

EXECUTIVE SUMMARY

Healthy growth rate in revenue receipts of the State	Total revenue receipts of the State during 2010-11 was ₹ 30,990.95 crore which represented a healthy growth rate of 18.69 <i>per cent</i> over the earlier year. Out of this ₹ 21,721.69 crore was from tax revenue and ₹ 1,930.79 crore from non-tax revenue. The State received ₹ 2,196.62 crore as Grants-in-aid and ₹ 5,141.85 crore as share of net proceeds of divisible Union Taxes.
Arrears of revenue	The arrears of tax revenue of Commercial Taxes Department, Forest Department, Local Fund Audit Department, Stationery Department and Factories and Boilers Department was ₹ 5,276.13 crore. Motor Vehicles Department and Electrical Inspectorate did not furnish details of arrears of their Department.
Poor response of the Department/Government towards audit	We have not received even first replies to 230 IRs issued by us upto December 2010. There has been a 24 <i>per cent</i> increase in the number of outstanding paragraphs at the end of June 2011 compared to the earlier year.
Non-production of records to audit	The Commercial Taxes Department did not furnish 2392 KGST assessment files and 438 VAT files to audit. Assessment files of some dealers were not furnished for upto five years.
Limited impact of Departmental audit committee meetings	Only 11 departmental audit committee meetings were held during the year and 4.16 <i>per cent</i> of outstanding paragraphs were settled during such meetings.
Impact of earlier Audit Reports	During the period from 2005-06 and 2009-10, Government accepted audit paras with money value of ₹ 516.47 crore out of which ₹ 67.87 crore was realised.
Results of audit	We test checked 581 units of various Departments during 2010-11 and noticed short levy of ₹ 4,786.23 crore in 3913 cases. Out of this 125 paragraphs (clubbed into 47 paragraphs) including four reviews involving financial effect of ₹ 1,622.36 crore are included in this report.
Our conclusion	<p>We are glad to note that the State had achieved a healthy growth rate of 18.69 <i>per cent</i> in revenue collection. The Government accepted audit observations worth ₹ 516.47 crore out of which they had collected ₹ 67.87 crore.</p> <p>The Departments need to initiate immediate action to recover the arrears of tax revenue of Commercial Taxes Department, Forest Department, Local Fund Audit Department, Stationery Department and Factories and Boilers Department pointed out by us, more so in those cases where it has accepted our contention.</p>

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Kerala during the year 2010-11, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Revenue raised by the State Government					
	• Tax revenue	11,941.82	13,668.95	15,990.18	17,625.02	21,721.69
	• Non-tax revenue ¹	937.57 (844.51)	1,209.55 (1,078.00)	1,559.29 (1,390.00)	1,852.22 (1,633.22)	1,930.79 (1,739.58)
	Total	12,879.39 (12,786.33)	14,878.50 (14,746.95)	17,549.47 (17,380.18)	19,477.24 (19,258.24)	23,652.48 (23,461.27)
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	3,212.04	4,051.70	4,275.52	4,398.78	5,141.85
	• Grants-in-aid	2,095.19	2,176.59	2,687.19	2,233.38	2,196.62
	Total	5,307.23	6,228.29	6,962.71	6,632.16	7,338.47
3.	Total revenue receipts of the State Government (1 and 2)	18,186.62 (18,093.56)	21,106.79 (20,975.24)	24,512.18 (24,342.89)	26,109.40 (25,890.40)	30,990.95 ² (30,799.74)
4.	Percentage of 1 to 3	71	70	72	75	76

The above table indicates that during the year 2010-11, the revenue raised by the State Government (₹ 23,652.48 crore) was 76 per cent of the total revenue receipts against 75 per cent in the preceding year. The balance 24 per cent of receipts during 2010-11 was from the Government of India.

¹ The difference between the figures shown in the column and brackets represent expenditure on prize winning tickets of lotteries conducted by the Government.

² For details please see Statement No. 11 – Detailed accounts of revenue by minor heads in the Finance Accounts of Kerala for the year 2010-11. Figures under the major heads 0020 – Corporation tax, 0021 – Taxes on income other than corporation tax, 0028 – Other taxes on income and expenditure, 0032 – Taxes on wealth, 0037 – Customs, 0038 – Union excise duties, 0044 – Service tax and 0045 – Other taxes and duties on commodities and services – Share of net proceeds assigned to states booked in the Finance Accounts under A – Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

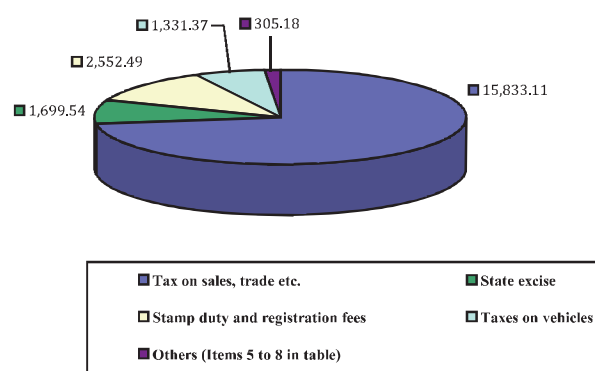
1.1.2 The following table presents the details of tax revenue raised during the period 2006-07 to 2010-11:

(₹ in crore)

Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage ³
1.	Tax on sales, trade etc.	8,563.31	9,371.76	11,377.13	12,770.89	15,833.11	(+) 23.98
2.	State excise	953.07	1,169.25	1,397.64	1,514.81	1,699.54	(+) 12.19
3.	Stamp duty and Registration fees						
	• Stamps - judicial	49.20	81.89	71.25	83.52	75.30	(-) 9.84
	• Stamps – non-judicial	1,213.36	1,607.85	1,580.94	1,495.26	1,884.01	(+) 26.00
	• Registration fees	257.37	338.23	350.81	317.63	593.18	(+) 86.75
4.	Taxes on vehicles	707.74	853.17	937.45	1,131.10	1,331.37	(+) 17.71
5.	Taxes and duties on electricity	31.78	39.04	56.00	24.78	20.71	(-) 16.42
6.	Taxes on agricultural income	9.63	22.05	11.97	27.73	46.97	(+) 69.38
7.	Land revenue	47.00	47.21	47.56	53.93	55.97	(+) 3.78
8.	Others	109.36	138.50	159.43	205.37	181.53	(-) 11.61
	Total	11,941.82	13,668.95	15,990.18	17,625.02	21,721.69	(+) 23.24

Tax Revenue 2010-11

Rupees in crore



³ Percentage of increase (+)/decrease (-) in 2010-11 over 2009-10

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

Tax on sales, trade etc.: The increase was due to hike in price of petrol and diesel.

State Excise.: The variation was due to increase in sale of Indian Made Foreign Liquor (IMFL) and Beer.

Stamps and registration fees: The increase was due to introduction of fair value of land and increase in number of documents registered.

Land Revenue : The increase was due to intensive collection through special squads and also due to increase in Basic Tax.

The other Departments did not inform (December 2011) the reasons for variation, despite being requested (April 2011).

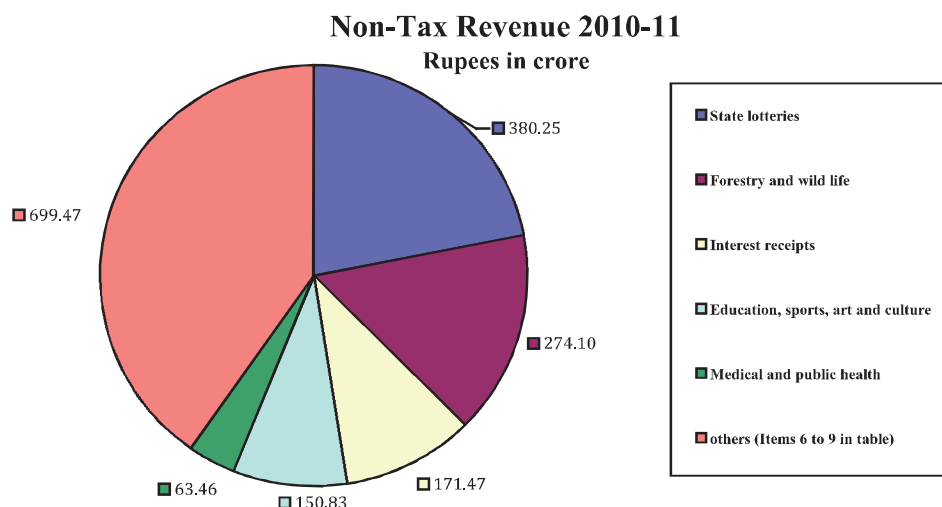
1.1.3 The following table presents the details of the non-tax revenue raised during the period 2006-07 to 2010-11:

(₹ in crore)

Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage ⁴
1.	State lotteries ⁵	142.93	193.70	312.10	405.07	380.25	(-) 6.13
2.	Forestry and wild life	174.56	154.45	223.71	272.80	274.10	(+) 0.48
3.	Interest receipts	44.63	69.65	83.69	152.50	171.47	(+) 12.44
4.	Education, sports, art and culture	99.91	100.89	130.24	130.62	150.83	(+) 15.47
5.	Medical and public health	32.99	20.02	38.58	34.43	63.46	(+) 84.31
6.	Crop husbandry	12.33	10.91	15.04	7.88	10.03	(+) 27.28
7.	Animal husbandry	6.43	5.26	2.96	3.11	3.97	(+) 27.65
8.	Public works	2.56	3.28	3.80	6.54	6.59	(+) 0.76
9.	Others	328.17	519.84	579.88	620.27	678.88	(+) 9.45
Total		844.51	1,078.00	1,390.00	1,633.22	1,739.58	(+) 6.51

⁴ Percentage of increase(+)/decrease (-) in 2010-11 over 2009-10

⁵ From gross receipts, expenditure on prize winning tickets has been deducted, but expenditure on commission to agents and establishment expenses have not been deducted. For 2010-11, from gross receipts of ₹ 571.46 crore, expenditure of ₹ 191.21 crore on prize winning tickets has been deducted, but expenditure of ₹ 216.53 crore on commission to agents and establishment expenses of ₹ 48.78 crore have not been deducted.



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

State lotteries : The decrease was due to cancellation of weekly lotteries on the basis of court order.

Medical and Public health : The increase was due to enhancement of number of seats of degree courses and PG courses in Medical colleges and also due to hike in tuition fee for these courses.

Public works : The variation was due to increase in cost of tender forms. Besides, several lapsed deposits were credited to revenue.

The other Departments did not inform (December 2011) the reasons for variation, despite being requested (April 2011).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 in respect of some principal heads of revenue amounted to ₹ 5,358.55 crore of which ₹ 1,678.98 crore were outstanding for more than five years as mentioned below:

(₹ in crore)

Sl. No.	Department	Amount of arrears as on 31 March 2011	Arrears outstanding for more than 5 years
1.	Commercial taxes Department	4,962.05	1,552.46
	Significant arrears include an amount of ₹ 3,184.95 crore due from individuals, private firms and private companies, ₹ 1,344.52 crore due from PSUs of Government of India and ₹ 410.30 crore due from PSUs of Government of Kerala.		
2.	Forest	185.04	86.02
	Significant arrears include an amount of ₹ 163.87 crore due from PSUs of Government of Kerala and ₹ 11.91 crore was due from individuals, private companies etc.		
3.	Local Fund Audit	115.15	
	The arrear represents audit charge due from various local bodies.		

Sl. No.	Department	Amount of arrears as on 31 March 2011	Arrears outstanding for more than 5 years
4.	Police	82.42	30.49
	Significant arrears include an amount of ₹ 55.82 crore and ₹ 22.34 crore due from Central and State PSUs respectively. ₹ 2.31 crore was due from Government of India and ₹ 1.21 crore from other State Governments.		
5.	Stationery	12.83	9.92
	Significant arrears include an amount of ₹ 2.79 crore due from Education Department (Pareeksha Bhavan), ₹ 1.22 crore was due from Director of Civil Supplies and ₹ 1.14 crore from Election Department.		
6.	Factories & Boilers	1.06	0.09
	The Department stated that an amount of ₹ 92.47 lakh is due from individuals, private firms and private companies. An amount of ₹ 12.65 lakh is likely to be written off.		
Total		5,358.55	1,678.98

The other departments did not furnish the details of arrears, despite being requested (December 2011).

1.3 Response of the departments/Government towards audit

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

We conduct periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. Our inspections are followed up with inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot. Our inspection reports are issued to the head of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The head 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 us within one month from the date of issue of the IRs. We report serious financial irregularities to the head of the departments and the Government.

We noticed that out of the inspection reports issued upto December 2010, 18,604 paragraphs involving ₹ 1,522.81 crore relating to 2,581 IRs remained outstanding at the end of June 2011. A table containing figures for the current year and preceding two years are given below:

	June 2009	June 2010	June 2011
Number of outstanding IRs	2,897	2,581	2,581
Number of outstanding audit observations	15,284	15,052	18,604
Amount involved (Rupees in crore)	1,133.31	1,426.98	1,522.81

While the number of outstanding IRs has remained static, we are concerned about the 24 *per cent* increase in outstanding audit observations at the end of June 2011 compared to last year.

The department-wise details of the IRs and audit observations outstanding as on 30 June 2011 and the amounts involved are mentioned below:

(₹ in crore)

Sl. No.	Name of the Departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Taxes	Taxes on sales, trade etc	1,213	13,769	1,324.03
		Taxes on agricultural income	146	705	52.89
2.	Revenue	Land revenue	295	1,223	44.76
3.	Transport	Taxes on vehicles	267	1,304	19.47
4.	Stamps and registration	Stamps and registration fees	413	953	11.89
5.	Forest and environment	Forestry and wild life	203	540	35.13
6.	Power	Taxes and duties on electricity	28	86	31.13
7.	Lotteries	Lotteries	16	24	3.51
Total			2,581	18,604	1,522.81

We have not even received first replies from the heads of offices for 230 IRs issued by us upto December 2010.

Non-receipt of first replies and increase in the number of outstanding audit observations indicates that the head of offices and head of departments failed to initiate timely action to rectify the omissions pointed out by us in our IRs.

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

1.3.2 Departmental audit committee meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2010-11 and the paragraphs settled are mentioned in the following table:-

(₹ in crore)					
Head of revenue	Number of meetings held	Number of paragraphs settled		Amount of settled paras	Number of audit paragraphs outstanding and percentage of settlement
Tax on sales, trade etc.	4	2000-01	27	25.44	<u>11445</u> 2.97
		2001-02	63		
		2002-03	17		
		2003-04	81		
		2004-05	22		
		2005-06 to 2009-10	130		
		Total	340		
Agricultural income tax	1	2001-02	22	7.85	<u>754</u> 8.48
		2003-04	10		
		2004-05	08		
		2005-06	03		
		2006-07	01		
		2007-08	06		
		2008-09	13		
		2009-10	01		
		Total	64		
Stamp duty and registration fees	4	2006-07	04	0.34	<u>1053</u> 5.41
		2007-08	05		
		2008-09	14		
		2009-10	27		
		2010-11	07		
		Total	57		
Forest	2	2001-02	03	3.59	<u>706</u> 17.13
		2002-03	03		
		2003-04	19		
		2004-05	10		
		2005-06	14		
		2006-07	13		
		2007-08	20		
		2008-09	30		
		2009-10	07		
		2010-11	02		
		Total	121		
Grand Total	11		582	37.22	13,958 4.16

We recommend that the Departments to convene more number of audit committee meetings so as to clear all IRs prior to 2005-06.

1.3.3 Non-production of records to Audit for scrutiny

Mention was made in para 1.2.3 of the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2010 about non-production of 14,003 tax assessment records of 122 commercial tax offices for audit. Some of these files were audited during regular audit and separate teams were also arranged for audit of these assessment records. 1,779 files in 36 assessment circles were scrutinised and objections involving short levy of ₹ 5.86 crore was pointed out in 82 cases in 16 offices. However, majority of the assessment files covered in the Audit Report of 2009-10 are yet to be produced for audit scrutiny. At the end of 2010-11, 13,789 assessment files were pending scrutiny in 117 offices of which 2,830 files were from 13 Special Circles.

Our analysis of the list of files not produced in seven Special circles revealed that in 39 cases more than two assessment files of the same assessee pertaining to the period 1974-75 to 2004-05 were not produced to audit. In Special circle (Produce) Mattancherry and Special circle III, Ernakulam assessment files of two dealers pertaining to five years and in Special circle, Kollam assessment files of two dealers (KGST and CST) for three years were not produced.

Name of Office	Year in which it was to be audited	₹ in crore)	
		KGST	VAT
Spl. Circle, (Produce), Mattancherry	Upto 2010-11	274	0
Spl. Circle, II Ernakulam	„	212	0
Spl. Circle, I Ernakulam	„	25	0
Spl. Circle, Mattancherry	„	132	15
Spl. Circle, III Ernakulam	„	179	34
Spl.Circle, Kannur	„	311	11
Spl.Circle, Kozhikode	„	196	22
Spl. Circle, II Kozhikode	„	138	26
Spl.Circle, Malappuram	„	158	89
Spl. Circle, Kottayam	„	81	88
Spl. Circle, Palakkad	„	55	57
Spl. Circle, Kollam	„	363	55
Spl. Circle, Thrissur	„	268	41
Total		2392	438

1.3.4 Position of Inspection Reports

The summarised position of inspection reports issued on revenue receipts relating to various departments during the last five years, paragraphs included in these reports and their status as on 31 March 2011 are tabulated in the following table:-

(₹ in crore)

Year	Opening balance		Addition during the year		Clearance during the year		Closing balance during the year	
	IRs/ Paragraphs	Money value	IRs/ Paragraphs	Money value	IRs/ Paragraphs	Money value	IRs/ Paragraphs	Money value
2006-07	2,607 13,487	534.62	751 3,988	318.54	621 3,061	160.98	2,737 14,414	692.18
2007-08	2,737 14,414	692.18	673 3,697	700.88	358 2,319	273.57	3,052 15,792	1,119.49
2008-09	3,052 15,792	1,119.49	692 5,133	199.98	485 2,967	133.84	3,259 17,958	1,185.63
2009-10	3,259 17,958	1,185.63	779 7,205	688.97	1,187 7,996	346.94	2,851 17,167	1,527.66
2010-11	2,851 17,167	1,527.66	636 6,482	4,317.31	451 2,895	194.08	3,036 20,754	5,650.89

During the five year period, the departments concerned conducted 93 audit committee meetings and cleared 5,413 paras.

1.3.5 Response of the departments to the draft audit paragraphs

We forward draft paragraphs/reviews proposed for inclusion in the Audit Report to the Secretaries of the concerned departments through demi-official letters. All departments are required to furnish their remarks on the draft paragraphs/reviews within six weeks of their receipt as per the instructions issued in 1965 by the Government. We had indicated the fact of non-receipt of replies from the Government at the end of each such paragraph included in the Audit Report.

We had forwarded 125 draft paragraphs (clubbed into 47 paragraphs including four reviews) proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2011 to the concerned Secretaries to the Government and copies were endorsed to the concerned head of the departments. But we have not received replies/response to 73 draft paragraphs (out of 125 draft paragraphs) (December 2011).

1.3.6 Follow up on Audit Reports – summarised position

The Government had issued instructions from time to time for timely follow-up action on the Audit Reports. The Committee on Public Accounts stipulates submission of action taken notes (ATNs) on paragraphs and reviews included in the Audit Report indicating the remedial action taken or proposed to be taken, within two months from the date of presentation of the Audit Report to the legislature without waiting for any notice or call from the Committee on Public Accounts.

Our review of the outstanding ATNs on 578 paragraphs included in 15 Reports of the Comptroller and Auditor General of India (Revenue Receipts) for the years ended 31 March 1995 to 31 March 2009 disclosed that the departments had not submitted remedial ATNs on all paragraphs.

Out of 578 paragraphs included in the above 15 Audit Reports, the departments submitted ATNs on 557 paragraphs. However, none of the ATNs was furnished within the prescribed time of two months.

The Audit Report for the year ended 31 March 2010 was laid on the table of the legislature on 28 June 2011. The departments had not submitted ATNs on 53 paragraphs included in the above Audit Report (September 2011) although the prescribed time period was over in August 2011. This indicates that the executive did not take prompt action on the important issues highlighted in the Audit Reports that involved unrealised revenue.

1.3.7 Compliance with the earlier Audit Reports

During the years between 2005-06 and 2009-10, the Departments/ Government accepted audit observations involving revenue of ₹ 516.47 crore out of which an amount of ₹ 67.87 crore was recovered till July 2011 as mentioned below:

(₹ in crore)

Sl No.	Year	Total money value	Money value of accepted cases	Amount recovered
1	2005-06	29.23	4.75	1.08
2	2006-07	279.90	26.34	3.29
3	2007-08	276.21	250.11	7.39
4	2008-09	675.44	106.57	56.04
5	2008-09 Vol.II	295.24	116.93	0
6	2009-10	1048.55	321.03	3.37
Total		2604.57	516.47	67.87

The departments had recovered 82 *per cent* of the accepted cases upto 2008-09. We urge the departments to keep up the same tempo of recovery for the subsequent years' reports also.

1.4 Status of assurances by the Department/Government on the issues highlighted in the Audit Reports

Land Revenue and Building Tax

In the succeeding paragraphs we have analysed the response of the **Revenue Department** to the cases pointed out by us in the course of local audit during the last 10 years and cases included in the Audit Reports for the year 2000-01 to 2009-10.

1.4.1 Inspection Reports

The summarised position of IRs issued during the last 10 years and their status as on 31 March 2011 are tabulated in the following table :

(₹ in crore)

Year	Opening Balance		Additions		Clearance		Closing Balance	
	IRs/ Paras	Money value	IRs/ Paras	Money value	IRs/ Paras	Money value	IRs/ Paras	Money value
2001-02	323 1,168	16.84	42 237	1.35	29 298	7.71	336 1,107	10.48
2002-03	336 1,107	10.48	82 478	2.93	177 531	8.85	241 1,054	4.55
2003-04	241 1,054	4.55	43 260	1.68	70 401	2.71	214 913	3.52
2004-05	214 913	3.52	66 400	5.16	75 329	1.08	205 984	7.61
2005-06	205 984	7.61	63 354	1.46	31 327	2.76	237 1,011	6.30
2006-07	237 1,011	6.30	50 309	3.18	29 370	1.84	258 950	7.64
2007-08	258 950	7.64	66 415	3.58	39 308	0.42	285 1,057	10.80
2008-09	285 1,057	10.80	52 306	8.47	34 177	0.57	303 1,186	18.71
2009-10	303 1,186	18.71	54 386	17.79	90 393	7.48	267 1,179	29.01
2010-11	267 1,179	29.01	72 425	19.33	25 261	2.88	314 1,343	45.46
Total	2,669 10,609	115.46	590 3,570	64.93	599 3,395	36.30	2,660 10,784	144.08

During the period, we issued 590 IRs containing 3,570 paragraphs with money value of ₹ 64.93 crore. At the same time we cleared 599 IRs involving 3,395 paras with monetary value of ₹ 36.30 crore. Out of the above clearance, 463 paras involving money value of ₹ 4.9 crore were cleared by conducting 17 audit committee meetings with the Departments and the rest by persistently interacting with the Departments.

1.4.2 Important issues raised through IRs

The main issues highlighted in the IRs related to non/short realisation of collection charges in revenue recovery cases, non/short assessment of building tax, non-assessment of luxury tax, non-assessment of irrigation cess and non-collection of lease rent. We observed that though the Department accepted all these cases, they could not evolve a system to avoid such lapses in future years as similar lapses recurred in subsequent years.

1.4.3 Audit Reports

During the period we issued 35 paras (including three reviews) involving money value of ₹ 345.06 crore.

1.4.4 Reviews included in the Audit Report

During the period we conducted three reviews/long paras on 'Assessment and collection of building tax', 'Lease of land by Land Revenue Department' and 'Recovery of arrears of revenue under the Revenue Recovery Act'.

1.4.4.1 The review on ‘Assessment and collection of building tax’ included in the Audit Report 2004 highlighted drawbacks in the assessment and collection of building tax. The report was examined by the Public Accounts Committee in December 2008 and the Committee directed the Department to ensure timely assessment of buildings and collect building tax promptly. The Committee recommended amendment to the Kerala Building Tax (KBT) Act to make owners of the building liable for self assessment of tax. We find that the Department, however, did not rectify the system as we came across similar cases in succeeding years.

1.4.4.2 In the AR 2006, a review on lease of land by Land Revenue Department was included wherein we recommended that:

- Lease on Government land may be renewed timely and lease rent demanded and realised promptly.
- Stringent penal provisions may be included and land resumed from the lessees violating terms and conditions of lease.
- Lease rent may be revised periodically.

The review was examined by PAC in November 2007. The PAC recommended timely revision of lease rent on Government lands and to promptly realise it from the lessees.

However, the Department did not implement these recommendations and the same issues are still continuing.

1.4.4.3 Another review on Recovery of arrears of revenue under the Revenue Recovery Act (RR) was included in the Audit Report 2009. We recommended:

- prescribing time limit/procedure to be followed by RR officers for follow-up action.
- requisitioning Departments are to be directed to resort to RR action only after the appeal period.
- dispensing the system of direct collection by the requisitioning departments after commencement of RR action.
- serving a copy of the notice to the concerned sub registrar so as to comply with the provisions of the Transfer of Registry Rules, 1966.
- evolving a rational/scientific method in fixing targets.

The Department did not respond to these recommendations.

1.4.5 Impact of Audit

The Department accepted 511 paras with money value of ₹ 9.02 crore out of which ₹ 2.93 crore in 381 cases was collected during the period.

Further the Department accepted paras included in the Audit Report involving money value of ₹ 40.68 crore of which they had collected ₹ 5.83 crore.

Conclusion

We find that the Department was not able to solve the problem of non/short levy of building tax/luxury tax by collecting data regarding newly constructed buildings from *Panchayats/Municipalities/Corporations*. The Government has not effectively responded to the recommendations made by us. Lapses in renewal and realisation of lease rent and irrigation cess pointed out by us are yet to be solved. However, we are happy to note that the clearance of IRs/Paras more or less equals the additions made during the period.

1.5 Planning for audit during 2010-11

We categorised unit offices under various departments into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. We prepared the annual audit plan on the basis of risk analysis conducted using data on Government revenues and tax administration i.e. budget speech, reports of the finance commission (State and Central), recommendation of the taxation reforms committee; statistical analysis of the revenue earnings during the past 5 years, features of the tax administration, audit coverage and its impact during past 5 years etc.

During 2010-11, the audit universe comprised of 898 units of which 639 were planned for audit. We decided to conduct a thematic review on the working of the State Excise Department which would feature as a separate report. Hence 60 excise units were excluded for local audit and 578 units were audited. We audited 99.8 *per cent* of the units planned for audit during the year.

We also conducted four performance reviews besides the compliance audit mentioned above to examine the efficacy of tax administration of these receipts.

1.6 Results of audit

1.6.1 Position of local audit conducted during the year

We test checked the records of 581⁶ units of commercial tax, motor vehicles, forest and other departmental offices during the year 2010-11. We noticed underassessments/short levy/loss of revenue aggregating ₹ 4,786.23 crore in 3,913 cases. During the course of the year the departments concerned accepted underassessments and other deficiencies of ₹ 76.24 crore involved in 1,060 cases of which 379 cases involving ₹ 52.59 crore were pointed out in audit during 2010-11 and the rest in the earlier years. The departments collected ₹ 17.63 crore in 796 cases during 2010-11.

1.6.2 Material included in this report

This Report contains 47 paragraphs (selected from the audit observations made during the local audit referred to above and during earlier years which could not be included in earlier reports) including four performance reviews on 'Compounding Schemes in Commercial Taxes Department', 'Utilisation of declaration forms in inter-state trade', 'Levy and collection of Stamp Duty and

⁶ Excluding 40 units of excise and including 43 units of forest.

Registration fees' and 'Computerisation in the Motor Vehicles Department' involving financial effect of ₹ 1,622.36 crore. The departments/Government have accepted audit observations involving ₹ 234.37 crore. The replies in the remaining cases have not been received (December 2011). These are discussed in the succeeding chapters II to VIII.