

CHAPTER I : GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of West Bengal 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. | Receipts | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
| 1 | Revenue raised by the State Government | | | | | |
| | • Tax revenue | 11,694.77 | 13,126.33 | 14,419.15 | 16,899.98 | 21,128.74 |
| | • Non-tax revenue | 1,248.76 | 1,473.09 | 4,966.39 | 2,438.11 | 2,380.49 |
| | Total | 12,943.53 | 14,599.42 | 19,385.54 | 19,338.09 | 23,509.23 |
| 2. | Receipts from the Government of India | | | | | |
| | • State's share of net proceeds of divisible Union taxes | 8,505.60 | 10,729.06 | 11,321.78 | 11,648.16 | 15,954.95 |
| | • Grants-in-aid | 4,379.18 | 4,838.90 | 6,197.07 | 5,935.40 | 7,800.02 |
| | Total | 12,884.78 | 15,567.96 | 17,518.85 | 17,583.56 | 23,754.97 |
| 3. | Total receipts of the State Government (1 and 2) | 25,828.31 | 30,167.38 | 36,904.39 | 36,921.65 | 47,264.20¹ |
| 4. | Percentage of 1 to 3 | 50 | 48 | 53 | 52 | 50 |

The above table indicates that during the year 2010-11, the revenue raised by the State Government (₹ 23,509.23 crore) was 50 *per cent* of the total revenue receipts against 52 *per cent* in the preceding year. The balance 50 *per cent* of receipts during 2010-11 was received from the Government of India.

¹ For details, please see Statement No. 11 – Detailed statement of revenue by minor heads in the Finance Accounts of the Government for the year 2010-11. Figures under the heads 0020-Corporation tax, 0021 - Taxes on income other than corporation tax, 0032 - Taxes on Wealth, 0037 – Customs duty, 0038 - Union excise duties, 0044 - Service tax, -'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 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 of increase (+)/ decrease (-) in 2010-11 over 2009-10 |
| 1. | Tax on Sales, trade etc. | 7,079.03 | 8,060.46 | 8,955.09 | 10,509.64 | 13,275.77 | (+) 26.31 |
| 2. | State excise | 817.36 | 935.46 | 1,082.94 | 1,443.81 | 1,783.34 | (+) 23.51 |
| 3. | Stamp duty and registration fees | | | | | | |
| | Stamps judicial | 112.53 | 54.99 | 357.16 | 85.83 | 74.56 | (-) 13.13 |
| | Stamps non-judicial | 746.70 | 490.23 | 527.15 | 722.20 | 910.71 | (+) 26.10 |
| | Registration fees | 399.34 | 871.74 | 625.18 | 1,006.19 | 1,279.94 | (+) 27.20 |
| 4. | Taxes and duties on electricity | 526.35 | 506.69 | 587.52 | 664.57 | 769.09 | (+) 15.72 |
| 5. | Taxes on vehicles | 508.97 | 532.07 | 608.01 | 774.34 | 936.01 | (+) 20.87 |
| 6. | Land revenue | 952.69 | 1,039.58 | 983.78 | 928.92 | 1,253.66 | (+) 34.95 |
| 7. | Other taxes on Income and Expenditure-Taxes on Profession, Trades, Callings and Employment | 264.85 | 295.06 | 321.60 | 362.40 | 388.54 | (+) 7.21 |
| 8. | Other taxes and duties on Commodities and Services | 284.73 | 341.18 | 367.15 | 393.11 | 441.18 | (+) 12.22 |
| 9. | Other taxes | 2.22 | (-) 1.13 | 3.57 | 8.97 | 15.94 | (+) 77.70 |
| | Total | 11,694.77 | 13,126.33 | 14,419.15 | 16,899.98 | 21,128.74 | (+) 25.02 |

The increase in tax revenue receipts in 2010-11 over the preceding year from State excise (23.51 per cent), Sales Tax (26.31 per cent), Taxes on vehicles (20.87 per cent), Land Revenue (34.95 per cent) and taxes and duties on electricity duty (15.72 per cent) was attributed by the concerned Departments to increased receipts of excise duty on account of intensive and continuous preventive operations as well as imposition of various restrictions, introduction of advalorem duty structure in Foreign Liquor and increase of initial grant fee, security deposit, etc., more receipts on collection under Central Sales Tax, more collection under Central Motor Vehicles Act and State Motor Vehicles Act, and more receipts from surcharge on land revenue, Rural Employment Cess on Coal Mines and Collection of Royalties from Mines and Minerals and the increased collection of electricity duty from the

West Bengal State Electricity Distribution Company Ltd respectively. The other Departments did not inform (October 2011) the reasons for variation despite being requested (May 2011).

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

(₹ in crore)

| Sl. No. | Head of revenue | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10 |
|--------------|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| 1. | Roads and Bridges | 18.11 | 13.66 | 18.58 | 25.90 | 22.52 | (-)13.05 |
| 2. | Forestry and wildlife | 40.87 | 49.84 | 45.33 | 64.17 | 75.49 | (+)17.64 |
| 3. | Interest receipts | 683.66 | 689.96 | 3,999.90 | 362.83 | 716.84 | (+)97.56 |
| 4. | Medical and public health | 68.13 | 42.83 | 66.36 | 47.34 | 67.03 | (+)41.59 |
| 5. | Education, sports, art and culture | 16.22 | 21.42 | 44.62 | 73.04 | 65.21 | (-)10.72 |
| 6. | Food storage and warehousing | 87.67 | 247.71 | 340.17 | 1,292.97 | 877.31 | (-)32.14 |
| 7. | Police | 71.33 | 63.02 | 66.88 | 68.67 | 103.62 | (+)50.89 |
| 8. | Dairy development | 22.25 | 26.94 | 29.84 | 27.43 | 26.84 | (-)2.15 |
| 9. | Housing | 10.43 | 9.68 | 9.07 | 14.52 | 11.52 | (-)20.66 |
| 10. | Others | 230.09 | 308.03 | 345.64 | 461.24 | 414.11 | (-)10.21 |
| Total | | 1,248.76 | 1,473.09 | 4,966.39 | 2,438.11 | 2,380.49 | (-)2.36 |

The decrease in non-tax revenues in 2010-11 over the preceding year under Food storage and warehousing (32.14 *per cent*) was mainly due to decrease in receipts under Other Items-Other Receipts. The other Departments did not inform (October 2011) the reasons for variation despite being requested (May 2011).

1.2 Response of the Departments/Government towards audit

Audit observations raised during local inspection are replied by the concerned authorities after issue of inspection report(s). On non-receipt of satisfactory reply/non-settlement of the observations in the departmental audit committee meeting(s), the potential observations are converted into draft paragraph(s) and forwarded to the Departments/Government for reply/comments within six weeks. In case, the reply furnished by the Government is not satisfactory, the draft paragraph is finally included in the audit report. The Secretary to the Government of the concerned Department, after laying of the audit report in the legislature, forwards explanatory notes on the relevant paragraphs to the Committee on Public Accounts (PAC) for vetting by the Accountant General (AG). After discussion, the PAC makes recommendations for compliance by the Government within six months for final settlement of the paragraph.

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

The Accountant General (R, W & LBA), conducts periodic 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 up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads 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 AG within two months from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

A review of IRs issued upto December 2010 disclosed that 3,039 paragraphs involving ₹ 4,280.62 crore relating to 1,007 IRs remained outstanding at the end of June 2011 as mentioned below along with the corresponding figures for the preceding two years.

| | June 2009 | June 2010 | June 2011 |
|--|-----------|-----------|-----------|
| Number of outstanding IRs | 1,145 | 1,109 | 1,007 |
| Number of outstanding audit observations | 3,161 | 3,012 | 3,039 |
| Amount involved (₹ in crore) | 4,179.03 | 4,253.42 | 4,280.62 |

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

| Sl. No. | Name of the Department | Nature of receipts | Number of outstanding IRs | Number of outstanding audit observations | Money value involved (₹ in crore) |
|--------------|---|---|---------------------------|--|-----------------------------------|
| 1 | Finance | Sales Taxes/ VAT | 227 | 987 | 136.22 |
| | | Electricity duty | 52 | 95 | 53.33 |
| | | Amusement Tax | 39 | 79 | 25.08 |
| | | Profession Tax | 74 | 180 | 8.31 |
| | | Stamp duty and registration fees | 248 | 382 | 50.31 |
| 2. | Excise | State excise | 19 | 50 | 53.65 |
| 3. | Land and Land Reforms | Land Revenue | 69 | 497 | 158.18 |
| 4. | Transport | Taxes on motor vehicles | 96 | 270 | 15.68 |
| 5. | Commerce and Industries | Non-ferrous mining and metallurgical industries | 76 | 272 | 123.28 |
| 6. | Forest | Forestry and wild life | 82 | 166 | 48.09 |
| 7. | Public Works, Police and Irrigation and Waterways | Receipts from Public Works, Police and Water rate | 25 | 61 | 3,608.49 |
| Total | | | 1,007 | 3,039 | 4,280.62 |

Even the first replies required to be received from the heads of offices within two months from the date of issue of the IRs were not received for 406 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 did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

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

1.2.2 Departmental audit committee meetings

The Government sets 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 below:

| Departments | Number of meetings held | Number of paragraphs | | Money Value of paragraphs settled (₹ in lakh) |
|---|-------------------------|----------------------|------------|--|
| | | Discussed | Settled | |
| Land and Land Reforms | 3 | 208 | 203 | 3,715.13 |
| Irrigation and Waterways | 3 | 83 | 72 | 3,312.79 |
| State Excise | 1 | 68 | 20 | 89.12 |
| Power and Non-conventional Energy sources | 1 | 8 | 8 | 9.91 |
| Commerce and Industries | 1 | 42 | 0 | 0.00 |
| Transport | 2 | 112 | 0 | 0.00 |
| Total | 11 | 521 | 303 | 7,126.95 |

Thus, out of ten departmental² audit committees, six committees held 11 meetings during 2010-11 and settled 303 paragraphs involving money value of ₹ 71.27 crore. The other Departments did not hold any audit committee meeting during 2010-11 despite being requested.

The Government may consider holding audit committee meetings of each department at least twice a year.

² Commerce and Industries Department, Excise Department, Finance (Revenue) Department (comprising of Directorate of Commercial Taxes, Directorate of Registration and Stamp Revenue, Directorate of Electricity), Forest Department, Industrial Reconstruction Department, Irrigation and Waterways Department, Land and Land Reforms Department, Power and Non-conventional Energy Sources Department, Public Works Department and Transport Department.

1.2.3 Response of the departments to the draft audit paragraphs

We issued 45 draft paragraphs (clubbed into 38 paragraphs) including four performance audits to five Departments proposed for inclusion in the Audit Report 2010-11. After regular persuasion through reminders, five Departments furnished replies in respect of 26 draft paragraphs. The details of draft paragraphs issued and replies received during the last three years are mentioned below:

| Name of the Department | Head of Revenue | Year | No. of DPs issued | Reply received |
|------------------------|---|---------|----------------------|----------------|
| Finance | Sales Tax/VAT | 2008-09 | 20+1(R) ³ | 12 |
| | | 2009-10 | 22 | 1 |
| | | 2010-11 | 22 | 9 |
| | Stamp Duty and Registration Fees | 2008-09 | 2+2 (R) | Nil |
| | | 2009-10 | 2 | Nil |
| | | 2010-11 | 2 | Nil |
| | Profession Tax | 2008-09 | 1 | Nil |
| | | 2009-10 | 2 | Nil |
| | | 2010-11 | 2 | 1 |
| | Electricity Duty | 2008-09 | 1 | - |
| | | 2009-10 | - | - |
| | | 2010-11 | 3 | 3 |
| Excise | State Excise | 2008-09 | 9 | 7 |
| | | 2009-10 | 5 | 2 |
| | | 2010-11 | 1 (R) | 1 |
| Land and Land Reforms | Land Revenue including Mines and Minerals | 2008-09 | 8 | 3 |
| | | 2009-10 | 8 | 5 |
| | | 2010-11 | 10 | 8 |
| Transport | Taxes on Motor Vehicles | 2008-09 | 5 | Nil |
| | | 2009-10 | 1 (R) | Nil |
| | | 2010-11 | 4 | 3 |
| Home (Police) | Police Receipts | 2008-09 | - | - |
| | | 2009-10 | - | - |
| | | 2010-11 | 1(R) | 1 |

The Government should issue instructions to the concerned departments for furnishing reply to the draft paragraphs within the stipulated period of six weeks.

³ Performance audit

1.2.4 Follow up on Audit Reports – summarised position

As per the Rules of Procedure of the Committee on Public Accounts of the West Bengal Legislative Assembly (Internal Working) framed in 1997, the concerned Department shall send action taken notes (ATN) on the recommendations contained in the Report of the PAC within six months from the date of its presentation to the House. The position of outstanding ATNs due from the Departments is mentioned in the following table:

| PAC Report | Date of presentation in the Assembly | Name of the Department | Year of Audit Report | Numbers of ATNs due |
|------------------------------------|--------------------------------------|----------------------------------|----------------------|---------------------|
| 17 th Report of 1988-89 | 5 May 1989 | Irrigation and Waterways | 1978-79 | 2 |
| | | | 1983-84 | 1 |
| 2 nd Report of 1991-92 | 9 April 1992 | Land and Land Reforms Department | 1980-81 | 1 |
| 7 th Report of 1991-93 | 23 March 1993 | Finance | 1983-84 | 1 |
| 25 th Report of 1994-96 | 1 August 1995 | Transport | 1983-84 | 1 |
| | | Home(Police) | 1988-89 | 1 |
| 16 th Report of 2002-03 | 8 July 2003 | Finance | 1998-99 | 1 |
| 22 nd Report of 2003-04 | 7 July 2004 | Finance | 1998-99 | 8 |
| 35 th Report of 2004-05 | 8 July 2005 | Land and Land Reforms | 1999-00 | 5 |
| 2 nd Report of 2006-07 | 28 November 2006 | Finance | 2003-04 | 8 |
| 20 th Report of 2008-09 | 17 March 2009 | Housing | 2001-02 | 2 |
| 23 rd Report of 2008-09 | 24 March 2009 | Transport | 2006-07 | 2 |
| 35 th Report of 2010-11 | 25 March 2011 | Excise | 2006-07 | 1 |
| 37 th Report of 2010-11 | 25 March 2011 | Public Works | 2001-02 | 1 |
| 12 | | | | 35 |

Thus the Departments failed to submit ATNs within the stipulated period of six months in respect of 35 paragraphs included in the Audit Reports upto the year ended March 2007.

1.2.5 Compliance with the earlier Audit Reports

The Committee on Public Accounts discusses the Receipt Audit Reports and presents its own reports and recommendations for compliance by the Government. Normally 20 *per cent* of the total number of paragraphs of the Audit Report are selected every year for discussion. The remaining paragraphs are disposed of on the basis of replies of the Government.

As of 31 March 2011, the Government had not furnished explanatory notes in respect of 37 selected and 1419 unselected paragraphs including 461 sub paragraphs of Audit Reports from 1981-82 to 2008-09. The lack of response from the Government would adversely impact the revenue realisation.

1.3 Analysis of the mechanism for dealing with the issues raised by Audit

Land and Land Reforms Department

The succeeding paragraphs 1.3.1 to 1.3.2 discuss the action taken by the **Land and Land Reforms Department** to deal with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2001-02 to 2010-11.

1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2011 are tabulated below:

(₹ in crore)

| Year | Opening balance | | | Addition during the year | | | Clearance during the year | | | Closing balance | | |
|---------|-----------------|-------|-------------|--------------------------|-------|-------------|---------------------------|-------|-------------|-----------------|-------|-------------|
| | IRs | Paras | Money value | IRs | Paras | Money value | IRs | Paras | Money value | IRs | Paras | Money value |
| 2001-02 | 138 | 1133 | 325.79 | 14 | 156 | 75.48 | 3 | 78 | 4.80 | 149 | 1211 | 396.47 |
| 2002-03 | 149 | 1211 | 396.47 | 13 | 70 | 81.47 | 4 | 39 | 0.59 | 158 | 1242 | 477.35 |
| 2003-04 | 158 | 1242 | 477.35 | 12 | 114 | 39.73 | 4 | 110 | 5.17 | 166 | 1246 | 511.91 |
| 2004-05 | 166 | 1246 | 511.91 | 5 | 108 | 20.86 | 9 | 247 | 204.67 | 162 | 1107 | 328.10 |
| 2005-06 | 162 | 1107 | 328.09 | 7 | 63 | 10.50 | 1 | 27 | 0.89 | 168 | 1143 | 337.70 |
| 2006-07 | 168 | 1143 | 337.70 | 8 | 117 | 13.73 | 2 | 15 | 0.47 | 174 | 1245 | 350.96 |
| 2007-08 | 174 | 1245 | 350.96 | 7 | 43 | 3.79 | 1 | 5 | 0.82 | 180 | 1283 | 353.93 |
| 2008-09 | 180 | 1283 | 353.93 | 8 | 72 | 13.53 | 3 | 22 | 1.97 | 185 | 1333 | 365.49 |
| 2009-10 | 185 | 1333 | 365.49 | 10 | 207 | 21.45 | 89 | 822 | 204.30 | 106 | 718 | 182.64 |
| 2010-11 | 106 | 718 | 182.64 | 5 | 54 | 17.63 | 42 | 273 | 42.09 | 69 | 499 | 158.18 |

The Department settled lesser number of paragraphs as compared to additions during the last 10 years except in the years 2004-05, 2009-10 and 2010-11. The Department held three audit committee meetings during the year 2010-11 and settled 203 outstanding paragraphs. The position of audit committee meetings held during the last five years is mentioned in the following table:

| Year | Number of meetings held | No. of paras settled | Money value of the paras settled (₹ in lakh) |
|---------|-------------------------|----------------------|---|
| 2006-07 | 0 | 0 | 0.00 |
| 2007-08 | 0 | 0 | 0.00 |
| 2008-09 | 1 | 1 | 0.85 |
| 2009-10 | 0 | 0 | 0.00 |
| 2010-11 | 3 | 203 | 3715.13 |

1.3.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered is mentioned below:

(₹ in crore)

| Year of AR | Number of paragraphs included | Money value of the paragraphs | Number of paragraphs accepted | Money value of accepted paragraphs | Position of recovery of cases as on 31.03.2011 |
|--------------|-------------------------------|-------------------------------|-------------------------------|------------------------------------|--|
| 2001-02 | 12 | 27.63 | 3 | 0.51 | 1.22 |
| 2002-03 | 6 | 28.92 | 2 | 27.31 | 0.21 |
| 2003-04 | 4 | 1.84 | - | - | 0.29 |
| 2004-05 | 6 | 0.88 | 2 | 0.28 | - |
| 2005-06 | 4 | 13.22 | 1 | 0.02 | 0.01 |
| 2006-07 | 6 | 962.50 | 6 | 273.93 | - |
| 2007-08 | 5 | 0.70 | 4 | 0.40 | - |
| 2008-09 | 5 | 37.34 | 5 | 37.03 | 14.20 |
| 2009-10 | 4 | 1.73 | 4 | 1.10 | 0.04 |
| 2010-11 | 5 | 1.27 | 4 | 1.25 | 0.17 |
| Total | 57 | 1,076.03 | 31 | 341.83 | 16.14 |

The Department accepted 31 paragraphs involving ₹ 341.83 crore during the last 10 years but realised ₹ 16.14 crore (4.72 per cent) till 31 March 2011 which is very low. This shows that the recovery mechanism like realisation of royalty, cess, *salami*, rent, etc. from the *raiya*s, lessees and *patta* holders and settlement of leases, *sairati* interest, etc. is not functioning properly.

1.3.3 Action taken on the recommendations accepted by the Departments/ Government

The draft performance audits conducted by the AG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These performance audits are also discussed in an exit conference and the Department's/Government's views are included in the Audit Reports.

The following paragraphs discuss the issues highlighted in the performance audit on Land and Land Reforms Department featured in the Audit Report for the year 2006-07 including the recommendations and action taken by the Department/ Government.

| Year of AR | Name of the performance audit | Number of Recommendations | Details of the recommendations accepted | Status |
|------------|---|---------------------------|---|--|
| 2006-07 | Assessment and Collection of Land Revenue | Four (4) | <p>i) The Department may prepare a consolidated district wise database of land with mills, factories, etc. vested to the Government for better control of land. A time bound programme for the DL and LROs should also be formulated to review the status of land with closed mills and also the requirement of land of existing mills, factories, etc., and record the vested land in the prescribed register in order to monitor the use of the Government land. The land sold/transferred illegally should either be recovered or settled with the unauthorised transferees on realisation of revenue.</p> <p>ii) The Government should consider fixing a time limit for execution of lease agreement where advance possession of the Government land has been given and also for settlement of the Government land with the unauthorised occupants. Instructions should be issued to the DL and LROs to strictly adhere to the provisions of the WBL and LR Manual and ensure that advance possession of land is not given without the express approval of the Government. Review of the Lease Registers should be made mandatory to ensure that the leases are renewed in time.</p> <p>iii) The Government should urgently review the use and requirement of land permanently transferred to any authority under the administrative control of any Ministry of the Government of India and ensure that the land not in requirement for the purpose for which it was transferred is relinquished in favour of the L and LR Department. Cases where the Government of India, body corporate or any company are in occupation of Government land without obtaining settlement should be reviewed and necessary steps need to be taken for its early settlement. Necessary instruction should also be issued to the DL and LROs to review the status of land transferred interdepartmentally to ensure its proper utilisation.</p> <p>iv) The Government should effectively use internal audit to ensure that the various wings of the Department are functioning efficiently for optimum collection of revenue.</p> | <p>All the DL and LROs have earlier been advised by Land and Land Reforms Department to maintain Registers properly vide this Department's memo no. 4956 (18) - PAC/2A-3/2007 dated 13.09.2010.</p> <p>All the DL and LROs have again been asked by the Department's memo no.- 4435 (18) PAC/2A-67/ 2008 Part V dated 07.09.11 to comply with the following.</p> <p>a) To formulate a time bound programme for the DL and LROs to review the status of land comprised in closed mills and record the vested land in the prescribed register in order to monitor the use of the Government land.</p> <p>b) To review the Lease Registers to ensure that the leases are renewed in time.</p> <p>c) To review the status of land transferred inter-departmentally to ensure its proper utilisation.</p> <p>Internal Audit has already been conducted by the Department in terms of order no. 4315-PAC/2A-3/2007 dated 27.08.07.</p> <p>The Assistant Auditors of the Department have been performing Internal Audit on a regular basis.</p> |

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 the last five years, etc.

During the year 2010-11, the audit universe consisted of 232 auditable units, of which 159 units were audited during the year 2010-11 which is 68.53 *per cent* of the total auditable units. The details are shown in **Appendix-I** of the report.

Besides the compliance audit mentioned above, four performance audits on “Utilisation of declaration forms in inter-state trade and commerce”, “Assessment, levy and collection of Excise Duty and Fees”, “Computerisation in Motor Vehicles Department” and “Assessment and collection of Police Receipts” were also taken up to examine the efficacy of the tax administration and receipts of Finance Department, Excise Department, Transport Department and Home (Police) Department respectively.

1.5 Results of Audit

1.5.1 Position of local audit conducted during the year

Test check of the records of 167⁴ units of commercial tax, state excise, land and land reforms, transport, stamp duty and registration fees, forest and other departmental offices conducted during the year 2010-11 revealed underassessments/short levy/loss of revenue aggregating to ₹ 1,734.96 crore in 1,072 cases. During the course of the year, the Departments concerned accepted underassessments and other deficiencies of ₹ 330.69 crore involved in 332 cases of which 318 cases involving ₹ 330.22 crore were pointed out in audit during 2010-11 and the rest in the earlier years. The Departments collected ₹ 3.29 crore in 279 cases during 2010-11.

1.5.2 This Report

This report contains 38 paragraphs including four performance audits on “Utilisation of declaration forms in inter-state trade and commerce”, “Assessment, levy and collection of excise duty and fees”, “Computerisation in Motor Vehicles Department” and “Assessment and collection of police receipts” involving financial effect of ₹ 558.70 crore. The Departments / Government have accepted audit observations involving ₹ 181.42 crore of which ₹ 1.61 crore has been recovered. The replies in the remaining cases have not been received (October 2011). These are discussed in the succeeding Chapters II to IX.

⁴ including units covered during performance audit not under audit plan.