

OVERVIEW

This Report contains 28 paragraphs involving ₹ 481.29 crore and three Performance Audit 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, relating to non/short levy of tax, interest, penalty etc. total ₹ 588.18 crore. Some of the significant audit findings are mentioned below:

I. General

The total revenue receipts of the Government of Rajasthan during 2010-11 were ₹ 45,928.20 crore as against ₹ 35,385.01 crore for the year 2009-10. The revenue raised by the Government amounted to ₹ 27,052.24 crore comprising tax revenue of ₹ 20,758.12 crore and non-tax revenue of ₹ 6,294.12 crore. The receipts from the Government of India were ₹ 18,875.96 crore (State’s share of divisible Union taxes: ₹ 12,855.63 crore and grants-in-aid: ₹ 6,020.33 crore). Thus, the State Government could raise 59 *per cent* of its total revenue receipts. Taxes on Sales, trade *etc.* (₹ 11,901.24 crore), State Excise (₹ 2,861.41 crore), Stamp duty and Registration fee (₹ 1,941.04 crore), Taxes on Motor Vehicles (₹ 1,612.25 crore) and Non-ferrous Mining and Metallurgical Industries (₹ 1,929.58 crore) were the major sources of tax and non-tax revenue during 2010-11.

(Paragraph 1.1)

Inspection reports, issued upto December 2010, disclosed that 7,464 paragraphs involving ₹ 2,748.76 crore relating to 2,469 IRs remained outstanding at the end of June 2011 for want of compliance by various Departments. Out of the above, 1,429 paragraphs of 744 IRs involving ₹ 316.40 crore were outstanding for more than five years.

(Paragraph 1.2.1 and 1.3.1)

The Departments/Government accepted audit observations involving ₹ 1,122.39 crore pertaining to the Audit Reports for the years 2005-06 to 2009-10, of which ₹ 154.68 crore had been recovered till December 2011.

(Paragraph 1.2.5)

Test-check during 2010-11, revealed underassessment, short levy and loss of revenue amounting to ₹ 2,049.08 crore in 18,809 cases. The concerned Departments accepted underassessment 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 the year 2010-11 and the rest in earlier years. The Departments recovered ₹ 23.37 crore in 3,284 cases at the instance of audit during the year 2010-11.

(Paragraph 1.5.1)

II. Taxes on Sales, Trade etc.

A Performance Audit of 'Cross verification of Declaration Forms used in Inter-State Trade and Commerce' revealed the following:

- In 14 cases of 'C' Forms and eight cases of 'F' Forms, Assessing Authorities allowed concession/exemption of tax of ₹ 58.07 crore on belated submission of declaration forms by the dealers in contravention of the CST Act/Rules. Further in 103 cases in 18 Circle offices, demand of ₹ 18.52 crore raised was subsequently wrongly reduced on belated submission of forms without recording reasons for condonation of delay.

(Paragraph 2.11.10.1)

- The Assessing Authority (AA) short levied tax of ₹ 48.24 lakh and interest ₹ 15.29 lakh on Inter-State sales made without submission of 'C' forms and due to incorrect application of differential rate of tax in two cases.

(Paragraph 2.11.10.3)

- The AA irregularly granted exemption of tax of ₹ 23.26 crore on 'F' forms which were not supported by the evidence of dispatch of such goods which was mandatory as per the Act.

(Paragraph 2.11.10.4)

- The AA irregularly granted concession/exemption of tax of ₹ 10.40 lakh besides interest of ₹ 3.93 lakh on invalid declaration forms as the transactions in these declarations Form 'C' and 'F' was for more than one quarter/one month.

(Paragraph 2.11.10.5)

- Though the Department had detected fake forms issued by certain dealers of Bihar State to the Rajasthan State dealers, they did not cross verify forms issued by the States other than Bihar to the same Rajasthan dealers and irregularly allowed tax concession of ₹ 3.15 crore.

(Paragraph 2.11.10.6)

- There was evasion of tax of ₹ 4.73 lakh and interest of ₹ 2.60 lakh and penalty of ₹ 9.47 lakh was also leviable, due to suppression of purchases as well as sales by ₹ 118.33 lakh.

(Paragraph 2.11.10.8)

- There was evasion of tax of ₹ 31.52 lakh due to short account of Inter-State sale and evasion of tax of ₹ 8.98 lakh due to excess transfer of goods to agents, against declaration form 'F'. Besides, interest of ₹ 24.62 lakh and penalty of ₹ 80.99 lakh was also leviable.

(Paragraph 2.11.10.9)

- Mis-utilisation of CST declaration forms 'C' and 'F' by the dealers resulted in irregular concession/exemption of ₹ 34.15 lakh besides interest of ₹ 17.44 lakh and penalty of ₹ 67.39 lakh, as the declarations

forms were issued to the dealers other than the dealers who actually utilised them.

(Paragraph 2.11.10.10)

- There was evasion of tax of ₹ 4.04 lakh, due to use of fake 'C'/'F' declaration forms as these declaration forms were not issued by the AAs of those States. Besides interest and penalty was also leviable.

(Paragraph 2.11.11)

- There was evasion of tax, interest and penalty of ₹ 2.59 crore on 'C' forms due to absence of a system of cross verification of declaration forms, whereby the assessing authorities could not detect fake declaration forms and other irregularities.

(Paragraph 2.11.12)

- The Department had not put in place a system for verification of each and every Declaration Form submitted by the dealers with the database available in the TINXSYS Website before allowing exemptions/concession of tax. Further, the Department had not uploaded the information of dealers, whose registration had been cancelled, thereby depriving the Department/dealers of other States from verifying genuineness of the dealers.

(Paragraph 2.11.13)

Purchase tax of ₹ 16.82 lakh was not levied on goods purchased without paying tax and used in manufacture of exempted goods.

(Paragraph 2.13.1)

Non-levy of differential tax ₹ 73.72 lakh on *Saraffa* dealers, who had not deposited the tax upto the stipulated date of 31 March, in violation of Composition Scheme of Tax.

(Paragraph 2.14.1)

Due to non-compliance of condition of the scheme regarding payment of composition tax, the Department should have levied differential tax of ₹ 39.94 lakh on Petroleum dealers, which was not levied.

(Paragraph 2.14.3)

There was incorrect grant of excess deferment of tax ₹ 3.11 crore alongwith interest of ₹ 97.95 lakh to nine dealers under the Sales Tax Incentive Scheme for Industries.

(Paragraph 2.14.4)

Non-levy of entry tax on the goods purchased from other States for consumption or use in the business resulted in non-recovery of Tax of ₹ 16.50 lakh.

(Paragraph 2.14.5)

III. Taxes on Motor Vehicles

A Performance Audit of 'Computerisation in the Motor Vehicles Department' revealed the following:

- 'VAHAN' software was implemented in 36 Regional Transport Offices (RTOs)/District Transport offices (DTOs) from October 2009 to March 2010 after a delay of 52 to 57 months since its pilot implementation in Alwar in May 2005. The phase III of 'VAHAN' is yet to be implemented in 33 sub offices. The Permit and Enforcement module of 'VAHAN' have not been initiated at all. Though the 'SARATHI' software has been implemented in seven offices out of 13 RTOs, the software is running only in four offices due to shortage of manpower. Online application for learners License and conductor License not implemented. Thus, the entire benefits of computerisation have not been achieved. The transfer of legacy data was not completed due to difference in structure base of old software's with 'VAHAN'/ 'SARATHI' software's.

(Paragraph 3.8.8 and 3.8.8.1)

- Due to inadequate validation controls in 'VAHAN' software, the system accepted incorrect and improbable data as dates of manufacture, pollution control, laden weight and seating capacity of vehicles. Further, there were many duplicate entries of engine number/chassis number based on back end entries without validation and key fields of insurance cover notes kept blank or fake numbers mentioned, resulting in incomplete/incorrect database in the State Register/National Register.

(Paragraph 3.8.9)

- There were design deficiencies in the system which needs to be corrected to avoid incorrect tax collection and data information. Further there was no provision in the system to highlight delays in issue of licence or registration etc.

(Paragraph 3.8.10.1)

- There was short recovery of fancy number fee of ₹ 19,200 in seven cases due to non mapping of fee for fancy number, in the software.

(Paragraph 3.8.10.2)

- Data on issue of licenses/permits, fees collected was not verified by the Transport Commissioner's (TC) office, resulting in non-detection of errors which could have otherwise been restricted/curtailed by executive instructions/guidelines. Internal control mechanism was ineffective for reviewing transaction data for generating logs.

(Paragraph 3.8.11.2)

- Due to inadequate application controls, the driving licences in 853 cases out of 1,61,754 test checked were found to be issued to non qualified applicants who were illiterate, below Class 8th or qualification not specified, or whose age was shown as zero. Improbable and wrong

entries affected the correctness of National/State Register of Licenses issued.

(Paragraph 3.8.12.2)

- Total hardware of ₹ 8.65 crore was sanctioned by the Central Government and the State Government for all offices but the details of supply, installation and utilisation/non-utilisation were neither monitored by the TC office nor by the National Informatics Centre, Jaipur.

(Paragraph 3.8.14.3)

- There was no fire detection/fighting equipment to fight any contingency in server room of any test checked office.

(Paragraph 3.8.14.4)

- Connectivity had not been established in DTOs Banswara and Dungarpur and RTO, Kota. There were constant disturbance in the network lines at RTO, Pali, which resulted in problems related with backup and updation of the software. Further, tax collection centres have not been connected with the TC office/RTO's.

(Paragraph 3.8.14.5)

- The staff and officers posted at test checked offices were neither trained nor provided user manuals because of which the staff faced difficulties in operating the system on day to day basis.

(Paragraph 3.8.15.1)

Motor vehicles tax and special road tax ₹ 15.73 crore were not realised from the owners of 4,946 vehicles.

(Paragraph 3.10.1)

Lump sum tax ₹ 42.46 lakh on transport vehicles was not realised.

(Paragraph 3.10.2)

Out of tax collected ₹ 18.27 crore (between January 2008 and March 2010) by the flying squads and tax collection centres, ₹ 16.90 crore were deposited late, the delay ranging from one day to 424 days. This resulted in temporary embezzlement of cash as well as loss of interest ₹ 49.65 lakh.

(Paragraph 3.10.4)

IV. Land revenue

Allotment of land for Hotels at inapplicable rates in violation of New Tourism Policy, 2007, resulted in potential loss of revenue of ₹ 6.50 crore to the State.

(Paragraph 4.8.1.1)

Cost of land ₹ 7.53 crore was not levied on three allottees (Government bodies, PSU) of land.

(Paragraph 4.8.1.2)

Incorrect application of DLC rate of agriculture land instead of commercial DLC rates on allotment of land to a hotel resulted in short levy of ₹ 7.04 crore.

(Paragraph 4.8.2)

V. State Excise

A Performance Audit of ‘Levy and Collection of Excise Revenue’ revealed the following:

- The Excise Department did not have any Strategy plan/Action plan for the recovery of old arrears of revenue amounting to ₹ 218.37 crore.

(Paragraph 5.5.8)

- There is no provision in the Rules for the time limit for submission of the Excise Verification Certificate (EVC) and for rate of penalty to be levied for belated submission.

(Paragraph 5.5.9.1)

- Non-fixation of norms for minimum yield of spirit from grains led to short yield of spirit involving potential excise duty of ₹ 284.17 crore.

(Paragraph 5.5.9.4)

- The Department Officials charged license fee for hotels bars under “heritage hotels category” rate without certification of their status as heritage hotels from the Government of India and the State Committee. Issuing of *ad hoc* licences, in haste, cost the exchequer ₹ 1.69 crore, which needs to be recovered from the licensees.

(Paragraph 5.5.11.1)

- The Department failed to take action against illegal transfer/misuse of shop licenses in the guise of power of attorneys.

(Paragraph 5.5.11.2)

- Due to non-renewal of Bonded Warehouse license, the Department had also foregone revenue of ₹ 55 lakh during the period 2005-06 to 2009-10.

(Paragraph 5.5.12)

- Non-submission of EVC by the licensees within the prescribed time limit was not mentioned by the Department and neither was penal action taken under the Rules.

(Paragraph 5.5.17.1)

- 5,181 bank drafts for ₹ 22.89 crore received on account of security deposits, application fee and contract money were deposited late in the Govt. accounts, with delay ranging from two to 140 days, in contravention of General Financial Rules.

(Paragraph 5.5.20)

- In absence of any records of internal inspections at the Excise Commissioner's office there was no monitoring and strengthening of internal control mechanisms in the Department.

(Paragraph 5.5.22)

VI. Non-Tax Receipts

A. Mines, Geology and Petroleum Department

Action of the lessees to deviate the end use of mineral by supplying the lime stone to cement factories and steel plants, resulted in non-recovery of ₹ 398.47 crore.

(Paragraph 6.7.1)

In 17 cases, leases were granted/transferred to those lease holders who were already possessing two leases in violation of Rules. Cost of unlawfully excavated and dispatched minerals worked out to ₹ 104.88 crore resulting in undue benefit to lessees.

(Paragraph 6.7.2)

Non-observance of the prescribed procedure by the ME for issue of notice for termination of the contract caused a loss of ₹ 2.85 crore on a lease contract of sandstone. The ADM also incorrectly granted refund of security deposit of ₹ 1.16 crore in the same contract.

(Paragraph 6.7.3.1)

Cost along with royalty of ₹ 186.77 lakh was not recovered from seven kiln owners who used brick earth illegally without obtaining requisite permit and paying royalty. The Department encouraged illegal use of brick earth by incorrect calculation of demand in violation of brick earth concession Rules.

(Paragraph 6.7.4)

Cost and royalty of ₹ 2.74 crore for minerals excavated illegally were recoverable on excavated minerals in excess of the quantity authorised by the State Pollution Control Board. The Department had authorised despatch of minerals in violation of environmental laws.

(Paragraph 6.7.5.1)

The Department permitted despatch of mineral marble without approved Mining Plans, the cost of the mineral illegally excavated being ₹ 170.05 lakh.

(Paragraph 6.7.5.2)

Due to absence of coordination among Revenue, Transport, Forest, Police and Mines Departments, there was illegal excavation and despatch of minerals causing loss to State Government as well as huge loss to wild life and serious threat to ecological balance in the forest area and nearby populace. The cost alongwith royalty of the mineral excavated was ₹ 208.78 crore.

(Paragraph 6.7.6.1)

The Department had not ensured verification of actual quantity of minerals dispatched with the monthly returns of production of the lessee. Cost of

illegally dispatched mineral not recovered by the Department was ₹ 29.08 crore.

(Paragraph 6.7.7)

Cost of the minerals along with royalty amounting to ₹ 7.03 crore was not charged on excavated/consumed minerals by work contractors either without obtaining short term permits (STP) or more than 25 *per cent* of the quantity permitted in the STPs.

(Paragraph 6.7.8)

Mineral excavated and despatched during the prohibitory order was illegal, which requires recovery of cost of mineral of ₹ 2.49 crore.

(Paragraph 6.7.9)

Cost of illegally despatched minerals along with royalty of ₹ 2.51 crore was not charged on lessees for excavation and despatch of mineral marble and granite from outside the lease areas, by mis-using *rawannas*.

(Paragraph 6.7.10.2)

B. Colonisation Department

Cost of special allotment of land was wrongly charged at lower rates instead of the prescribed rates in the same vicinity, resulting in short calculation of land cost by ₹ 13 lakh.

(Paragraph 6.8)

C. General Administration Department

Non-finalisation of rent agreement by the Government with various State Government Corporations for land given to them for use in Bikaner House, New Delhi, resulted in non recovery of revenue of ₹ 48.93 lakh.

(Paragraph 6.9)

D. Public Works Department

Non-implementation of revised rates of collection of Toll tax by the Department resulted in loss of ₹ 73.35 lakh

(Paragraph 6.10)