

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.