh, Nasirabad, Ramganjmandi and Tonk.

4.5.4 Audit objectives

Review was conducted with a view to:

- examine whether resumption of land was done as per provisions of rules;
- examine whether lease rent, premium, cost of land and conversion charges together with interest *etc.* were properly assessed and collected in time and remitted to Government account;
- analyse reasons for uncollected revenue;
- evaluate effectiveness of internal control mechanism for sale of land and recovery of conversion charges; and
- to ascertain the benefits of Centrally Sponsored Scheme “Computerisation of Land Records” for effective land administration, planning and empowering the people with the right to information

4.5.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of Revenue Department in providing necessary information and records for audit. An entry conference was held in January 2010 to explain the audit objectives and methodology. The audit findings were reported to Government in August 2010. An exit conference was held on 7 November 2010 with the Principal Secretary, Revenue Department to discuss major audit findings.

4.5.6 Trend of revenue

The budget estimates, revised estimates and actual revenue realised by the Department during the years 2004-05 to 2009-10 were as under:

(₹ in crore)

Year	Budget estimates	Revised estimates	Land revenue collected	Percentage of variation between BEs and collection	Percentage of variation between REs and collection
2004-05	100.08	70.08	68.86	(-) 31.19	(-) 1.74
2005-06	92.08	99.05	84.30	(-) 8.45	(-) 14.89
2006-07	110.05	90.05	116.71	(+) 6.06	(+) 29.61
2007-08	100.05	122.06	155.29	(+) 55.21	(+) 27.22
2008-09	212.05	145.01	162.52	(-) 23.36	(+) 12.08
2009-10	250.06	160.16	147.66	(-) 40.95	(-) 7.80

The above table indicates that budget preparation has not been undertaken with due diligence and estimates were not supported with realistic data. The

revenue estimation remained unrealistic even at revised estimates stage except for the year 2004-05 and 2009-10 as variation between the revised estimate and actual collection ranged between (-) 15 per cent (2005-06) to (+) 30 per cent (2006-07). We noticed abnormal increases in revenue collection during 2006-07 which was due to more amount received from Urban Local Bodies (ULBs) on account of charges for change of land use from agricultural to *abadi* purpose. Lower rate of increase in collection during 2008-09 as compared to earlier years was due to State Legislative Assembly election and stay on recovery. Fall of revenue during 2009-10 was mainly due to less receipt on account of conversion charges from Urban Development Department (UDD) and sale of land.

4.5.7 Position of arrears

As per information supplied by the BOR, land revenue amounting to ₹ 83.74 crore was outstanding as on 31 March 2009 as detailed below:

Year	Amount in arrear (₹ in crore)
Prior to 2004-05	12.97
2004-05	3.01
2005-06	1.70
2006-07	40.05
2007-08	6.95
2008-09	19.06
Total	83.74

Scrutiny of arrears revealed that ₹ 12.97 crore were outstanding for more than five years. Accumulation of arrears showed a steady increase with ₹ 40.05 crore and ₹ 19.06 crore added during 2006-07 and 2008-09 respectively. Department intimated (October 2010) that arrears had increased due to stay granted by High Court in case of Railways, pendency of matter for free allotment of land for air port in Udaipur, election of State Legislative Assembly and stay on recovery as per orders of the Government during 2008-09.

Audit findings

System deficiency

4.5.8 Land management

4.5.8.1 Appropriate institutional arrangements

Land is a prized asset of any economy and State has an important role in its proper utilisation. In absence of an institutional mechanism of a department looking at land as an exclusive subject, Government remained unaware of many land related problems. Presently, the Revenue Department is responsible for making policies for this sector, among its other multifarious

responsibilities. Approach of Revenue Department is normally on regulation of land issues and revenue collection. The policy related issues like development of land as a resource, prospective planning and proper monitoring and control do not get sufficient attention. Lack of proper monitoring and concerted efforts to prevent misutilisation or encroachments on Government land is evident from cases noticed in our scrutiny. Use of waste land, improving land utilisation and other land reforms need to be emphasised for augmenting revenue of the State and boosting the economy.

We suggest creation of a separate Department of Land Resources to provide a focused approach to this sector.

4.5.8.2 Survey, record and settlement operations not undertaken

Survey operations are undertaken for mapping of land. Survey number and area of each unit is recorded in a register to aim at preparation of Record of Rights of individuals and State over the land holding. Settlement operations are undertaken for fixation of rent taking into account the soil classification and production potentiality of land. Settlement is to be undertaken every twenty years.

We noticed that settlement operations have not been undertaken in 97 tehsils out of 128 for 18 to 55 years though they were due. Only 31 tehsils are presently under settlement operations against the 128 tehsils. Details of settlement operations are as under:

Year	Total no. of tehsils	Position as on 31 March		
		Settlement operations completed	Under process of settlement operations	Settlement operations not undertaken
2004-05	241	94	38	109
2005-06	241	99	37	105
2006-07	241	107	37	97
2007-08	241	108	36	97
2008-09	243	114	32	97
2009-10	244	116	31	97

Non-undertaking of settlement operations resulted not only in non-mapping of land but also in non-revision of land rent.

*Jarib*² (Chain) of six different lengths are being used for measurement of land in the State. The maps prepared on different yardsticks resulted in lack of uniformity in measurement of land and calculating area of the land in hectare/acre *etc.*

Government may consider establishing effective monitoring system for conducting settlement operations and for adopting a uniform *jarib* for measurement of land.

² Jarib is a standard length iron chain used for measuring the land.

4.5.9 Non-resumption of Government land

Under the provisions of rules framed under RLR Act, 1956, all rights in land held by lessee under a lease are vested in the State. Land with mills/factories *etc.* may be retained by lessee up to a period mentioned in the lease deed. As per rule 7 and 8 of RLR (Industrial Areas Allotment) Rules, 1959, industries are to be set up within a period of two years on the land allotted for the purpose, failing which the land shall revert back to the Government. Further, land allotted for industrial purpose shall not be used for any other purpose.

We noticed that there is no system of periodical monitoring of utilisation of land held by owners of mills, factories *etc.* The department was unaware of the extent of utilisation/misutilisation of land held by them. This resulted in non-resumption of Government land as mentioned below:

4.5.9.1 Collector, Kota allotted Government land measuring 73.55 *bigha* to six industrial units for setting up of industries in village Bhimpura of tehsil Ladpura. Though the industries were not set-up despite lapse of 6 to 21 years, yet the land

valuing ₹ 97.09 lakh was not resumed by the Government.

4.5.9.2 From scrutiny of records of Collector, Tonk and Tehsildar, Malpura, we noticed that for setting up of a cotton ginning factory and dal and oil mills in the municipal area of Malpura, 32.15 *bigha* Government land was allotted (May 1946) to M/S Naveen Bharat Industries Ltd., Malpura on lease basis for a period of 35 years. The application for renewal of lease was rejected (May 1981) by the Collector because the land was not being used for more than 20 years for the allotted purpose. However, in compliance of orders dated 12 December 1991 of the Revenue Minister, the lease was renewed (December 1991) for 30 years commencing from May 1981. The mill is still lying closed and in ruined state but no action has been initiated for resumption of the land valuing ₹ 64.19 crore having potential for commercial use. Department intimated (October 2010) that matter is under consideration of the Government.

4.5.9.3 Collector, Bhilwara allotted Government land measuring 12,973 square yard in the year 1972 to Shri Krishna Cotton, Ginning and Processing Factory, Bhilwara for setting up of an industry. Collector ordered (20 August 1997) to resume the land due to closure of the factory. As there was no system of periodical monitoring in the Department for identification of industries lying closed, the case remained unattended. This resulted in non-resumption of Government land valuing ₹ 1.82 crore. Department intimated (October 2010) that matter is under consideration of High Court. The fact remains that Government has not effectively pursued the case to decide upon the unused Government land.

Government may consider prescribing a monitoring system to watch that land allotted is utilised for the intended purposes.

4.5.10 Non-receipt of share of sale proceeds of land

As per notification issued in December 2006, mutation would be filled up, sanctioned and entries in *jamabandi* made after depositing of 10 *per cent* and 20 *per cent* of sale proceeds of the Government land in Government account by the concerned Urban Improvement Trust (UIT) and Jaipur Development Authority (JDA) respectively. The notification was made effective from 1 April 2005.

Government share amounting to ₹ 2.25 crore and ₹ 5.66 crore was not deposited in Government account by the JDA and UIT, Bikaner respectively. Details of mutation entries were not provided by JDA. Due to lack of monitoring system, Government remained unaware of non-deposit of Government share of sale proceeds of land by ULBs. In addition, there was no provision for levy of interest on late deposit of Government share.

4.5.10.2 We also noticed that Collectors, Bikaner and Jodhpur allotted Government land measuring 2739.85 *bigha* for *abadi* purpose to UIT, Bikaner and UIT, Jodhpur (now Jodhpur Development Authority) for various schemes between April 2005 and August 2008. The land was not sold despite lapse of 21 to 62 months of allotment. Department intimated (October 2010) that suitable instructions are to be issued at the level of UDD. As there was no system of monitoring, the department could not take up the matter with concerned UITs for early disposal of the land.

As per Rajasthan Tourism Unit Policy 2007, minimum 50 *per cent* of commercial reserve price will be charged in case of land allotted for tourism unit. Reserve price was the base price for disposal of land through a process of competitive bidding.

4.5.10.3 We noticed that JDA allotted (January 2008) Government land measuring 300 acre (480 *bigha* or 12,14,400 square metre) in village Daulatpura, Kotda of tehsil Amer to the International Amusement and Infrastructure Pvt. Ltd., New Delhi for development of Amusement Park without process of inviting competitive bidding. The cost of land ₹ 48 crore was charged at District Level Committee (DLC) rate for agricultural land instead of ₹ 303.60 crore (50 *per cent* of ₹ 607.20 crore worked out as per reserve price of commercial land). This resulted in short levy of cost of land ₹ 255.60 crore. The omission led to loss of ₹ 51.12 crore in terms of Government share. In absence of a feedback mechanism, the Department remained unaware about the purpose of land sold by ULBs.

Government may consider establishing an effective monitoring system for recovery of sale proceeds of land, designing a time bound programme for

disposal of land and developing a mechanism for ascertaining and examining the purpose and cost of land sold by ULBs.

4.5.11 Non-recovery of revised cost of land from ULB/UITs

As per notification dated 8 March 2006, Collector may allot *Sawai Chack* (Government) land for *abadi* or any other purposes to ULBs after charging 40 per cent (Government share) of cost of land as per DLC rates. This notification was made effective from 1 April 2005.

Recovery of cost of land from local bodies

We noticed in eight collectorates³ that Government land measuring 7,977.38 *bigha* in 10 cases was allotted for *abadi* purpose but Government share of cost

of land was either not recovered or recovered at incorrect rates resulting in non/short recovery as detailed below:

4.5.11.1 Non-raising of revised demand/non-recovery of Government dues

In following cases, though the allotment was made prior to issue of notification dated 8 March 2006 *ibid* but as the notification was made applicable from 1.4.2005 the revised demand was to be raised. However, there was no record available whether the revised demand was raised by the respective collectors. The amount of 40 per cent Government share in cost of land allocated, worked out to ₹ 97.17 crore.

(₹ in lakh)

S. No.	Allotting authority and date of allotment	Area allotted (In bigha)	Government share (40 per cent of DLC rate)	Amount recovered	Amount not demanded/ not recovered	Further remarks
1	2	3	4	5	6	7
1	Collector, Jodhpur 15.4.2005	36.60	87.84	0.01	87.83	No reply furnished.
2.	Sub-Divisional Officer, Kaithun 25.6.2005	266.19	1834.54	0.55	1833.99	No reply furnished.
3.	Collector, Alwar 24.12.2007	207	2173.50	-	2173.50	Tehsildar confirmed (March 2010) that no demand raised and mutation made in favour of allottee.
4.	Collector, Rajsmand 5.4.2005	21.45	537.26	0.01	537.25	Recovery under process.

³ Alwar, Barmer, Bhilwara, Bikaner, Jaipur, Jodhpur, Kota and Rajsamand.

1	2	3	4	5	6	7
5.	Collector, Jaipur 21.9.2005	6091.64	4408.01	0.00	4408.01	Government had asked (24.11.2006) Commissioner, JDA for depositing 40 per cent of cost of land for which mutation had been opened in the name of JDA. Further progress is awaited.
6.	Collector, Bhilwara 25.8.2008	346.80	873.94	834.48	39.46	The allottee deposited the 40 per cent of DLC rate cost on 7.8.2008. However, the allotment letter was issued on 25.8.2008 and as the revised DLC rates came into effect from 19.8.2008, the cost should have been charged on revised DLC rates.
7.	Collector, Bikaner 17.1.2005	678.90	55.27	0.06	55.21	Demand of ₹ 27.78 lakh has been raised and the recovery is under progress. The demand of balance of ₹ 27.43 lakh has not been raised.
8.	Collector, Bikaner	97	581.59	0.00	581.59	The land was set apart on 26.3.2002 to for solid waste management and the mutation was opened on 1.10.2005. This indicates that land had come in possession of the allottee from 1.10.2005. Therefore, 40 per cent of DLC rate of land of ₹ 581.59 lakh was recoverable but not demanded.
Total					9716.84	

4.5.11.2 Recovery at incorrect rates

In the following two cases of Collector, Barmer, application of incorrect rate of DLC resulted in short recovery of amount of ₹ 9.68 lakh.

(₹ in lakh)

Sl. No.	Allotting authority and date of allotment	Area allotted (In bigha)	Government share (40 per cent of DLC rate)	Amount recovered	Amount not demanded /not recovered	Further remarks
1.	Collector, Barmer 6.7.2006	131.80	28.10	19.00	9.10	No reply received.
2.	Collector, Barmer 2.8.2006	100	2.31	1.73	0.58	No reply received.
Total					9.68	

4.5.12 Short deposit of conversion charges

In pursuance of Government instructions issued on 30 August 2001, 40 per cent of conversion charges as Government's share was to be remitted to Government account immediately after realisation by local body. Subsequently, the Government instructed (December 2004) that its share should be deposited by individuals directly in the Government account.

We noticed that though the full Government share of 40 per cent of conversion charges was not deposited by the individuals in the Government account, yet, orders for conversion were issued by the UIT, Jodhpur. Similarly, in Municipality, Barmer and in JDA, Government share of

conversion charges was unauthorisedly collected and not deposited in the Government account. Details are as under:

(₹ in lakh)

Sl. no.	Name of local body	Period	Leviable Government share (40 per cent)	Amount deposited	Amount less deposited
1.	UIT, Jodhpur (now Jodhpur Development Authority)	2006-09	1,175.82	906.87	268.95
Remark: ₹ 1763.74 lakh (60 per cent) was deposited by local body in its accounts. On this basis ₹ 1,175.82 lakh were to be deposited in Government account.					
2.	Municipality, Barmer	2007-09	42.30	-	42.30
3.	JDA, Jaipur	2008-09	17.39	-	17.39
Remark: Municipality, Barmer and JDA collected conversion charges amounting to ₹ 105.76 lakh and ₹ 43.48 lakh respectively but Government share was not deposited.					
Total					328.64

Lack of effective control mechanism resulted in non/short deposit of ₹ 3.29 crore in the Government account.

On being pointed out, Municipality, Barmer replied (April 2010) that Government share of conversion charges would be deposited in the Government account. Department also intimated (October 2010) that action for recovery will be taken soon.

Government may consider evolving an effective system to ensure levy and collection of conversion charges as per rules and their deposit to Government account.

4.5.13 Non-levy of interest on belated deposits of conversion charges

As per Government order (March 2007), interest at the rate of 12 per cent per annum was leviable on local body for late deposit of Government share (40 per cent) of conversion charges.

Despite Government orders for direct deposit of conversion charges by individuals in Government account and for levy of interest in cases of belated deposits, we found that ULBs continued to default on

prompt payment of conversion charges to Government. In three offices, Government's share of conversion charges was deposited late by the concerned local body, but Department failed to levy interest amounting to ₹ 14.43 lakh as shown below:

(₹ in lakh)

Sl. no.	Name of local body	Period	Government share of conversion charges	Range of delay (in months)	Recoverable amount of interest
1.	UIT, Bhilwara	April 2004 to September 2008	90.00	1 - 8	3.62
2.	Municipality, Barmer	April 2006 to March 2009	48.13	12 - 24	9.18
3.	UIT, Kota	April 2004 to March 2005 and February 2009 to March 2009	133.04	1 - 20	1.63
Total					14.43

Department intimated (October 2010) that action is being taken for recovery of interest in case of Municipality, Barmer.

Government may evolve a system to ensure recovery of interest in cases of late deposit of conversion charges by ULBs.

Compliance deficiency

4.5.14 Non/short recovery of cost of land from Central Government departments

As per circular dated 2 March 1987, cost of Government land, allotted to Central Government department and organisation in urban area and its periphery is to be charged as per residential rates prescribed for urban area. If allotment is made for commercial purpose, cost is to be charged at commercial rates. Further, if it is allotted in rural areas, cost of land prescribed for agricultural land and its capitalised value is to be charged. Conversion charges are also leviable at commercial rate in case of commercial utilisation.

In three collectorates⁴, we noticed that Government land measuring 3,258.20 *bigha* was allotted to four Central Government departments⁵, during May 2005 to February 2008 but cost of land and conversion charges were either not recovered as mentioned in the circular dated 2 March 1987 or recovered short due to application of incorrect rates resulting in non/short recovery of ₹ 62.11 crore as detailed below:

(₹ in crore)

Sl. No.	Allotting authority	Area allotted (In bigha)	Department /Purpose	Recoverable amount	Amount recovered	Amount not recovered/ short recovered	Further remarks
1.	Collector, Jodhpur	5.30	Railways Department/ Commercial	5.08	0.49	4.59	Reply not received.
2.	Collector, Jodhpur	692.50	Boarder Security Force/ Field firing range	10.39	0.00	10.39	Reply not received.
3.	Collector, Kota	107.10	Power Grid Corporation of India/ Residential & Commercial	54.83 (including conversion charges of 3.37 crore)	13.25	41.58	Reply not received.
4.	Collector, Barmer	2453.30	Defence Department	5.55	0.00	5.55	Department intimated that allotment of land will be cancelled, if amount is not deposited.

⁴ Barmer, Jodhpur and Kota.

⁵ Railway, Border Security Force, Power Grid Corporation of India and Defence.

4.5.15 Recovery of cost of land and development charges from industries

As per rules 3 and 3A of RLR (Industrial Areas Allotment) Rules, 1959, price of land equivalent to prevailing market price of the same class of agriculture land in vicinity and development charges at the rate of ₹ 100 per acre in town having population of 10,000 and less are to be charged in case of allotment of Government land for industrial purposes.

In two collectorates⁶, we noticed that Government land measuring 3,457.80 *bigha* was allotted for industrial purpose but cost of land and development charges were either not recovered or recovered short due to application of incorrect rates. This resulted in non/short

recovery of ₹ 1.98 crore. Department intimated (October 2010) that demand in the matter related to Rajsamand will be raised after verification.

Government may consider putting in place a monitoring mechanism to ensure that cost of land is recovered as per rules.

4.5.16 Non/Short recovery of premium from non-government institutions

As per clause 3(ii) (a), (b) and (c) of Condition for (Allotment of Unoccupied Government Agricultural Lands for the Construction of Schools, Colleges, Dispensaries, Dharmshalas and Other Buildings of Public Utility), 1963, (Condition, 1963) allotment of Government land up to prescribed limit to non-government institutions in a municipal boundary of a town or city and in rural area is to be made on premium equivalent to 75 per cent and 50 per cent respectively of market price of agricultural land to be determined according to the index price fixed for registration purposes. If land is allotted in excess of prescribed limit, premium for excess area is to be charged as per market price.

In seven cases pertaining to four collectorates⁷, we noticed that Government land measuring 312.62 *bigha* was allotted for various purposes under Condition, 1963 but premium was not recovered at prescribed rates resulting in non/short recovery of ₹ 4.95 crore. Department intimated (October 2010) that in one case

of Alwar and two cases

of Tonk, land was allotted as per sanctions issued (June 2005, January 2007 and July 2008) by the Government. In one case of Rajsamand and remaining one case of Tonk, amount objected had been recovered and in case of Jaipur, action for recovery is being taken. Department's reply on one case of Alwar and two cases of Tonk is not acceptable as the rates applied in these cases were not as per Condition, 1963.

Government may initiate effective steps to ensure that premium from non-government institutions is recovered at prescribed rates.

⁶ Jodhpur and Rajsamand.

⁷ Alwar, Jaipur, Rajsamand and Tonk.

4.5.17 Non-recovery/short recovery of conversion charges

4.5.17.1 Non-transfer of land to Tonk, Nagar Parisad

As per section 90 B of RLR Act read with section 80 A of the Rajasthan Municipalities Act, 1959, all lands placed at disposal of a Municipality after surrendering of rights and interest on land by the land holders shall be available for regularisation (conversion). Further, Government order (August 2001) provides that 40 per cent amount of conversion charges will be deposited as Government share by the concerned local body.

During April 2004 to August 2008, in 74 cases *khatedari* rights in agricultural land were surrendered to SDO, Tonk for conversion of land to non-agricultural purposes, but these cases were not transferred to Nagar Parisad, Tonk for conversion.

4.5.17.2 Assessment of conversion charges at incorrect rates

As per instructions issued (January 2000) by Urban Development Department (UDD), if land in approved plan of residential scheme is found in excess of land of *khatedar*, such excess land which had been included in approved plan will be treated as Government land. Regularisation charges per square yard will be levied by dividing the amount of cost of Government land plus regularisation charges of *khatedari* land with total area in square yard in the approved plan. These regularisation charges are also to be shared with Government.

During scrutiny of records of Jodhpur Development Authority, we found that *Khatedar* Bhanwar Lal and Ranjeet Singh, holders of the *khatedari* rights on land admeasuring 16.90 *bigha* and having unauthorised possession on Government land admeasuring 1.95 *bigha*, got the plan of residential scheme approved (February 2008) for 18.85 *bigha* in Mandore (Jodhpur) from Deputy Town Planner, Jodhpur. Individual lease deeds were also issued to

allottees by the UIT after depositing conversion charges at the rate of ₹ 45 per square yard instead of ₹ 356.10 per square yard arrived at as per above instructions, resulting in loss of conversion charges amounting to ₹ 62.43 lakh. The omission led to loss of ₹ 24.97 lakh in terms of Government share.

4.5.17.3 Short deposit of Government dues.

In pursuance of circular issued in September 2000 by UDD, charges of regularisation for change in land use from agriculture to residential purpose in peripheral belt area of the town were recoverable by concerned local body at the rate of ₹ 10 per square vard.

We observed (April 2010) that in tehsil Pachpadra of district Barmer, the Tehsildar irregularly converted (April 2007) agriculture land measuring

1,64,429 square yard in peripheral belt⁸ area of Municipality, Balotra in village Jasol for residential purposes in 94 cases under RLR (Conversion of Agricultural land for Non-Agricultural Purposes in Rural Areas) Rules, 1992. Regularisation charges amounting to ₹ 16.44 lakh in peripheral belt were recoverable in above cases involving Government share (40 per cent) ₹ 6.58 lakh, of which only ₹ 2.75 lakh had been deposited to Government. This resulted to short deposit of ₹ 3.83 lakh in terms of Government share. Department intimated (October 2010) that action will be taken soon.

4.5.17.4 Short recovery of conversion charges in rural areas

As per rule 7 of RLR (Conversion of agricultural land for non-agricultural purposes in rural areas) Rules, 2007, premium for conversion of agricultural land for non-agricultural purpose was to be charged as under:

Sl. no.	Purpose	Rate of premium per square metre
1.	Residential unit	₹ 5 per square metre or 5 per cent of DLC rate of agricultural land, whichever is higher.
2.	Residential colony/project	₹ 7.50 per square metre or 7.5 per cent of DLC rate of agricultural land, whichever is higher.
3.	Commercial	₹ 10 per square metre or 10 per cent of DLC rate of agricultural land, whichever is higher.
4.	Institutional	₹ 5 per square metre or 10 per cent of DLC rate of agricultural land, whichever is higher.

During scrutiny of records of six collectorates,⁹ we found that in 151 cases, orders were issued between April 2007 and June 2009 for conversion of agricultural land for non-agricultural purposes, but premium for conversion was charged short by ₹ 53.79 lakh. Department intimated (October 2010) that action for recovery will be taken soon.

4.5.18 Non-regularisation of unauthorised occupancy of land

According to Rule 13 A of RLR (Industrial Areas Allotment) Rules, 1959, any Government agricultural land which was used for industrial purpose without proper allotment up to 15 July 1994 was to be regularised on the payment of prevalent highest market price of land in the neighbourhood with an additional penalty equal to five times of the prevailing market price of land.

4.5.18.1 On scrutiny of information made available by District Industries Centre, Bhilwara, we found that 16 industries in village Pur of district Bhilwara, established during 1984 to 1993, were having unauthorised possession on land measuring 15,131 square metre. Government had not taken

⁸ Peripheral belt means the peripheral belt as indicated in the Master Plan or Master Development Plan of a city or a town.

⁹ Alwar, Barmer, Bikaner, Jaipur, Jodhpur and Sriganganagar.

action to either remove the encroachments or to regularise the unauthorised occupation despite passage of so many years

On being pointed out, the Department replied (February 2010 and October 2010) that action for regularisation is under consideration.

Rule 13 of RLR (Conversion of agricultural land for non- agricultural purpose in rural areas) Rules, 2007, provides that use of agricultural land for non- agricultural purpose without permission of prescribed authority may be regularised after depositing of penalty (four times of conversion charges) in addition to conversion charges payable under Rule 7 of rules *ibid*, by the person concerned.

4.5.18.2 As per information supplied by Tehsildar Chaksu, 24 *khatedars* had used agricultural land for industrial and residential purposes without obtaining permission of competent authority. No action was taken by the Department for regularisation of land. Department intimated (October 2010) that details are being received from Tehsildar.

Government may establish a system for periodical survey of unauthorised use of land and take appropriate action.

4.5.19 Short deposit of sale proceeds of land

Department of Industries, Government of Rajasthan declared (April 2000) 90 acre land of Instrumentation Limited, Kota (a Government company) as surplus and accorded sanction (August 2000) to transfer it to UIT, Kota for sale for residential and commercial purposes. As per letter (April 2009) of Patwari, Ramchandrapura, 32.65 hectare land was transferred to UIT Kota. The Government decided (October 2003) that sale proceed of land, after deducting administrative, municipal and development expenses was initially to be deposited in the Government revenue head and thereafter to be provided to Instrumentation Limited through budget provision for its revival.

We noticed that UIT, Kota had received ₹ 111.34 crore from sale of above land during 2003-04 to 2008-09, of which ₹ 69.55 crore had been deposited (December 2007) in Government account and ₹ 6.20 crore incurred on administrative and development works. Balance amount of ₹ 35.59 crore had not been deposited in (October 2010) Government account. The action taken to pursue the balance amount due was not available.

4.5.20 Non-verification of usage of land

Under the provisions of the RLR (Allotment of Waste Land for Bio-fuel Plantation and Bio-fuel based Industrial and Processing Unit) Rules, 2007, wasteland for bio-fuel plantation and bio-fuel based industries shall be allotted on *gair khatedari* and lease hold basis for a period of 20 years. If the 50 per cent land is not utilised for plantation within two years from the date of taking over possession by allottee and balance within next one year, the allotment shall be deemed to have been cancelled automatically.

Collector, Rajsamand allotted Government land measuring 2,806.50 hectare for bio-fuel plantation to 281 Self Help Groups between August and September 2007 for a period of 20 years. During audit, we could not confirm from the records of Collector that said land had been utilised

by Self Help Groups. Non-utilisation of land within specified period rendered the allotment liable for cancellation. Department intimated (October 2010) that survey in respect of allotted land is being conducted. Since there was no system of control mechanism to watch such cases, utilisation of land remained undetected for a period of more than two years.

4.5.21 Computerisation of land records

The Government of India (GOI) introduced a Centrally Sponsored Scheme “Computerisation of Land Records” (CLR) for effective land administration, planning and empowering the people with the right to information. The CLR project was initially started in Rajasthan in 1994-95 in Jaipur and Barmer districts, through a client server model application (*Apna Khata*) developed by NIC, Jaipur. Later on, the CLR was extended to all the 33 districts covering 244 tehsils and six additional tehsils¹⁰ of the State in 1996-97. All the tehsils were fully operationalised by end of March 2003 and the additional tehsils by end of June 2005.

4.5.21.1 Objectives of the scheme

The main objectives of the scheme are:

- to capture entire land records maintenance with a provision to store, retrieve and process land records data containing ownership, tenancy rights, crop details, land revenue, source of irrigation, mutation, its updation and dispute resolution;
- to distribute computerised copies of record of rights (ROR) called *jamabandi* on demand to the land owner with a provision of on-line mutation module for ownership changes, seasonal crop, updation *etc*; and
- to extend the scheme at sub-division, sub-tehsil/revenue circle level for easy accessibility for getting the computerised copies of ROR.

¹⁰ Additional tehsil is a subordinate office of the concerned tehsil.

Audit findings

4.5.21.2 Non-installation of physical access controls

The GOI guidelines provided for biometric devices for advance level of security instead of providing access control through passwords alone. We found that out of 14 tehsils test-checked, 13 tehsils were not using biometric devices except Jaisalmer. Biometric devices supplied during the year 2005 were lying idle. Non-using of biometric devices may result in misutilisation of land related data. Department intimated (October 2010) that Collectors of all districts had been directed to ensure the use of biometric devices.

Government may consider a periodical inspection to ensure proper and regular use of biometric devices.

4.5.21.3 Misuse of logical access controls

Segregation of duties of users helps in limiting the scope of authority of an individual and also reduces the risk of fraud as well as ensures accountability of the users.

In *Apna khata* system, the access to the system was controlled through three different levels of authority. We found in test-checked 14 tehsils that RPs (*Patwari*) were using the passwords of higher officials (Tehsildars) to modify and authorise the changes. Hence, there was a risk of manipulation of the

data by unauthorised officials/purpose. Department intimated (October 2010) that passwords of higher officials are used as per directions of Tehsildar when he remained on tour.

4.5.21.4 Deficiency in processing controls

There is no provision in the system to record the date of receipt of application for issue of ROR so as to compute the actual time taken in issue of ROR through computerised system. Further, while feeding the mutation and rotational *jamabandi*¹¹ search facility was not available in the system for searching the requisite record. Department intimated (October 2010) that *Apna khata* version 5.00 has been adopted and necessary provisions have been made.

4.5.21.5 Deficiency in input controls

We noticed that the rates of land revenue were not entered in 59,65,434 cases (99 per cent) out of 60,06,332 cases. In 50,115 (16 per cent) out of 3,04,056 accounts, mutation numbers were allowed to be entered wrongly in the column meant for names of persons relating to such mutations. Department intimated (October 2010) that provisions for the rates of land revenue has been made in *Apna khata* version 5.00.

4.5.21.6 Difference between manual and computerised record

On comparison of manual data and reports generated from the system, we noticed discrepancies with respect to total areas of tehsils. In all the tehsils test checked, the area as per data base was not matching with the total area as per

¹¹ Rotational *jamabandi* means a new *jamabandi* was to be prepared at the end of every fourth year and was to be finalised by succeeding 30 September.

manual records. The difference ranged from 326.40 to 4393.83 hectare. Department intimated (October 2010) that difference was due to non-receipt of records from Settlement Department. On comparison of manual *Jamabandies* (*Parat-Patwar*) with computerised *jamabandies* made on sample basis in 3 tehsils¹² we noticed discrepancies of incorrect and incomplete feeding of mutation data.

4.5.21.7 Backup of data

During test-check, we observed that in violation of guidelines prescribed by BOR, daily and fortnightly backups were not taken in compact disc. In respect of 18 villages of Nasirabad tehsil monthly data backups were not being sent to NIC since inception; and in Nasirabad tehsil, *jamabandi* of 2 villages (Ashapura and Lavera) were not fed completely (May 2010).

Government may consider to put in place a mechanism for off site backup of data to ensure that data is not lost and independently tested periodically for retrievability.

4.5.21.8 Lack of uninterrupted power supply

Despite frequent electricity block outs for several hours at tehsil levels, generator were not supplied by the BOR for continued operation of the system. Department intimated (October 2010) that inverters have been made available to all tehsils. Reply of department is not tenable as continuous supply of electricity could not be provided through inverters.

4.5.21.9 Security of IT Assets

Rule 12(1) of General Financial and Accounts Rules Volume 1 (Part-II) provides that annual physical verification of IT assets should be carried out to avoid the risk of pilferage and their misuse.

We observed that annual physical verification of IT assets in eleven tehsils¹³ was not done since beginning and in three tehsils¹⁴ the same was not conducted for the last four years. Department intimated (October 2010) that instructions have been issued to carry out the physical verification of the IT assets.

Government may ensure periodical physical verification of IT assets.

4.5.21.10 Non-achievement of intended objectives

Computerisation of land records at sub-tehsil levels, data entry of mutation on-line and issue of computerised ROR were among the main objectives of the scheme.

Audit observed that the scheme was not extended at sub-tehsil/revenue circle level; on-line mutation module for effective ownership changes, seasonal crop and updation work was yet to be developed; and manual RORs continued to be issued. As a result, intended objectives of the scheme

were yet to be achieved.

¹² Chaksu, Chittorgarh and Nasirabad.

¹³ Alwar, Bayana, Bhilwara, Chittorgarh, Churu, Dausa, Jaisalmer, Jodhpur, Nasirabad, Ramganjmandi and Tonk.

¹⁴ Chaksu, Jaipur and Kishangarh.

4.5.21.11 Delays in preparation of *jamabandies* and updating mutations

As per rule 154 of RLR (Land Records) Rules 1957, new *jamabandies* were to be prepared at the end of every fourth year and were to be finalised by succeeding 30th September.

Our scrutiny of records of 14 test-checked tehsils revealed that *jamabandies* of 39 villages of eight tehsils¹⁵ were not completed in the stipulated time. All the sanctioned mutation orders were to be fed

fortnightly. Scrutiny of records of the test checked tehsils indicated that 7,801 cases of mutation orders issued were fed in the computer system with substantial delay up to 56 months.

Government may consider to implement a system to avoid delay in preparation of *jamabandi* with accuracy and online updation of mutation orders so that computersied copies of records of rights may be distributed on demand to land holders.

4.5.21.12 Scanning and Digitization of *Khasra* Maps

We noticed that ₹ 40.50 lakh were paid to National Informatics Centre Services Inc., New Delhi (NICS) in 2007 as 90 *per cent* advance for scanning and digitisation of *khasra* maps of 1,624 villages, which were refunded by NICS in June 2008 as the detailed work specification was not finalised. It resulted in non-utilisation of entire amount of ₹ 5.31 crore provided by the Central Government for this purpose due to lack of planning. Department intimated (October 2010) that a plan for digitisation of *khasra* maps has now been made and under progress in Tonk district.

4.5.21.13 Diversion of fund

During audit we noticed that 51 laptops (five for Revenue Group, 32 for District Collectors and 14 for officers of BOR) and other computer hardware were procured by BOR in the years 2005-06 and 2006-07 incurring ₹ 97.45 lakh, which was not provided in the scheme.

4.5.21.14 Customers satisfaction

BOR has not taken up any impact assessment and feed back about the actual implementation of the scheme as required in GOI guidelines. Periodical monitoring and evaluation mechanism was not in place in respect of services delivered to assess the customers' satisfaction. Separate help desk to cater to the needs of general public was also not available in six¹⁶ out of the 14 Tehsils test-checked.

Government may put in place a system to obtain feedback from the customers periodically.

4.5.22 Internal control

At end of March 2009, 5,755 Internal Audit Reports having 17,449 paras were outstanding in absence of proper supportive environment for internal audit in

¹⁵ Bayana, Dausa, Jaipur, Jaisalmer, Kishangarh, Nasirabad, Ramganjmandi and Tonk.

¹⁶ Alwar, Bayana, Bhilwara, Jaipur, Nasirabad and Tonk.

the department. Department intimated (October 2010) that a special campaign will be launched to settle the outstanding paras.

4.5.23 Conclusion

Resumption of Government land was not affected where such land was not used for allotted purpose by the allottees. Non-undertaking of settlement operations resulted in non-mapping of land and revision of rent. Non-monitoring disposal of land transferred to ULBs for *abadi* purpose resulted in non realisation of State Government revenue in terms of Government's share of cost of land and sale proceeds. Effective action for recovery of conversion charges was not been taken. Internal control system was not adequate for ensuring better financial management by the department. Lack of effective control mechanism resulted in short/belated deposit of Government's share of conversion charges to Government account.

The computerisation of land records work had started in 1994-95 was still not completed. A reliable system of maintenance of land records and generation of records is not available even after incurring expenditure of ₹ 30.49 crore up to March 2008. The scheme is yet to reach a functional stage where the intended benefits of computerisation could be made available to the public at large or even to the Department. Thus, due to the delays in updation and absence of online mutation module, objectives of the scheme to distribute updated RORs to the citizens could not be achieved.

4.5.24 Summary of recommendations

Government may consider implementation of the following recommendations:

- *creation of a separate Department of Land Resources to provide a focused approach to land related matters;*
- *prescribing periodical monitoring system in the Department to assess the position of arrears correctly and ensure its speedy recovery;*
- *establishing effective monitoring system for conducting settlement operations and for adopting a uniform jarib for measurement of land;*
- *prescribing a provision for timely resumption of Government land not being used for allotted purpose;*
- *allotment of land to ULBs only after ascertaining its potentiality to sell;*
- *developing a mechanism for monitoring sale of Government land and early deposit of Government share of sale proceeds in Government account;*
- *evolving a periodical inspection for verification of Government's share of conversion charges;*
- *strengthening the internal control system for better financial management in the department;*

- *to put in place a reliable system of maintenance of land records to avail of the benefits of computerisation. Periodical back up of data may be ensured; and*
- *to implement a system to avoid delay in preparation of jamabandi with accuracy and on line updation of mutation orders so that computerised copies of records of rights may be distributed on demand to the land holders.*

4.6 Short levy of cost of land

According to clause 3 (ii) (a) of Condition for Allotment of Unoccupied Government Agricultural Lands for the Construction of Schools, Colleges, Dispensaries, Dharamshalas and other Buildings of Public Utility 1963, the allotment of land to non-government institutions shall be made on a premium as prescribed. If allotted land is situated within a municipal boundary of a town or city, premium shall be equivalent to 75 per cent of the market price of agricultural land to be determined according to the index price as fixed for the registration purposes

During scrutiny of the records of Tehsil Girva (Udaipur district), we found that a piece of unoccupied agriculture land admeasuring 5.245 hectare (24.267 bigha) in the village Badgaon (Category-D)¹⁷ was allotted to Veer Shiromani Maharana Pratap Samiti, Udaipur for establishing Pratap Gaurav Kendra vide Collector, Udaipur order dated 16.07.2007 at the rate of ₹ 1.25 lakh per bigha. The allotment of land was further revised vide order dated 25.10.2007 allotting one acre (1.872 bigha) land at 75 per cent of DLC rate i.e.

₹ 0.94 lakh per bigha and the balance land at the DLC rate of ₹ 1.25 lakh per bigha recovering an amount of ₹ 29.75 lakh.

We further noticed (September 2009) that the prevalent DLC rate at the time of allotment of land was ₹ 2.25 lakh per bigha for the above village of category-D and accordingly the cost of ₹ 53.54 lakh was recoverable. Application of incorrect rate resulted in short levy of cost of land amounting to ₹ 23.79 lakh.

After we pointed out, the Government stated (October 2010) that demand has been raised.

¹⁷ There are four categories of land namely Badgaon 'A', 'B', 'C' and 'D'. The DLC rates are different for all the four categories.

4.7 Non-recovery of conversion charges and interest

Government of Rajasthan (Urban Development Department) issued instructions in August 2001 that the regularisation/transfer/ conversion charges received by the local bodies for regularisation of use of agricultural land for non agricultural purposes were to be credited initially in the personal deposit account of local bodies and thereafter 40 *per cent* thereto was to be remitted to Government account immediately. Further, Government decided (March 2007) that interest at the rate of 12 *per cent* per annum would be leviable for delayed payment, in case government's share to the extent of 40 *per cent* was not deposited in time.

During test-check of the records of Tehsildar, Jaitaran (District Pali) we observed (June 2009) that Executive Officer, Municipality, Jaitaran collected ₹ 100.89 lakh on account of regularisation of use of agricultural land for non-agriculture purposes for the period from 2000-01 to 2008-09. Out of it ₹ 40.36 lakh i.e. 40 *per cent* were to be deposited by the Municipality in the Government account immediately. However, the Municipality deposited only ₹ 7.76 lakh and the balance amount of ₹ 32.60 lakh was

unauthorisedly kept by the Municipality, Jaitaran (September 2009). It also attracted interest of ₹ 12.74 lakh for the period from 1.9.2001 to 31.3.2009 on the balance amount of Government which was not deposited into Government account.

After this was pointed out (July 2009), the Department stated (June 2010) that amount will be recovered as and when financial condition of Municipality improves. The reply is not acceptable as there are no such provisions in the departmental instructions of August 2001.

We reported the matter to Government (July 2009); their reply is awaited (October 2010).

CHAPTER-V: STAMP DUTY AND REGISTRATION FEE

5.1 Tax administration

Receipts from Stamp Duty and Registration Fee (SD & RF) in the State are regulated under the Indian Stamp Act, 1899, Registration Act, 1908; Rajasthan Stamp Law (Adaptation) Act, 1952; Rajasthan Stamp (RS) Act, 1998 (came into effect from 27.5.2004) and the rules made thereunder. Stamp duty is leviable on the execution of instruments and registration fee is payable on registration of instruments.

The determination of policy, monitoring and control at the Government level is done by the Secretary, Finance (Revenue) Department. The Inspector General, Registration and Stamps (IG) is the head of the Department. He is assisted by an Additional Inspector General in administrative matters and by a Financial Adviser in financial matters. The entire State has been divided into 13 circles, of these 12 circles are headed by Deputy Inspector General (DIG) cum *ex-officio* Collector (Stamps). There are 32 District Registrars (DRs), 67 Sub-Registrars (SRs) and 289 *ex-officio* SRs¹.

5.2 Trend of receipts

Actual receipts from Stamp Duty and Registration Fee during the year 2005-06 to 2009-10 along with the total tax receipts of the State are exhibited in the following table:

(₹ in crore)

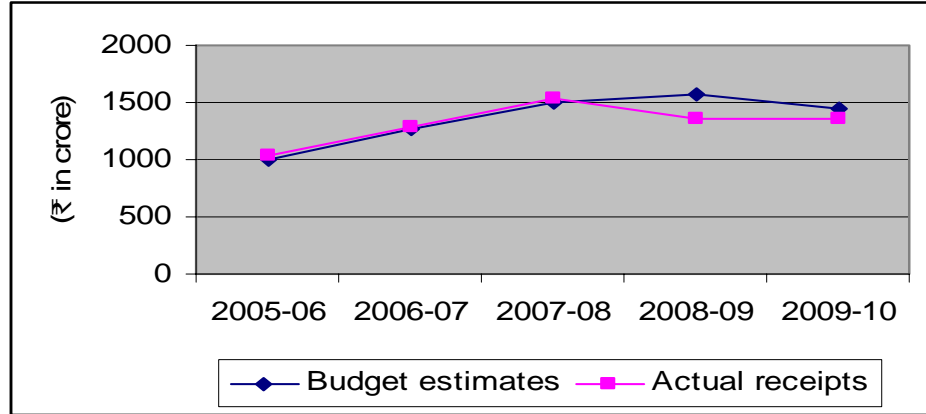
Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	1,000.00	1,031.79	(+) 31.79	(+) 3.18	9,880.23	10.44
2006-07	1,275.00	1,293.68	(+) 18.68	(+) 1.47	11,608.24	11.14
2007-08	1,500.00	1,544.35	(+) 44.35	(+) 2.96	13,274.73	11.63
2008-09	1,575.00	1,356.63	(-) 218.37	(-) 13.86	14,943.75	9.08
2009-10	1,450.00	1,362.94	(-) 87.06	(-) 6.00	16,414.27	8.30

The actual receipts from Stamp Duty and Registration Fee were 13.86 *per cent* less of the budget estimates (BEs) during 2008-09.

Line graph of BEs and actual receipts from Stamp Duty and Registration Fee

¹ Tehsildars and Naib Tehsildars have been declared as *ex-officio* SRs.

during the period 2005-06 to 2009-10 is shown below:



The receipts from stamp duty and registration fee consisted 8.30 *per cent* of the total tax receipts of the State during the year 2009-10, as against 11.63 *per cent* during 2007-08. Thus, there has been a decreasing trend in collection of revenue under the stamp duty and registration fee in comparison to the total tax receipts of the State.

The Government may investigate the reasons for decrease in receipts and take appropriate corrective steps.

5.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 amounted to ₹ 119.60 crore, of which ₹ 38.41 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue upto 2009-10.

(₹ in crore)			
Arrears related to the year	Opening balance of arrears	Amount collected during the year 2009-10	Closing balance of arrears
upto 2004-05	40.41	2.00	38.41
2005-06	13.46	0.06	13.40
2006-07	13.70	1.81	11.89
2007-08	10.40	1.01	9.39
2008-09	39.68	12.74	26.94
2009-10	39.23	19.66	19.57
Total	156.88	37.28	119.60

The chances of recovery of dues ₹ 38.41 crore pertaining to the period upto 2004-05 are bleak.

The reasons for non-recovery of arrears were not furnished to audit.

5.4 Cost of collection

The gross collection of the revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during

the period from 2005-06 to 2009-10 along with all India average percentage of expenditure on collection to gross collection are as follows:

(₹ in crore)

Sl. no.	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage
1.	2005-06	1,031.79	15.79	1.5	2.87
2.	2006-07	1,293.68	19.21	1.5	2.33
3.	2007-08	1,544.35	22.80	1.5	2.09
4.	2008-09	1,356.63	29.09	2.1	2.77
5.	2009-10	1,362.94	31.33	2.3	NA

The percentage of cost of collection to gross collection was lesser than the all India average percentage.

5.5 Impact of audit reports

During the last five years upto 2008-09, we through our audit reports had pointed out cases of non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, application of incorrect rate of tax, incorrect computation *etc.*, with revenue implication of ₹ 159.79 crore in 17 paragraphs. Of these, the Department/Government had accepted audit observations in 17 paragraphs involving ₹ 98.68 crore and had since recovered ₹ 3.60 crore. The details are shown in the following table:

(₹ in crore)

Year of audit	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount	Number	Amount
2004-05	3	5.20	3	4.09	3	0.17
2005-06	3	4.66	3	1.26	3	0.38
2006-07	3	81.10	3	78.72	2	0.50
2007-08	4	58.36	4	4.14	3	0.17
2008-09	4	10.47	4	10.47	3	2.38
Total	17	159.79	17	98.68	14	3.60

As compared to accepted amount of audit observations, the short recovery was due to cases lying pending with the courts.

5.6 Working of Internal Audit Wing

Internal audit is conducted by the IG, Registration and Stamps. The number of existing units, units planned for audit and actually audited during the years 2005-06 to 2009-10 was as follows:

Year	Number of units			Amount under objection (₹ in crore)
	Total	Planned for audit	Actually audited	
2005-06	358	131	131	4.01
2006-07	369	182	182	6.09
2007-08	369	68	68	1.78
2008-09	369	157	157	6.85
2009-10	369	148	148	10.20

Audit preference was given to major revenue earning units.

5.7 Results of audit

During test-check of the records of 187 units of the Department of Registration and Stamps conducted during the year 2009-10 we noticed short levy/realisation of Stamp Duty and Registration Fee amounting to ₹ 68.45 crore in 7,439 cases which broadly fall under the following categories:

Sl. no.	Category	Number of cases	Amount (₹ in crore)
1.	Undervaluation of properties	3,026	8.64
2.	Other irregularities	4,413	59.81
Total		7,439	68.45

During the year 2009-10, the Department accepted underassessment and other deficiencies of ₹ 8.39 crore pertaining to 2,768 cases, of which 789 cases involving ₹ 2.27 crore were pointed out during 2009-10 and the rest in the earlier years. The Department recovered ₹ 1.90 crore in 1,287 cases, out of which 115 cases involving ₹ 6.55 lakh related to the year 2009-10 and the rest to earlier years.

A few illustrative audit observations involving ₹ 27.31 crore are discussed in the following paragraphs.

5.8 Audit observations

During scrutiny of records of various registration offices, we noticed several cases of non-compliance of the provisions of the RS Act, 1998 and Registration Act, 1908. These cases are illustrative and are based on a test-check carried out in audit. Some of these omissions are pointed out in audit each year, but not only did the irregularities persist, these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that occurrence of such cases can be avoided.

5.9 Non-observance of provisions of Acts/Rules

The provisions of Rajasthan Stamp Act, 1998 (RS Act) and Indian Registration Act, 1908 (IR Act)/ notifications of the Government require:-

- (i) *Levy of duty on market value of the property;*
- (ii) *levy of stamp duty on the amount of consideration, interest, penalty etc. where immovable property is allotted/ sold by the Government, UITs etc.;*
- (iii) *levy of stamp duty in cases of lease as on a conveyance for a consideration equal to the amount or value of such fine, premium or advance and amount of average rent of two years; and*
- (iv) *levy of registration fee at the rate of one per cent of the value or consideration subject to maximum of ₹ 25,000 in respect of power of attorneys executed under Article 44(ee) (ii) of the Schedule of the RS Act, 1998.*

During audit, we noticed that registering authorities did not observe some of the above provisions in cases mentioned in the succeeding paragraphs. This resulted in short levy stamp duty and registration fee of ₹27.31 crore.

5.9.1 Short levy of stamp duty and registration fee

5.9.1.1 Under valuation of property

Under Article 21(i) of Schedule of the RS Act, 1998; stamp duty (SD) on instruments of conveyance, if relating to immovable property, shall be levied on market value of the property. Rule 58 of the Rajasthan Stamp Rules, 2004, provides that the market value of land shall be determined on the basis of the rates recommended by the District Level Committee (DLC) or the rates approved by the IG Stamps, whichever is higher. Further for purpose of valuation, the location of land/ property as described in the document needs to be considered.

(i) During scrutiny of the records of four offices, for the year 2008, we found that in 11 instruments of conveyance the properties were undervalued by the concerned Sub-Registrar through the information was available from the instruments/ documents that were presented for registration. This resulted in short levy of SD and RF aggregating to ₹ 25.17 crore as per details

given below:

(₹ in lakh)

Sl. No.	Audit observations	SD and RF <u>Leviable</u> <u>Levied</u>	Short levy of SD and RF
1.	SR Jodhpur-II while registering a sale deed, valued the 22.02 bigha land at ₹ 66.06 lakh treating the land as non-irrigated. The correct valuation should be ₹ 1.77 crore as the land was irrigated.	8.82 (SD) 3.30 (SD)	5.52 (SD)
2.	In SR Jodhpur-II, eight cases were registered. The land was situated on 100 feet wide road. However, the valuation of land was taken ₹ 0.64 crore applying rates of Nehra Nagar (Khasara No. 119) and Shyam Nagar (Khasara No. 120) in place of valuation ₹ 2.54 crore at DLC rates of 100 feet road.	16.49 (SD) 4.15 (SD) <u>1.00 (RF)</u> 0.64 (RF)	12.34 (SD) 0.36 (RF)
3.	In SR-Neemrana, an institute transferred 75 Acre land along with academic block and other structure made thereon to a private education institute for education purposes. The valuation of the transferred property was made ₹ 21.79 crore (Agriculture rates) instead of ₹ 332.65 crore (commercial rates).	2,661.21(SD) 174.33 (SD)	2,486.88(SD)
4.	In one case, SR Udaipur-I, made valuation of property situated on National Highways road ₹ 3.99 crore instead of ₹ 6.70 crore as per applicable DLC rates.	33.49 (SD) 22.00 (SD)	11.49 (SD)
Total		2,720.01 (SD) 203.78 (SD)	2,516.23 (SD) 0.36 (RF)

After we pointed out (between March 2010 and May 2010), the Government replied (August 2010) that the one case pertaining to SR, Neemrana (Alwar) is under consideration in the court of Collector (Stamps). In nine cases of SR, Jodhpur-II, involving ₹ 18.22 lakh, notices for recovery have been issued. In one case of SR, Udaipur, reply is awaited (October 2010).

As per notification dated 28.7.2003, units approved under Rajasthan Investment Promotion Scheme, 2003, are entitled for rebate of 50 per cent on stamp duty on lease/purchase of land.

(ii) On scrutiny of records of Sub-Registrar, Bhiwadi for the year 2008, we found (March 2010) that in respect of one industrial unit approved under the Rajasthan Investment Promotion Scheme, 2003, the Sub-Registrar, while registering sale deeds for the industrial properties, incorrectly allowed 50 per cent rebate in stamp duty on cost of construction works/other works also, in addition to the cost of land, and realised stamp duty ₹ 40.04 lakh against the chargeable stamp duty of ₹ 67.60 lakh. This resulted in short levy of stamp duty ₹ 27.56 lakh.

When we pointed out (April 2010); the Government replied (September 2010) that matter is under pursuance with the SR, Bhiwadi.

5.9.2 On lease deeds granted for premium *etc.* in addition to rent

Under the provision of Article 33(c)(i) of the Schedule read with section 3 of RS Act, 1998, where lease is granted for a fine or premium or for money advanced or development charges advanced or security charges advanced in addition to rent reserved and such lease purports to be for a term of not more than twenty years, the stamp duty is chargeable as on a conveyance for a consideration equal to the amount or value of such fine, premium or advance and amount of average rent of two years as set forth in the lease. The registration fee is also chargeable at one *per cent* of the value or consideration subject to maximum ₹ 25,000.

During scrutiny of records of five Sub-Registrar offices², we found that 73 lease deeds covered under article *ibid* were registered during the year 2008, but the stamp duty and registration fee were charged at the rate of two *per cent* on average rent of one year and security deposit instead of conveyance rate on average rent of two years and security deposit. This resulted in

short levy of stamp duty ₹ 86.62 lakh and registration fee ₹ 2.79 lakh.

When we pointed out (March and April 2010), the Government replied (August 2010) that notices have been issued for recovery in cases pertaining to SR Bhiwadi. The reply in respect of other cases is awaited (October 2010).

5.9.3 On lease deeds in which rent is fixed but no premium was paid

Under the provision of Article 33(a)(ii) of the Schedule of the RS Act, 1998, where the lease purports to be for a term of not less than one year but not more than twenty years and by such lease, the rent is fixed and no premium is paid or delivered, the stamp duty is chargeable as on a conveyance for a consideration equal to the amount or value of the average rent of two years. Further, registration fee is also chargeable at the rate of one *per cent* of the value or consideration subject to a maximum of ₹ 25,000.

During scrutiny of records of three Sub-Registrars³, for the year 2007 and 2008, we found that 31 such lease deeds were registered (between January 2007 and December 2008) in which the Sub-Registrar had charged stamp duty at the rate of two *per cent* of average rent of one year instead of at conveyance rate on average rent of two years. This resulted in short levy of stamp duty of ₹ 28.96 lakh and registration

fee of ₹ 0.61 lakh aggregating to ₹ 29.57 lakh.

After we pointed out (February 2009 and April 2010), the Government has issued instructions on August 25, 2010.

² Bhiwadi, Jaipur-II, Jaipur-VII, Jodhpur-I and Sanganer-I.

³ Churu, Jaipur II and Jodhpur

5.9.4 On power of attorney

As per notification dated 14.3.1997 issued by the Government of Rajasthan under section 78 of the Registration Act, 1908 and further clarified by IG Stamps on 4.8.2009, the registration fee shall be charged at the rate of one *per cent* of the value or consideration subject to maximum of ₹ 25000 in respect of power of attorneys, executed under Article 44(ee) (ii) of the Schedule of the RS Act, 1998.

Scrutiny of records of five Offices⁴ for the year 2008, we noticed (between January 2010 and March 2010) that in 806 instruments of power of attorney covered under Article 44 (ee) (ii) *ibid*, the Sub-Registrars charged registration fee at the rate of ₹ 100 for each instrument instead of at prescribed rates. Further, in seven cases value of the property was short determined due to undervaluation of

properties by incorrect application of DLC rates by the Sub-Registrar, Sanganer-I. This resulted in short levy of Registration fee ₹ 64.86 lakh and Stamp duty of ₹ 2.61 lakh.

After we pointed out (February and April 2010), the Government replied (August 2010) that action was being taken for recovery.

5.9.5 Non-registration of sale certificates

Sub-section 3(a)(b) of Section 37 of RS Act states that for the purposes of this section in case of doubt the State Government may determine what offices shall be deemed to be public offices and State Government may determine who shall be deemed to be persons in charge of public offices. Section 2(32) of the Act defines "Public Officer" which means a public officer as defined in section 2(17) of Civil Procedure Code, 1908 and Collector of Stamp is deemed to be a public officer by virtue of that definition. Section 64(1) of the Rajasthan Stamp Rules, 2004 contemplates that in case where an unstamped or understamped instruments is detected in course of inspection or otherwise by a public officer, the report, therefore, shall be made forth with to the Collector.

We noticed from scrutiny of records and information furnished by the Debt Recovery Tribunal, Jaipur and two banks that due to failure in repayment of loans, the properties of 37 loanees were attached and auctioned, however, the buyers did not register their sale certificates/sale deeds in the registering offices despite lapse of period ranging from 12 to 68 months after prescribed time limit of maximum

eight months. List was sent by Debt Recovery Tribunal to registering offices about the sale. Action was not taken by registering offices to issue notices nor effective procedures adopted for regular inspection of public offices. The

⁴ Bhiwadi, SR-II Jaipur, SR-I Sanganer, SR-II Sanganer, Sriganganagar.

stamp duty involved due to non-registration was ₹ 54.44 lakh and registration fee of ₹ 0.55 lakh.

We pointed out the matter to the Department and the Government in May 2010; their replies are awaited (October 2010).

CHAPTER-VI: STATE EXCISE

6.1 Tax administration

State Excise revenue comprises receipts derived from any payment, duty, fee, tax, fine or confiscation imposed or ordered under the provisions of the Rajasthan Excise Act, 1950 and rules made thereunder. It also includes revenue from manufacture, possession and sale of liquor, bhang and lanced poppy heads. The Rajasthan Excise Act, 1950 empowers the Government to frame a periodical excise policy.

At Government level, the general superintendence of the State Excise Department is vested with the Principal Secretary to Government in the Finance Department. The Excise Commissioner is the head of the State Excise Department. He is assisted by seven Additional Commissioners. There are 36 District Excise Officers for 33 districts and two prosecution offices at Jaipur and Jodhpur. The enforcement wing of the Department is headed by Director and finance wing by Financial Advisor.

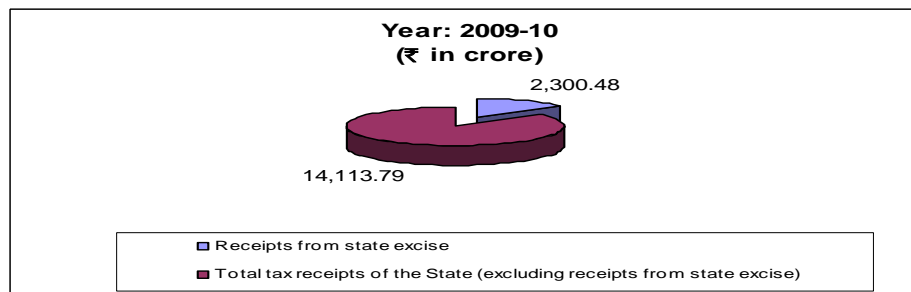
6.2 Trend of receipts

Receipts from state excise during the years from 2005-06 to 2009-10 along with the total tax receipts of the State during the same period have been exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	1,508	1,521.80	(+) 13.80	(+) 0.92	9,880.23	15.40
2006-07	1,570	1,591.09	(+) 21.09	(+) 1.34	11,608.24	13.71
2007-08	1,750	1,805.12	(+) 55.12	(+) 3.15	13,274.73	13.60
2008-09	2,025	2,169.90	(+) 144.90	(+) 7.16	14,943.75	14.52
2009-10	2,200	2,300.48	(+) 100.48	(+) 4.57	16,414.27	14.02

Receipts from state excise during the year 2009-10 along with total tax receipts of the State (excluding receipts from state excise) are shown in the following pie chart:



Though in actual terms, receipts of state excise have registered increase over the years but the percentage of revenue of State Excise Department to total tax revenue collection in the State has decreased when compared to the year 2005-06. During 2005-06, receipt of state excise accounted for 15.40 *per cent* of total tax revenue of the State. By the year 2009-10, these receipts accounted for 14.02 *per cent* of total tax receipts of the State.

6.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 amounted to ₹ 218.37 crore, of which ₹ 196.87 crore were outstanding for more than five years. It indicates that the Department had not taken effective steps for recovery of arrears. The following table depicts the position of arrears of revenue during the period from 2005-06 to 2008-09:

(₹ in crore)

Year to which arrears pertain	Opening balance of arrears as on 1.4.2009	Addition in arrears during 2009-10	Amount collected during 2009-10	Closing balance of arrears as on 31.3.2010
Upto 2004-05	200.41	-	3.54	196.87
2005-06	1.98	-	0.06	1.92
2006-07	19.71	0.03	0.31	19.43
2007-08	-	0.05	0.02	0.03
2008-09	0.07	0.05	-	0.12
Total	222.17	0.13	3.93	218.37

The chances of recovery of arrears of ₹ 196.87 crore outstanding for more than five years are bleak.

6.4 Cost of collection

The gross collection of the revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period from 2005-06 to 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection for same period are as follows:

(₹ in crore)

Sl. no.	Year	Gross collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage
1.	2005-06	1,521.80	34.18	2.25	3.40
2.	2006-07	1,591.09	42.52	2.67	3.30
3.	2007-08	1,805.12	48.51	2.69	3.27
4.	2008-09	2,169.90	64.46	2.97	3.66
5.	2009-10	2,300.48	85.74	3.73	NA

Increase in expenditure on collection of revenue during the year 2008-09 was due to implementation of recommendations of sixth central pay commission in the State.

The percentage of cost of collection of state excise revenue to gross collection has always been on lower side in comparison to all India average percentage.

6.5 Impact of audit reports

We, through our audit reports had pointed out cases of non/short levy, non/short realisation, underassessment/loss of revenue, application of incorrect rate of tax, incorrect computation of tax *etc.*, with revenue implication of ₹ 127.26 crore in 25 paragraphs. Of these, the Department/ Government had accepted audit observations in 15 paragraphs involving ₹ 33.13 crore and had since recovered (September 2010) ₹ 2.53 crore in 11 paragraphs as shown in the following table:

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount	Number	Amount
2004-05	4	1.14	3	0.50	3	0.41
2005-06	7	31.62	6	31.35	2	0.85
2006-07	4	19.88	-	-	-	-
2007-08	5	29.18	4	0.96	4	0.95
2008-09	5	45.44	2	0.32	2	0.32
Total	25	127.26	15	33.13	11	2.53

6.6 Working of Internal Audit Wing

Financial Advisor is the head of the Internal Audit Wing in State Excise Department. Two internal audit parties are working in the Department each headed by Assistant Accounts Officer. No audit plan showing units to be audited during the year was prepared by the Department. The position of last five years of internal audit was as under:

Year	Pending units	Units added during the year	Total units	Units audited during the year	Units remained unaudited	Percentage of units remained unaudited
2005-06	-	40	40	17	23	58
2006-07	23	40	63	6	57	90
2007-08	57	40	97	20	77	79
2008-09	77	40	117	29	88	75
2009-10	88	40	128	58	70	55

As such, on an average, 71 per cent of units remained unaudited during the last five years.

The Government may consider strengthening of Internal Audit Wing in order to take appropriate measures for plugging the leakage of revenue and comply with the provisions of the Act.

6.7 Results of audit

On test-check of the records of 37 units relating to state excise, we noticed non/short recovery/loss of excise duty and licence fee and other irregularities involving ₹ 74.90 crore in 181 cases which fall under the following categories:

Sl. no.	Category	Number of cases	Amount (₹ in crore)
1.	Non/short realisation of excise duty and licence fee	88	71.63
2.	Loss of excise duty on account of excess wastage of liquor	47	1.23
3.	Other irregularities	46	2.04
Total		181	74.90

During the year 2009-10, the Department accepted non/short realisation and other deficiencies of ₹ 20.62 crore in 139 cases, of which 74 cases involving ₹ 2.91 crore were pointed out in audit during the year 2009-10 and the rest in earlier years. An amount of ₹ 1.80 crore was realised in 61 cases during the year 2009-10.

After being pointed out, the Government intimated (June 2010) recovery of ₹ 9.04 lakh pertaining to a single observation.

A few illustrative audit observations involving ₹ 1.79 crore are mentioned in the succeeding paragraphs.

6.8 Audit observations

During test-check of the records, we noticed several cases of non/short recovery of excise revenue as mentioned in the succeeding paragraphs in this chapter. We pointed out some of these omissions in earlier years but not only did the irregularities persist, these remain undetected till an audit is conducted. These cases are illustrative and are based on test-check carried out by us. There is need for the Government to improve the internal control system including strengthening of internal audit in order to avoid reoccurrence of such cases.

6.9 Non-observance of the provisions of Acts/Rules

The Rajasthan Excise Act and Rules provides for:

- (a) Levy of licence fee at prescribed rate; and
- (b) levy of permit fee at the rate of ₹2.50 per bulk litre on rectified spirit.

We noticed that the District Excise Officers did not observe the above provisions in the cases mentioned in the paragraphs 6.9.1 and 6.9.2. This resulted in non/short licence and permit fee of ₹1.79 crore.

6.9.1 Short levy of licence fee for composite shops

As per the terms and conditions of licence for retail sale of country liquor issued under the Rajasthan Excise Act, 1950 the annual licence fee, payable for licence of composite shops located within five kilometre of municipal limit or its urban agglomeration limit, was more than the annual licence fees payable by composite shops located in rural areas.

On scrutiny of the records of seven District Excise Offices¹ (between June 2009 and February 2010), we noticed that though, 48 composite shops located either in urban area or within five kilometre of the municipal limit were liable to pay licence fee of ₹ 1.63 crore, yet the Department levied licence fee of ₹ 12 lakh only at the rate

applicable for shops located in rural areas. This resulted in short levy of ₹ 1.51 crore.

On being pointed out, the Government stated (October 2010) that the Urban Land (Ceiling and Regulation) Act, 1976, had already been repealed on 11 January 1999, and its mention in the tender condition was made due to lack of information.

The reply of the Government is not acceptable being not relevant. The cases pointed out by us are located in urban areas or within five kilometre of municipal limit as declared by the Urban Development Department, Government of Rajasthan and by the concerned municipalities which have no relevance to “Urban Agglomeration”.

¹ Jaipur (City), Jaipur (Rural), Jodhpur, Kota, Nagaur, Pali and Udaipur.

6.9.2 Non-recovery of permit fees

Rule 69B of the Rajasthan Excise Rules, 1956 provides for levy of permit fee at the rate of ₹ 2.50 per bulk litre on rectified spirit transported within the State by a distillery and utilising it for the manufacture of country liquor.

In two District Excise Offices², we noticed that two licences³ one in each District Excise Office, transported 11,00,000 bulk litre of rectified spirit within State from M/s Globus Spirits Limited, Behror (Alwar) for manufacture of country liquor during the year 2008-09.

However, the permit fee of ₹ 27.50 lakh at the rate of ₹ 2.50 per bulk litre leviable on transported rectified spirit was not recovered by the Department.

After this was pointed out, the Department stated (May 2010) that a notification for inserting a proviso in Rule 69B *ibid* for exemption from retrospective effect for permit fee on transportation of rectified spirit is being sent to Government. The fact, however, remains that the permit fee at the prescribed rate was to be levied.

We reported the matter to the Government (October 2009 and December 2009); their reply is awaited (October 2010).

² Udaipur and Sriganganagar.

³ M/s Mahamaya Liquor Industries Bottling Plant, Udaipur and M/s H.H. Bottling Plant, Sriganganagar.

CHAPTER-VII: NON-TAX RECEIPTS

7.1 Introduction

Non-tax revenue of the State Government mainly comprises receipts from interest, mines and minerals, miscellaneous general services, water resources, public works, police, medical and health, forestry and wild life *etc.* The total revenue and non-tax revenue raised by the Government of Rajasthan during the years 2005-06 to 2009-10 was as under:

(₹ in crore)

Year	Total revenue raised by the State	Total non-tax revenue of the State	Percentage of non-tax revenue to total revenue
2005-06	12,617.90	2,737.67	21.7
2006-07	15,038.85	3,430.61	22.8
2007-08	17,328.66	4,053.93	23.4
2008-09	18,832.21	3,888.46	20.6
2009-10	20,972.49	4,558.22	21.7

The contribution of non-tax revenue to total revenue of the State ranged between 20.6 *per cent* (2008-09) to 23.4 *per cent* (2007-08).

7.2 Impact of audit reports

We, through our audit reports had pointed out cases of non/short levy, non/short realisation, underassessment/loss of revenue, application of incorrect rate of tax, incorrect computation of tax *etc.* with revenue implication of ₹ 885.96 crore in 70 paragraphs. Of these, the Department/Government had accepted audit observations in 37 paragraphs involving ₹ 86.39 crore and had

since recovered ₹ 18.07 crore in 20 paragraphs (September 2010) as shown in the following table:

(₹ in crore)

Year of Audit	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount	Number	Amount
2004-05	2	160.85	5	3.92	5	2.38
2005-06	13	155.77	6	40.51	2	1.32
2006-07	16	34.37	8	3.24	6	0.32
2007-08	12	275.30	8	21.67	3	0.89
2008-09	27	259.67	10	17.05	4	13.16
Total	70	885.96	37	86.39	20	18.07

Amount of recovery is less than the accepted amount because in some cases recovery has been stayed by the judicial authorities while in other cases demands were pending at various stages of recovery.

7.3 Results of audit

Test-check of the records of the Mines, Geology and Petroleum Department and Water Resources Department, conducted during the year 2009-10 revealed non/short recovery of revenue amounting to ₹ 906.76 crore in 19,556 cases, which broadly fall under the following categories:

Sl. no.	Category	Number of cases	Amount (₹ in crore)
A. Mines, Geology and Petroleum Department			
1.	Unauthorised excavation	4,350	469.57
2.	Non/short recovery of dead rent and royalty	794	223.09
3.	Non-levy of penalty/interest	1,029	4.40
4.	Non-forfeiture of security	522	0.73
5.	Other irregularities	12,855	201.66
B. Water Resources Department			
6.	Non/short realisation of dues	6	7.31
Total		19,556	906.76

During the year 2009-10, the Mines, Geology and Petroleum Department accepted short realisation and other deficiencies of ₹ 89.16 crore in 2,960 cases, of which 2,599 cases involving ₹ 75.08 crore were pointed out in audit during the year 2009-10 and rest in earlier years. The Department recovered ₹ 1.87 crore in 322 cases, of which 5 cases involving ₹ 0.68 crore related to the year 2009-10 and rest to the earlier years.

A few illustrative audit observations involving ₹ 7.31 crore are mentioned in the succeeding paragraphs.

A review on receipts of mines and minerals also been attempted. The irregularities noticed during the review have been shown in a separate report.

Water Resources Department

Receipts of Water Resources Department (WRD) mainly comprise receipts from water for irrigation and other than irrigation purposes viz. for industrial, drinking purposes etc. The administrative control of the WRD is vested in the Principal Secretary, WRD. At the Department level, the Chief Engineer cum Additional Secretary, WRD exercises the power of head of the Department through seven Chief Engineers working for its various projects.

7.4 Trend of revenue

The position of budget estimates, actual revenue realised, and percentage variation during the five years ending on 2009-10 was as follows:

(₹ in crore)

Year	Budget Estimates	Actual Revenue realised	Shortfall(-)/excess (+)
2005-06	96.48	65.81	(-) 30.67
2006-07	97.20	75.94	(-) 21.26
2007-08	86.59	72.52	(-) 14.07
2008-09	85.80	71.52	(-) 14.28
2009-10	79.52	71.45	(-) 8.07

The actual revenue was less than the budget estimates during the last five years ending on 2009-10. The shortfall was mainly due to lack of interest of Water Users Associations in collecting revenue.

On test-check of records of Water Resources Department, we observed non-recovery of dues, water charges *etc.* amounting to ₹ 7.31 crore as mentioned in succeeding paragraphs 7.5 to 7.9.

7.5 Undue benefit to companies

As per clause 6 of the agreement executed between Government companies for supply of water for industrial purposes, interest at the rate of 18 *per cent* per annum was leviable on the unpaid amount of water charges. Rule 297 of part I of General Financial and Accounts Rules provides that amount paid before the due date will be taken to principal amount unless any interest amount for preceding period is over due.

On scrutiny of records of Right Main Canal Division-I, Kota, we observed that water charges and interest amount were outstanding against the two companies. These companies deposited amount against their dues. The division adjusted these amounts irregularly against principal instead

of adjusting first against interest due. Due to this irregular adjustment, interest on balance amount of principal could not be levied. This resulted in undue

benefit to companies amounting to ₹ 3.66 crore as detailed in the following table:

(₹ in crore)

Name of company	Amount outstanding as calculated by audit up to March 2009	Amount outstanding as per division's records	Undue benefit to the company
Shriram Fertilizer and Chemicals Ltd., Kota	2.01	0.60	1.41
Shriram Vinayal and Chemicals Ltd., Kota	3.28	1.03	2.25
Total	5.29	1.63	3.66

We pointed out the matter (November 2009) to the Department and the Government (July 2010); their replies are awaited (October 2010).

7.6 Non-recovery/raising of demand of water charges and interest thereon

As per item 5 (aa) of Schedule I of Rajasthan Irrigation and Drainage Rules, 1955, if water is used by an industry directly from river/nallah without incurring any Government expenditure, the rates for such water use shall be levied at 10 per cent of the rate for water supplied for industrial purpose.

7.6.1 During-test check of records, we observed that the Executive Engineer, Water Resources Division-II, Bhilwara raised bills during March 2000 to May 2002 to various industrial units for use of water from Banas river by digging well in the river. Meanwhile, Special Officer, Irrigation issued (November 2002) a letter to Chief Engineer,

Irrigation, Rajasthan, Jaipur that water charges were not recoverable from industries who were using water by digging well/tube well in the river/nahlla. The Superintending Engineer, Irrigation Circle, Bhilwara stated (May 2003) to Additional Chief Engineer, Irrigation Division, Udaipur that above instructions were issued without making any amendment in the Rajasthan Irrigation and Drainage Rules and requested for cancellation of above orders of Special Officer.

As the industries had taken river water hence instructions issued by Special Officer were in contravention to rules which resulted in non-recovery of outstanding demand of water charges and interest thereon amounting to ₹ 0.83 crore. Further, water charges demands amounting to ₹ 0.43 crore had also not been raised.

We pointed out (December 2009) the matter to the Executive Engineer, Water Resources Division-II, Bhilwara; their reply has not been received (October 2010).

Irrigation Department (now Water Resources Department) vide order dated 26 September 2001, transferred the work of recovery of irrigation charges to the Revenue Department. As per section 20 of the Rajasthan Farmers' Participation in Management of Irrigation Systems Act, 2000, WUAs have been authorised for levy and collection of irrigation charges under control of EE of WRD. Further, rule 31(4) of Rajasthan Irrigation and Drainage Rules, 1955 provides that penal interest at the rate of 12 per cent per annum is leviable in case of late deposit of demand.

7.6.2 We observed that the Chambal Project division, Kota transferred the water charges demands of ₹ 20.31 lakh (as on 31 March 2002) to Tehsildars Ladpura and Sangod. Meanwhile, due to formation of 11 WUAs, for which EE, Chambal Project division, Kota was the controlling authority, records of levy and collection of water charges were transferred (October 2002) to WUAs. Due to non-providing of powers to WUAs for levy and collection of water charges, demand of

₹ 46.67 lakh¹ for the period from 2002-03 to 2008-09 was not raised. Non-levying and raising of the demand also resulted in loss of interest of ₹ 19.20 lakh. In addition, ₹ 1.66 lakh were taken short out of transferred demand in the demand, collection and balance registers of the tehsils.

Non-raising of demand of water charges resulted in non-realisation of revenue of ₹ 48.33 lakh and interest due.

When we pointed out (October 2009), the EE Chambal Project Division, Kota intimated that demand was to be raised by Revenue Department. Further progress on raising of demand is awaited.

We reported the matter to the Department and the Government (July 2010); their replies are awaited (October 2010).

7.7 Non-disposal of unserviceable stores

Rule 19 and 21 of part II of General Financial and Accounts Rules provide that surplus and obsolete store items shall be disposed of at the earliest to fetch its maximum value.

We observed that store items valuing ₹ 1.04 crore in various divisions of Indira Gandhi Nahar Project (IGNP) were found (April 2008 to September 2008) unserviceable as under:

(₹ in lakh)

Sl. no.	Name of division	Amount of unserviceable stores
1	2	3
1.	16 th division, Bikaner	0.61
2.	Bisalpur branch division-II, Bajju	0.41
3.	Pugal branch division-II, Phalodi	1.69
4.	24 th division, Phalodi	43.33

¹ Calculated at the average rate of irrigation charges for various crops for the year 2001-02 (total demand raised ₹ 8,55,952.59 for irrigated area 7,049 hectare).

1	2	3
5.	28 th division, Phalodi	0.19
6.	10 th division, Tara Nagar	50.46
7.	Survey and Investigation Lift division, Rawatsar	1.10
8.	Kanwarsar Lift division, Loonkarsar	0.11
9.	15 th division, Jaisalmer	0.72
10.	19 th division, Jaisalmer	1.33
11.	TMC division, Mohangarh	0.52
12.	Water Courses division-II, Jaisalmer	2.65
13.	Sagarmal Gopa branch division, Ramgarh	0.33
14.	Phalodi division, Jaisalmer	0.60
Total		104.05

Delay in disposal of unserviceable stores may cause deterioration in their value.

We pointed out the matter (January 2010) to Chief Engineer, IGNP, Bikaner; their reply is awaited (October 2010).

7.8 Non-recovery of rent from defaulting occupants of Government quarters

Government order dated 30 September 2002 issued under fixation and recovery of rent of residential buildings rules, 1958 provides that if the government accommodation is not vacated by the occupant on transfer/ retirement, the rent of Government quarter may be recovered in case of transfer at double of ordinary rate after one month, thrice of ordinary rate after three months and at the market rate after six months, and in case of retirement at the market rate after two months of retirement.

We observed from the information supplied by Chambal Project, Sub-Division, Kota that 23 transferred/ retired officials were residing in the Government quarters at Rana Pratap Sagar colony, Gumanpura colony, Mala Road colony and Chambal Colony Sakatpura. In these cases neither effective action was taken for recovery of rent nor accommodation were got evacuated from defaulters.

This resulted in non-recovery of rent of ₹ 0.51 crore.

We pointed out the matter (October 2009) to the Executive Engineer, Chambal Project Division, Kota; their reply is awaited (October 2010).

7.9 Non-recovery of cost in respect of store items found short/ stolen

As per rule 12 of part II of General Financial and Accounts Rules, physical verification of all stores shall be made at least once in a year. Further, a note shall be recorded in stock verification that regarding shortage so that action may be taken by head of office.

During audit of records of CE, Indira Gandhi Nahar Pariyojna (IGNP), Bikaner, we noticed (January 2010) that stores items amounting to

₹ 36.03 lakh were found short during 1994-95 to 2008-09 in physical verification of divisions falling under jurisdiction of CE, IGNP, Bikaner and CE, IGNP, Jaisalmer. The Chief Accounts Officer, IGNP, Bikaner intimated (June 2009) to CE, IGNP, Bikaner and CE, IGNP, Jaisalmer for initiating action against concerned officials/officers and for recovery of cost. However, the action has not been taken (January 2010) resulting in non-recovery of ₹ 36.03 lakh.

We pointed out the matter (January 2010) to CE, IGNP, Bikaner; their reply is awaited (October 2010).

(MEENAKSHI SHARMA)
Accountant General
(Commercial & Receipt Audit), Rajasthan

JAIPUR
The

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

NEW DELHI
The

Annexure-A
(Refer paragraph 1.2.4)

Position of paragraphs which appeared in the Audit Reports and those pending discussion as on 30 September 2010

Name of tax		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Total
Taxes on Sales, Trade etc.	Paras appeared in the Audit Report	15	7	6	14	11	5	10	68
	Paras pending for discussion	-	-	-	14	11	5	10	40
Taxes on Vehicles	Paras appeared in the Audit Report	7	3	8	6	6	9	3	42
	Paras pending for discussion	-	-	8	6	6	9	3	32
Land Revenue	Paras appeared in the Audit Report	2	2	4	2	1	4	-	15
	Paras pending for discussion	-	-	-	-	-	4	-	4
Stamp duty and Registration fee	Paras appeared in the Audit Report	1	4	3	3	3	4	4	22
	Paras pending for discussion	-	-	-	3	3	4	4	14
State Excise	Paras appeared in the Audit Report	5	3	4	2	5	4	4	27
	Paras pending for discussion	-	-	-	2	5	4	4	15
Lands and Buildings Tax	Paras appeared in the Audit Report	3	5	-	-	-	-	-	8
	Paras pending for discussion	-	5	-	-	-	-	-	5
Mining	Paras appeared in the Audit Report	8	5	1	9	9	9	18	59
	Paras pending for discussion	-	-	1	9	9	9	18	46
Others	Paras appeared in the Audit Report	4	2	1	3	6	4	9	29
	Paras pending for discussion	1	-	-	2	6	2	9	20
Total	Paras appeared in the Audit Report	45	31	27	39	41	39	48	270
	Paras pending for discussion	1	5	9	36	40	37	48	176

Annexure-B
(Refer paragraph 1.2.4)

**Position of outstanding ATNs due from the Departments
as on 30 September 2010**

Sl. no.	No. of PAC Report	Date of presentation in Assembly	Name of the Department	Year of Audit Report	No. of action taken notes due
1	119 th Report of 1997-98	27.7.2000	Transport	1994-95 1995-96	39
2	210 th Report of 2003-04	25.8.2003	Devasthan	1997-98	14
3	217 th Report of 2003-04	25.8.2003	Commercial Taxes	1998-99	13
4	88 th Report of 2004-05	2.12.2004	Commercial Taxes	2001-02	2
5	89 th Report of 2004-05	2.12.2004	Land Revenue	2000-01	3
6	119 th Report of 2005-06	4.3.2006	Transport	2000-01	6
7	138 th Report of 2005-06	27.3.2006	Registration and Stamps	2000-01	4
8	139 th Report of 2005-06	27.3.2006	Registration and Stamps	2001-02	5
9	167 th Report of 2006-07	4.10.2006	Medical & Health	2003-04 2004-05	1
10	189 th Report of 2006-07	29.3.2007	Land and building tax	1999-2000	6
11	190 th Report of 2006-07	29.3.2007	Land Revenue	1999-2000	12
12	193 rd Report of 2006-07	29.3.2007	Finance	2001-02	12
13	251 st Report of 2007-08	17.3.2008	Mines	2001-02	8
14	252 nd Report of 2007-08	17.3.2008	Mines	2002-03	10
15	255 th Report of 2007-08	17.3.2008	Land Revenue	2003-04	2
16	260 th Report of 2007-08	17.3.2008	Commercial Taxes	2003-04	4
17	268 th Report of 2008-09	15.7.2008	General Administration	2002-03	5
18	269 th Report of 2008-09	15.7.2008	Registration and Stamps	2003-04	10
19	270 th Report of 2008-09	15.7.2008	Registration and Stamps	2004-05	04
20	31 st Report of 2009-10	29.3.2010	Commercial Taxes	2004-05	28
Total					188

Annexure-C
(Refer paragraph 1.3.2.2)

Statement showing status of action taken by the departments/Government on the recommendations highlighted in reviews featured in last five Audit Reports

AR for the year ended	Name of the review	Detail of recommendations accepted	Status
1	2	3	4
31 March 2005	Assessment and collection of sales tax	<ol style="list-style-type: none"> 1. The department, while according approval to grant benefit of exemptions, should closely monitor provisions governing grant of such benefits. 2. Impact of judicial pronouncements should be circulated to all assessing authorities for implementation thereto. 3. Effective steps for recovery of tax in all cases of breach of conditions prescribed under various exemption schemes should be taken. System should be streamlined to effect recovery of tax. 4. Information and Communication Technology should be used for correct levy of tax and for detection of tax evasion. 	The department has issued directions to all sub-ordinate offices for ensuring compliance of the recommendations.
	Receipts from mines and minerals	<ol style="list-style-type: none"> 1. A strong mechanism be developed to ensure the speedy recovery of sums due to the government and also to prevent unauthorised excavation as well as excess despatch of mineral. 2. Effective steps are taken to ensure that the cost of mineral excavated unauthorisedly is recovered in accordance with the rules and procedures. 3. Internal control mechanism by way of regular inspections of mines and speedy disposal of unauthorised cases of excavation to safeguard Government revenue needs to be strengthened. 	Department stated regular efforts are being made for recovery of dues. A vigilance cell has been established to check illegal despatch of minerals. <i>Panchanamas</i> are being prepared for recovery of cost of illegally despatched minerals.
31 March 2006	Levy and collection of State excise revenue	<ol style="list-style-type: none"> 1. Necessary amendments need be considered in the Acts/rules to fix norms for minimum yield of spirit and beer from raw material. 2. An effective control mechanism may be evolved to control LPH produced in the State. 3. Effective steps may be considered to make rules to bar participation of <i>benami</i> persons in tender process. 4. Internal control mechanism may be strengthened to ensure better financial management. 	The department accepted the audit observations. A committee has been constituted to examine the issue of fixation of norms. The department accepted the facts and stated that it was difficult to physically control a large number of cultivators by limited staff. The department accepted the facts.

1	2	3	4
31 March 2007	Levy and collection of stamp duty and registration fee	<ol style="list-style-type: none"> 1. Prescribing a return by the public offices to the department on the number of documents presented and found deficient. The offices may also be made accountable for cases of short payment of stamp duty not being highlighted. In addition, norms may be laid down for the inspection of public offices by the DIG. 2. Prescribing a return to watch the disposal of revision cases by the department. 3. Ensuring that the department reviews the registers and ensures prompt disposal of all pending adjudication cases. The monitoring at the apex level may be done by prescribing periodical returns. A time limit for finalisation of these cases may also be prescribed. 	<p>The department stated that the amount was mainly recoverable from the State/Central Government enterprises.</p> <p>The department stated that explanation of the concerned SRs had been called for.</p> <p>The department stated that mostly cases of pending adjustment have been decided.</p>
	Information technology system in Registration and Stamps Department	<ol style="list-style-type: none"> 1. Designing and incorporating in the system audit trails to track the transactions, in order to monitor exceptional changes to the data. 2. Programming necessary controls into the software to ensure collection of correct amount of stamp duty. 	<p>Reply is awaited.</p> <p>- do -</p>
31 March 2008	Allotment and Sale of land by Colonization Department	<ol style="list-style-type: none"> 1. Prescribe a time schedule for notifying allotable land after receipt of chak plans from CAD. 2. Specify a time frame for disposal of applications for allotment of land to cultivators and formulate a policy for speedy and expeditious action on such allotment. 3. Ensure that basic records as prescribed by the Act or Rules are maintained by each <i>tahsil</i>. 4. Eliminate unauthorised occupation on Government land by taking suitable measures. 5. Strengthen the internal control of the department by prescribing periodical returns and other checks, for ensuring prompt recoveries from the allottees in accordance with rules and monitoring other statutory provisions including disposal of land held by TCs. 	<p>The department accepted the facts and stated that necessary directions had been issued for finalisation of the proposals and notification of every chak plan within six months.</p> <p>The Government accepted the facts and stated that steps would be taken to do the needful. However, the reply was silent about the time frame within which such exercise would be completed.</p> <p>The Government stated that directions were being issued for maintenance of the relevant registers.</p> <p>-</p> <p>-</p>

1	2	3	4
31 March 2008	Management and disposal of Nazul properties received from ex-rulers of Rajasthan	<ol style="list-style-type: none"> 1. Consider formulating a system/procedure for conducting surveys to cover all the Nazul properties. 2. Prescribe suitable returns for proper management and disposal of Nazul properties. 3. Consider maintenance of a DCR and develop a system for raising demand of outstanding amounts. 4. Fix a time frame to dispose of Nazul properties so as to save these from further encroachment and deterioration. 5. Prescribe norms for conduct of meetings by the committees and a return to monitor the implementation of the decisions taken by them. 	<p>The department stated that due to shortage of staff, survey could not be conducted.</p> <p style="text-align: center;">-</p> <p style="text-align: center;">-</p> <p style="text-align: center;">-</p> <p>The department accepted the facts.</p>
31 March 2009	Transition from sales tax to value added tax	<ol style="list-style-type: none"> 1. In the return (VAT-10) alongwith commodity, its classification, schedule number and serial number in the schedule also should be mentioned. 2. The Government may make tax audit mandatory for effective implementation of VAT. 3. Prior cross verification of input tax credit should be made mandatory 4. A computerized mechanism should be introduced for cross verification of records with Central Excise and Income Tax authorities. 5. Disposal of cases in appeal should be expedited. 6. Minimum penalty for offences may be prescribed. 	<p>The column for name of commodity was added in the forms.</p> <p>The work of audit will be done in current year.</p> <p>In the next year of the claims will be accepted after the cross verification of input tax credit.</p> <p>Instructions were issued to all circles to undertake cross verification by collecting information.</p> <p>Appeal cases pending for more than one year would be disposed off by March 2010.</p> <p>The penal provisions in RVAT Act provide for penalty on various offences, but at the direction of the tax authorities.</p>

1	2	3	4
31 March 2009	Levy and Collection of tax by the Transport Department	<ol style="list-style-type: none"> 1. Putting in place a monitoring mechanism by way of periodical returns to ensure collection of temporary registration fee. 2. Evolving a system by way of periodical inspections for ensuring imposition of penalty in case of late registration 3. Putting in place a monitoring mechanism to ensure collection of MVT/SRT at prescribed rates and levy of penalty in cases of non/short payment of tax. 4. Strengthening functioning of internal audit wing in order to take appropriate measures for plugging the leakage of revenue and comply with the provisions of the Act. 	<p>The transport commissioner, while accepting the audit finding, stated that a circular would be issued to RTOs/DTOs to ensure levy of fee.</p> <p>The department accepted the audit finding and informed that the compounding fee has been increased.</p> <p>The department agreed to take action to levy the penalty.</p>
	Receipts of Public Health Engineering Department	<ol style="list-style-type: none"> 1. Prescribing a periodical monitoring system in the department to assess the correctness of arrears and ensure speedy recovery of arrears. 2. Prescribing a provision for levy of interest on late deposit of revenue by collecting agency. 3. Taking effective steps to replace defective water meters. 4. Strengthening the internal control system for better financial management by the department. 	<p>The efforts would be made to assess the correct position of arrears. The Government accepted the facts and assured that necessary amendment in the MOU will be carried out.</p> <p>The department will look into the issue of non-levy of interest on outstanding revenue.</p> <p>The Government accepted the facts and assured that action will be taken to replace the faulty meters.</p> <p>The Government agreed to issue necessary instructions to the concerned officers.</p>

Glossary of abbreviations

Abbreviation	Expanded form
AA	Assessing Authority
ATN	Action Taken Note
BOR	Board of Revenue
CD	Compact Disc
CE	Chief Engineer
CLR	Computerisation of Land Records
CST	Central Sales Tax
CTO	Commercial Taxes Office
DIG	Deputy Inspector General cum ex-officio Collector
DLC	District Level Committee
DS	Deputy Secretary
DTO	District Transport Office
EE	Executive Engineer
GF&AR	General Financial and Accounts Rules
GOI	Government of India
IG	Inspector General
IGNP	Indira Gandhi Nahar Project
IR	Inspection Report
IT	Information Technology
ITC	Input Tax Credit
JDA	Jaipur Development Authority
LR Act	Land Revenue Act, 1956
MOU	Memorandum of Understanding
NIC	National Informatics Centre
NICSI	National Informatics Centre Services Inc.
RC	Registration Certificate
RE	Revise estimate
RF	Registration Fee
RIICO	Rajasthan State Industrial Development and Investment Corporation
RLR	Rajasthan Land Revenue
RMVT Act	Rajasthan Motor Vehicles Taxation Act, 1951
ROR	Records of Rights
RP	Resource Person
RRVPL	Rajasthan Rajya Vidyut Prasaran Nigam Limited

RS	Rajasthan Stamp
RST	Rajasthan Sales Tax
RTO	Regional Transport Office
RVAT	Rajasthan Value Added TAX
SD	Stamp Duty
SDO	Sub-Divisional Officer
SR	Sub-Registrar
UDD	Urban Development Department
UIT	Urban Improvement Trust
ULB	Urban Local Body
VAT	Value Added Tax
WRD	Water Resources Department
WUA	Water Users' Association