

CHAPTER-I
GENERAL

Executive Summary: Chapter - I

<p>Trend of revenue receipts of the State Government</p>	<p>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.</p> <p>During the year 2010-11, the revenue raised by the State Government was ₹ 27,052.24 crore, which was 59 <i>per cent</i> of the total revenue receipts. The balance 41 <i>per cent</i> of receipts (₹ 18,875.96 crore) during 2010-11 were from the Government of India.</p>
<p>Non-compliance of observations included in the Inspection Reports (IRs)</p>	<p>IRs, issued upto December 2010, disclosed that 7,464 paragraphs relating to 2,469 IRs involving ₹ 2,748.76 crore remained outstanding at the end of June 2011, of which 1,429 paragraphs of 744 IRs involving ₹ 316.40 crore were outstanding for more than five years for want of compliance.</p> <p>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 2011) for 103 IRs issued upto December 2010. 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.</p>
<p>Very low recovery by the Departments of observations pointed out by us in earlier years Audit Reports</p>	<p>In respect of Audit Reports pertaining to the years 2005-06 to 2009-10, the Government/Departments accepted audit observations involving ₹ 1,122.39 crore, of which only ₹ 154.68 crore (13.78 <i>per cent</i>) had been recovered till December 2011.</p>
<p>Remarkable improvement in Departmental Audit Committee Meetings</p>	<p>We noted that there is remarkable improvement in the number of Audit Committee Meetings held by the Departments, which led to settlement of many audit paras.</p> <p>The Government may continue these efforts and take suitable action, so that the system of audit committee meetings is further strengthened.</p>

<p>Results of Audit conducted by us in 2010-11</p>	<p>During test-check of the records of 486 units of Commercial taxes, Transport, Land Revenue, Registration and Stamps, State excise, Mining and other Departmental offices conducted during the year 2010-11 revealed under-assessments, short levy/loss of revenue <i>etc.</i> aggregating to ₹ 2,049.08 crore in 18,809 cases. During the year, the Departments concerned accepted under-assessments and other deficiencies of ₹ 98.10 crore involved in 13,289 cases of which 9,465 cases involving ₹ 58.83 crore were pointed out in audit during 2010-11 and the rest in the earlier years. The Departments collected ₹ 23.37 crore in 3,284 cases during 2010-11.</p>
<p>What we have highlighted in this Chapter</p>	<p>In this Chapter, we present the trend of Revenue Receipts of the State Government, response of the Government towards audit, position of the Departmental audit committee meetings, position of compliance made by the Government to the earlier Audit Reports, mechanism in the Government/ Departments to deal with issues raised by Audit, position of outstanding paragraphs in inspection reports, action taken by the Government on the recommendations highlighted in various Performance Audits included in previous Audit Reports and results of audit conducted during the year 2010-11.</p>
<p>Our conclusion</p>	<p>A procedure and mechanism in the Government for prompt and effective response to the audit observations was not found to be in place.</p> <p>The Government should take 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.</p> <p>The Government may also consider setting up of an effective mechanism to ensure recoveries involved in accepted paragraphs.</p> <p>We noted that there is remarkable improvement in the number of Audit Committee Meetings held by the Departments, which may be continued.</p>

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 2010-11 and the corresponding figures for the preceding four years is 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	11,608.24	13,274.73	14,943.75	16,414.27	20,758.12
	• Non-tax revenue	3,430.61	4,053.93	3,888.46	4,558.22	6,294.12
	Total	15,038.85	17,328.66	18,832.21	20,972.49	27,052.24
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	6,760.37	8,527.60	8,998.47	9,258.13	12,855.63
	• Grants-in-aid	3,792.96	4,924.36	5,638.17	5,154.39	6,020.33
	Total	10,553.33	13,451.96	14,636.64	14,412.52	18,875.96
3.	Total revenue receipts of the State Government (1 and 2)	25,592.18	30,780.62	33,468.85	35,385.01	45,928.20¹
4.	Percentage of 1 to 3	59	56	56	59	59

The above table indicates that during the year 2010-11, the revenue raised by the State Government (₹ 27,052.24 crore) was 59 per cent of the total revenue receipts. The balance 41 per cent of receipts during 2010-11 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 2010-11. 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 2006-07 to 2010-11:

(₹ in crore)

Sl. No.	Heads of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10
1.	Taxes on sales, trade <i>etc.</i>	6,272.15	7,345.84	8,442.02	9,681.38	11,901.24	(+) 23
	Central sales tax	448.56	404.90	462.48	482.15	728.35	(+) 51
2.	State excise	1,591.09	1,805.12	2,169.90	2,300.48	2,861.41	(+) 24
3.	Stamp duty and registration fees						
	Stamps-judicial	48.84	30.61	30.61	30.47	43.07	(+) 41
	Stamps-non-judicial	863.74	1,316.41	1,137.54	1,104.79	1,522.01	(+) 38
	Registration fee	381.10	197.33	188.48	227.68	375.96	(+) 65
4.	Taxes and duties on electricity	515.88	584.23	654.05	699.99	905.81	(+) 29
5.	Taxes on motor vehicles	1,023.61	1,164.40	1,213.56	1,372.87	1,612.25	(+) 17
6.	Taxes on goods and passengers	247.60	160.61	189.87	176.10	230.69	(+) 31
7.	Other taxes on income and expenditure, tax on professions, trades, callings and employments	0.06	0.04	0.04	0.04	0.02	(-) 50
8.	Other taxes and duties on commodities and services	46.04	58.91	64.52	58.52	64.43	(+) 10
9.	Land revenue	116.71	155.29	162.52	147.66	222.17	(+) 50
10.	Other taxes	52.86	51.04	228.16	132.14	290.71	(+) 120
	Total	11,608.24	13,274.73	14,943.75	16,414.27	20,758.12	(+) 26

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

Taxes on sales, trade *etc.*: The increase (23 *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.

Central sales tax: The increase (51 *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.

State excise: The increase (24 *per cent*) was mainly due to more receipt from sale of foreign liquor and spirits.

Stamp duty and registration fees: The increase (42 *per cent*) was due to more sale of non-judicial stamps, fees increase for registering documents, court fees and increase in DLC² rates.

Taxes and duties on electricity: The increase (29 *per cent*) was due to more receipt of taxes on consumption and sale of electricity.

Taxes on motor vehicles: The increase (17 *per cent*) was mainly due to organising special campaign for achieving revenue targets, recovery of penalty from transport vehicles and increase in the rate of one time tax.

Taxes on goods and passengers: The increase (31 *per cent*) was due to more receipt of taxes on entry of goods in to local area.

Land revenue: The increase (50 *per cent*) was due to more receipt from sale of the Government assets and sale proceeds of waste land.

Other taxes: The increase (120 *per cent*) was due to recovery of old dues ₹ 109.31 crore.

² District Level Committee.

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

(₹ in crore)

Sl. No.	Heads of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10
1.	Interest receipts	1,072.72	1,112.43	1,195.96	1,185.45	1,276.70	(+) 8
2.	Forestry and wild life	45.24	58.30	57.74	56.35	93.20	(+) 65
3.	Non-ferrous mining and metallurgical industries	1,196.52	1,226.61	1,275.59	1,612.26	1,929.58	(+) 20
4.	Miscellaneous general services	528.28	919.72	580.33	739.30	271.19	(-) 63
5.	Major and medium irrigation	60.56	57.92	54.16	48.83	86.04	(+) 76
6.	Medical and public health	30.62	39.11	36.87	56.55	45.46	(-) 20
7.	Co-operation	22.23	27.01	18.13	21.03	16.35	(-) 22
8.	Public works	47.47	53.41	93.43	62.75	62.10	(-) 1
9.	Police	42.61	94.81	71.43	126.24	133.93	(+) 6
10.	Other administrative services	54.84	54.71	49.57	49.12	80.33	(+) 64
11.	Other non-tax receipts	329.52	409.90	455.25	600.34	2,299.24	(+) 283
Total		3,430.61	4,053.93	3,888.46	4,558.22	6,294.12	(+) 38

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

Forestry and wild life: The increase (65 per cent) was mainly due to more receipt on sale of application forms and examination fees for the recruitment of forest guards and forest products.

Non-ferrous mining and metallurgical industries: The increase (20 per cent) was mainly due to more receipts of minerals concession fees, rents and royalties.

Miscellaneous general services: The decrease (63 per cent) was mainly due to amount pertaining to the Rajasthan Poverty Fund transferred under this head during 2009-10 after deletion of section 6A from Fiscal Responsibilities and Budget Management Act, 2005 by the State Government.

Major and medium irrigation: The increase (76 per cent) was mainly due to more receipts of water charges from irrigation and other purposes.

Medical and public health: The decrease (20 per cent) was mainly due to less receipts from the Employees State Insurance Scheme.

Co-operation: The decrease (22 per cent) was mainly due to less receipts of audit fees and other receipts.

Other administrative services: The increase (64 per cent) was due to more receipts on account of services of Home Guards provided to other parties, fine and forfeitures.

Other non-tax receipts: The increase (283 per cent) was mainly due to more receipts on account of royalty because of enhance production of crude oil from Barmer area.

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 the 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 the 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 the 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 replies 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 2010, disclosed that 7,464 paragraphs relating to 2,469 IRs involving ₹ 2,748.76 crore remained outstanding at the end of

June 2011 as mentioned below along with the corresponding figures for the preceding two years:

Particulars	June 2009	June 2010	June 2011
Number of outstanding IRs	2,502	2,400	2,469
Number of outstanding audit observations	6,918	6,765	7,464
Amount involved (₹ in crore)	1,391.66	2,112.69	2,748.76

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2011 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.	427	1,680	344.60
		Entertainment tax, luxury tax etc.	27	27	7.29
		Electricity duty	45	72	1.64
2.	Transport	Taxes on motor vehicles	446	1,380	348.29
3.	Land revenue	Land revenue	253	388	236.69
		Land and buildings tax	11	16	0.71
4.	Registration and stamps	Stamp duty and registration fee	871	2,155	92.52
5.	State excise	State excise	164	419	141.03
6.	Mines, geology and petroleum	Non-ferrous mining and metallurgical industries	225	1,327	1,575.99
Total			2,469	7,464	2,748.76

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 2011) for 103 IRs issued upto December 2010. 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 may consider taking suitable steps to introduce an effective procedure for prompt and appropriate response to the 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 2010-11 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	13	401	155.14
Transport	4	1	19	1.72
Land revenue	1	15	116	16.46
Registration and stamps	3	13	349	9.01
State excise	3	2	12	1.99
Mines, geology and petroleum	2	2	74	104.70
Total	16	46	971	289.02

We noted that there is remarkable improvement in the number of audit committee meetings held by the Departments.

The Government may continue these efforts and take suitable action, so that the system of audit committee meetings is further strengthened.

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 2011 were forwarded to the Secretaries of the respective Departments between July and November 2011. Out of 89 cases (clubbed into 31 paragraphs of this report) issued, the Departments have accepted the audit observations in 39 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 the Audit to the Secretariat of the 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 31 December 2011 is given in **Annexure-A**. A total of 92 paragraphs pertaining to the period 2005-06 to 2009-10 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 125 action taken notes were outstanding as on 31 December 2011 as detailed in **Annexure-B**.

1.2.5 Compliance to the earlier Audit Reports

In respect of the Audit Reports pertaining to the years 2005-06 to 2009-10, the Government/Departments accepted audit observations involving ₹ 1,122.39 crore, of which ₹ 154.68 crore had been recovered till December 2011 as mentioned below:

(₹ in crore)

Year of Audit Report		Total money value	Accepted money value	Recovery made
2005-06		352.81	118.93	23.28
2006-07		315.25	254.28	6.55
2007-08		666.55	246.83	96.72
2008-09		392.71	71.80	21.63
2009-10	I*	236.00	156.27	6.50
	II**	402.85	274.28	-
Total		2,366.17	1,122.39	154.68

* Revenue Receipts ** Mining Receipts

As against accepted money value of ₹ 1,122.39 crore, only ₹ 154.68 crore (13.78 per cent) were recovered during the last five years.

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 Performance Audits 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 the IRs and their status as on 30 June 2011 are tabulated below:

₹ in crore)

Year	Opening balance ³ as on 1-7-2010			Addition during the year ⁴			Clearance during the year ⁵			Closing balance		
	IRs	Para- graphs	Amounts	IRs	Para- graphs	Amounts	IRs	Para- graphs	Amounts	IRs	Para- graphs	Amounts
Up to 2001-02	134	220	13.29	-	-	-	23	40	3.87	111	180	9.42
2002-03	92	143	8.95	-	-	-	18	26	0.63	74	117	8.32
2003-04	153	275	38.95	-	-	-	29	57	11.77	124	218	27.18
2004-05	242	509	184.21	-	-	-	42	108	120.52	200	401	63.69
2005-06	266	646	213.26	-	-	-	31	133	5.47	235	513	207.79
2006-07	336	867	178.20	-	-	-	29	122	20.81	307	745	157.39
2007-08	385	1,022	174.89	-	-	-	48	177	10.57	337	845	164.32
2008-09	471	1,744	482.17	-	-	-	77	400	38.25	394	1,344	443.92
2009-10	321	1,339	820.85	183	891	705.24	77	497	346.42	427	1,733	1,179.67
2010-11	-	-	-	289	1,497	491.62	29	129	4.56	260	1,368	487.06
Total	2,400	6,765	2,114.77	472	2,388	1,196.86	403	1,689	562.87	2,469	7,464	2,748.76

IRs issued upto December 2010 disclosed that 1,429 paragraphs of 744 IRs involving ₹ 316.40 crore were outstanding for more than five years for want of compliance.

³ Opening balance reconciled during the year 2010-11.

⁴ Audit conducted between July 2009 to June 2010 of which IRs issued during January 2010 to December 2010.

⁵ July 2010 to June 2011.

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 31 December 2011 is 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 ⁶	Cumulative position of recovery of accepted cases
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	Nil	49.52
2004-05	27	276.63	23	16.14	0.08	6.15
2005-06	39	352.81	27	118.93	1.10	23.28
2006-07	41	315.25	25	254.28	3.39	6.55
2007-08	39	666.55	33	246.83	14.71	96.72
2008-09	48	392.71	33	71.80	4.74	21.63
2009-10						
I*	27	236.00	15	156.27	6.50	6.50
II**	37	402.85	32	274.28	-	-
Total	424	4,277.60	290	1,732.27	30.52	326.24

* Revenue Receipts ** Mining Receipts

During the years from 2000-01 to 2009-10, 424 paragraphs involving ₹ 4,277.60 crore were included in the Audit Reports. The Government/Departments accepted audit observations involving ₹ 1,732.27 crore, of which ₹ 326.24 crore (18.83 per cent) only had been recovered (31 December 2011) during the last 10 years.

We suggest that the Government consider setting up of a mechanism to ensure that recoveries are effected in case of the accepted paragraphs.

⁶ January 2011 to December 2011.

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 2010-11, the audit universe comprised 922 auditable units, of which 486 units were planned and audited during the year 2010-11, which is 53 *per cent* of the total auditable units. Besides the compliance audit, three performance audits were also taken up to examine the efficacy of the tax administration of these receipts.

1.5 Results of audit

1.5.1 Position of local audit conducted during the year

During test-check of the records of 486 units of Commercial Taxes, Transport, Land Revenue, Registration and Stamps, State Excise, Mining and other Departmental offices conducted during the year 2010-11 revealed under-assessments, short levy/loss of revenue *etc.* aggregating to ₹ 2,049.08 crore in 18,809 cases. During the year, the Departments concerned accepted under-assessments and other deficiencies of ₹ 98.10 crore involved in 13,289 cases of which 9,465 cases involving ₹ 58.83 crore were pointed out in audit during 2010-11 and the rest in the earlier years. The Departments collected ₹ 23.37 crore in 3,284 cases during 2010-11.

1.5.2 This Report

This Report contains 28 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) with financial effect of ₹ 481.29 crore and three **Performance Audits on 'Cross verification of Declaration forms used in Inter State Trade and Commerce', 'Computerisation in the Motor Vehicles Department' and 'Levy and Collection of Excise Revenue'**, involving revenue implications of ₹ 106.89 crore (total ₹ 588.18 crore). The Departments/Government have accepted audit observations involving ₹ 313.81 crore, of which ₹ 5.81 crore have been recovered. The replies in the remaining cases have not been received (December 2011). These are discussed in succeeding chapters II to VI.