

CHAPTER-I: GENERAL

EXECUTIVE SUMMARY

What we have highlighted in this Chapter	<p>In this Chapter, we present the trend of Revenue Receipts of the State Government, variations between budget estimates and actual receipts, 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 of the Commercial Tax Department included in previous Audit Reports and results of audit conducted during the year 2011-12.</p>
Trend of revenue receipts of the State Government	<p>The revenue receipts of the Government of Chhattisgarh 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 2011-12, the revenue raised by the State Government was ₹ 14,770.73 crore which was 57 <i>per cent</i> of the total revenue receipts. The balance 43 <i>per cent</i> of receipts amounting to ₹ 11,096.65 crore during 2011-12 were from the Government of India.</p>
Non-compliance of observations included in the Inspection Reports (IRs)	<p>Inspection Reports issued up to December 2011 disclosed that 8,428 paragraphs relating to 2,185 IRs involving ₹ 4,495.26 crore remained outstanding at the end of June 2012 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 2012) for 39 IRs issued up to March 2012. This pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Heads of Offices and Heads of Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the Accountant General in the IRs.</p>
Very low recovery of the amount pointed out by audit in earlier Audit Reports	<p>In respect of Audit Reports pertaining to the years 2006-07 to 2010-11, the Government/Departments accepted audit observations involving ₹ 534.53 crore, of which only ₹ 39.97 crore (7.48 <i>per cent</i>) had been recovered till March 2012.</p>

**Departmental Audit
Committee Meetings (ACM)**

We noticed that during 2011-12, four Departments had convened seven¹ Audit Committee Meetings (ACMs) wherein 188 paragraphs involving money value of ₹ 105.31 crore were settled, while other Departments did not take any initiative to hold ACMs.

It is recommended that the Government may ensure convening of periodical ACMs by all the Departments for effective and expeditious settlement of outstanding paragraphs.

**Amendments at the instance
of audit**

The Department/Government made changes in the Rules through notifications/circulars at the instance of Audit. Wheel base of vehicles was not being taken into consideration by the Transport Department for the purpose of determining tax liability and Entry Tax was not being levied on mobile handsets by the Commercial Tax Department. After audit highlighted these issues, the concerned Departments made necessary amendments in the rules.

Our conclusion

Audit observations involving financial effect of ₹ 555.69 crore were issued during the period 2011-12. The Departments/Government accepted observations involving ₹ 106.24 crore. It is recommended that the Government may make efforts to recover the amounts involved in the accepted cases at the earliest.

The amount outstanding as arrears of revenue for more than five years was 29.58 *per cent* of the total outstanding amount. The State Government may make efforts to ensure the recovery of the outstanding amount at the earliest.

The Government may take suitable steps to introduce an effective procedure for prompt and appropriate response to audit observations as well as taking action against the officials for failure to send the replies to the IRs/paragraphs as per the prescribed time schedule and also for not taking action to recover loss/outstanding revenue in a time bound manner.

¹ Registration, Commercial Tax and Geology & Mining- one meeting each; Forest Department- four meetings.

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Chhattisgarh during the year 2011-12, 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	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Revenue raised by the State Government					
	• Tax revenue	5,618.08	6,593.72	7,123.25	9,005.14	10,712.25
	• Non-tax revenue	2,020.45	2,202.21	3,043.00	3,835.32	4,058.48
	Total	7,638.53	8,795.93	10,166.25	12,840.46	14,770.73
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	4,035	4,257.91	4,380.66	5,425.19	6,320.44 ²
	• Grants-in-aid	2,205.12	2,608.92	3,606.74	4,453.89	4,776.21
	Total	6,240.12	6,866.83	7,987.40	9,879.08	11,096.65
3.	Total revenue receipts of the Government (1 and 2)	13,878.65	15,662.76	18,153.65	22,719.54	25,867.38
4.	Percentage of 1 to 3	55	56	56	57	57

(Source: Finance Accounts of the Government of Chhattisgarh)

The above table indicates that the total revenue raised by the State Government in 2011-12 increased by 15 per cent as compared to the increase of 26 per cent during the previous year. Similarly, receipts from Government of India increased by 12 per cent as compared to the increase of 24 per cent during the previous year. The share of revenue raised by the State Government to the total revenue of the State during 2011-12 was 57 per cent which was the same as that of the previous year. The balance 43 per cent of receipts during 2011-12 was from Government of India.

² For details, refer "tax revenue" of statement 11, detailed account of revenue by minor heads of the Finance Account of the Government of Chhattisgarh 2011-12. The amount under the minor head 901- share of net proceeds assigned to the state booked under the major heads 0020- Corporation tax, 0021- Taxes on income other than Corporation Tax, 0032- Taxes on wealth, 0037- Customs, 0038- Union excise duty and 0044- Service tax under 'A-tax revenue' have been excluded from the 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 2007-08 to 2011-12:

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1.	Commercial tax	2,502.69	2,946.78	3,031.16	4,094.96	4,886.25	19.32
	Central sales tax	521.00	664.16	681.00	745.83	1,120.00	50.17
2.	State Excise	843.10	964.10	1,187.72	1,506.44	1,596.98	6.01
3.	Stamps and Registration Fees	462.72	495.59	583.13	785.85	845.82	7.63
4.	Taxes and Duties on Electricity	394.85	415.10	416.91	502.53	637.97	26.95
5.	Taxes on vehicles	276.94	313.78	351.88	427.52	502.18	17.46
6.	Taxes on Goods and Passengers	510.72	420.71	696.10	675.14	825.67	22.30
7.	Other Taxes on Income and Expenditure, Taxes on Professions, Trades, Callings and Employments including Hotel Receipts Tax	11.54	7.68	8.81	8.82	11.07	25.51
8.	Other Taxes and Duties on Commodities and Services	6.40	6.33	6.86	10.68	15.75	47.33
9.	Land Revenue	88.12	359.49	159.68	247.37	270.56	9.37
Total		5,618.08	6,593.72	7,123.25	9,005.14	10,712.25	18.95

(Source: Finance Accounts of the Government of Chhattisgarh)

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

Commercial tax and Central sales tax: The increase (19.32 and 50.17 per cent) was due to increase in the price of iron ore, cement and coal, cross verification of input tax rebate, action taken against evasion of tax under Commercial Tax and increase in inter-State sale under Central Sales Tax.

State Excise: The increase (6.01 per cent) was due to increase in income from process fee and increase in sale of liquor.

Stamps and registration fees: The increase (7.63 per cent) was due to increase in the number of documents registered and revision of market value of properties with effect from April 2011.

Taxes and duties on electricity: The increase (26.95 per cent) was due to receipt of additional revenue in the form of compounding fees.

Taxes on vehicles: The increase (17.46 per cent) was due to increase in the rate of tax with effect from November 2010 and extra efforts made for recovery of revenue.

The other Departments did not inform (December 2012) the reasons for variation, despite being requested (April 2012).

1.1.3 The following table presents the details of non-tax revenue raised by the State Government during the period 2007-08 to 2011-12:

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase(+) / decrease (-) in 2011-12 over 2010-11
1.	Non-ferrous Mining and Metallurgical Industries	1,031.55	1,243.24	1,660.87	2,470.44	2,744.82	11.11
2.	Forestry and Wild Life	258.08	322.29	345.85	305.17	341.64	11.95
3.	Interest Receipts	205.61	237.40	220.70	170.95	216.57	26.69
4.	Major and Medium Irrigation	97.62	126.04	105.37	222.00	336.49	51.57
5.	Other Non-Tax Receipts	96.43	135.17	537.82	602.01	325.05	(-) 46.01
6.	Medical and Public Health	7.62	1.67	35.67	10.26	21.11	105.75
7.	Other Administrative Services	10.59	11.49	13.03	15.97	16.36	2.44
8.	Police	12.31	8.22	6.69	18.22	19.41	6.53
9.	Public Works	11.67	13.59	14.61	15.74	15.81	0.44
10.	Miscellaneous General Services	281.84	95.58	96.97	(-)0.84	0.74	188.10
11.	Co-operation	7.13	7.52	5.42	5.40	20.48	279.26
Total		2,020.45	2,202.21	3,043.00	3,835.32	4,058.48	5.82

(Source: Finance Accounts of the Government of Chhattisgarh)

The following reasons were reported by the concerned Departments:

Non-ferrous Mining and Metallurgical Industries: The increase (11.11 per cent) was due to increase in the production of coal, iron ore and limestone.

Interest receipts: Increase (26.69 per cent) in interest receipts was due to more receipts of interest on investment of cash balances.

Major and Medium Irrigation: The increase (51.57 per cent) was due to deposit of water charges by farmers and industrial units.

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2011-12 in respect of the principal heads of tax and non-tax revenue are mentioned below:

(₹ in crore)

Sl. No.	Head of revenue	Budget estimates	Actual	Variations excess (+) or shortfall (-)	Percentage of variation
A. Tax revenue					
1.	Taxes on Sales, Trade etc.	6,000.00	6,006.25	(+) 6.25	0.10
2.	State Excise	1,550.00	1,596.98	(+) 46.98	3.03
3.	Taxes and Duties on Electricity	632.51	637.97	(+) 5.46	0.86
4.	Stamps and Registration Fees	875.00	845.82	(-) 29.18	(-) 3.33
5.	Taxes on Goods and Passengers	700.00	825.67	(+) 125.67	17.95
6.	Taxes on Vehicles	475.00	502.18	(+) 27.18	5.72
7.	Land Revenue	250.00	270.56	(+) 20.56	8.22
8.	Other Taxes on Income and Expenditure- Taxes on Professions, Trades, Callings and Employments	3.00	7.80	(+) 4.80	160.00
9.	Other Taxes and Duties on Commodities and Services	6.84	15.75	(+) 8.91	130.26
10.	Hotel Receipts Tax	2.30	3.27	(+) 0.97	42.17
B. Non-Tax revenue					
1.	Non-Ferrous Mining and Metallurgical Industries	2,700.00	2,744.82	(+) 44.82	1.66
2.	Forestry and Wild life	400.00	341.64	(-)58.36	(-)14.59
3.	Interest Receipts	302.40	216.57	(-) 85.83	(-)28.38
4.	Major and Medium Irrigation	282.71	336.49	(+) 53.78	19.02
5.	Medical and Public Health	22.15	21.11	(-) 1.04	(-)4.70
6.	Other Administrative Services	18.32	16.36	(-) 1.96	(-)10.70
7.	Police	13.50	19.41	(+) 5.91	43.78
8.	Public Works Department	10.37	15.81	(+) 5.44	52.46
9.	Water Supply and Sanitation	6.50	6.59	(+) 0.09	1.38
10.	Jail- Other Receipts	1.81	2.30	(+) 0.49	27.07

(Source: Finance Accounts of the Government of Chhattisgarh)

It can be seen from the above table that there was a variation of (-) 28.38 to 160 *per cent* between the budget estimates and the actual receipts.

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

Stamps and Registration fees: The decrease (3.33 *per cent*) during the year 2011-12 as stated by the Department was due to two *per cent* exemption on stamp duty on the conveyance deeds made in favour of women.

Taxes on vehicles: The increase (5.72 *per cent*) was due to increase in the rate of tax and also increase in number of registration of new vehicles.

Taxes and Duties on Electricity: The increase (0.86 *per cent*) was due to receipt of additional revenue in the form of compounding fees.

State Excise: The increase (3.03 *per cent*) was due to increase in the sale of liquor.

1.3 Analysis of arrears of revenue in terms of total outstanding and outstanding for more than five years

The arrears of some principal heads of revenue as on 31 March 2012 as reported by the Departments amounted to ₹ 719.92 crore of which ₹ 212.96 crore was outstanding for more than five years as mentioned below:

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2012	Amount outstanding for more than five years as on 31 March 2012
1	Taxes on Sales, Trade etc.	556.09	156.53
2	Taxes on Vehicles	9.50	4.15
3	State Excise	24.88	22.79
4	Stamps and Registration Fees	5.03	2.87
5	Taxes and Duties on Electricity	97.98	10.15
6	Non-Ferrous Mining and Metallurgical Industries	1.65	1.54
7	Forestry and Wild life	1.62	0.24
8	Land Revenue ³	23.17	14.69
Total		719.92	212.96

The above table indicates that the amount outstanding as arrears of revenue for more than five years was 29.58 *per cent* of the total outstanding amount.

We recommend that the State Government may make efforts to ensure the recovery of the outstanding amounts at the earliest.

³ Information provided for only 14 out of 27 districts.

1.4 Evasion of tax

The details of cases of evasion of tax detected by the Departments, cases finalised and the demand for additional tax raised during 2011-12, as reported by the Departments, are mentioned below:

Sl. No.	Name of the Department	Cases pending as on 31 March 2011	Cases detected during 2011-12	Total	No. of cases in which assessments/ investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2012
					No. of cases	Amount of demand (₹ in crore)	
1.	Commercial Tax	93	56	149	41	100.07	108
2.	Excise	2	Nil	2	Nil	Nil	2

It may be seen from the above that while the Commercial Tax Department finalised only 28 *per cent* of the total cases outstanding as on 31 March 2012, none of the cases could be finalised by the State Excise Department which were pending for settlement for more than a year.

1.5 Refunds

The number of refund cases pending at the beginning of the year 2011-12, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2011-12, as reported by the Departments, are mentioned below:

(₹ in crore)

Name of the Department	Opening balance		Claims received		Refunds allowed		Closing balance	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Commercial Tax	129	4.63	2,048	2,010.64	2,045	2,012.32	132	2.95
Excise	2	0.01	70	8.55	70	8.55	2	0.01
Total	131	4.64	2,118	2,019.19	2,115	2,020.87	134	2.96

It can be seen from the above table that refunds were allowed in more than 94 *per cent* of the cases.

1.6 Response of the Government/ Departments towards audit

The Accountant General (Audit), Chhattisgarh (AG) 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 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 comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG 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.

1.6.1 Outstanding IRs and audit observations

IRs issued up to December 2011 revealed that 8,428 paragraphs involving ₹ 4,495.26 crore relating to 2,185 IRs remained outstanding at the end of June 2012 as mentioned below along with the corresponding figures for the preceding two years:

	June 2010	June 2011	June 2012
Number of outstanding IRs	1,990	2,094	2,185
Number of outstanding audit observations	7,462	7,874	8,428
Amount involved (₹ in crore)	3,313.41	3,429.36	4,495.26

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2012 and the amounts involved are mentioned in the following table:

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Amount involved (₹ in crore)
1.	Finance	Taxes on Sales, Trade etc	373	2,417	348.81
		Entertainment Tax	67	85	1.99
2.	Registration	Stamps and Registration Fees	254	617	34.43
3.	Revenue	Land Revenue	531	1,602	406.77
4.	Transport	Taxes on Motor Vehicles	121	846	113.96
5.	Excise	State Excise	114	337	335.10
6.	Geology and Mining	Non-Ferrous Mining and Metallurgical Industries	127	447	800.77
7.	Forest	Forest Receipts	299	999	1,107.14
8.	Energy	Taxes and Duties on Electricity	11	36	695.10
9.	Other Tax Departments	Other Receipts	288	1,042	651.19
Total			2,185	8,428	4,495.26

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

Even 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 for 39 IRs issued up to March 2012. This pendency of the IRs 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 may take suitable steps to install an effective procedure for prompt response to the audit observations.

1.8 Departmental Audit Committee Meetings

The Government has set up Audit Committees (during various periods) to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the Audit Committee Meetings (ACMs) held during the year 2011-12 and the paragraphs settled are mentioned in the following table:

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount (₹ in crore)
Stamps and Registration Fees	1	28	3.70
Commercial Tax	1	16	2.01
Non-ferrous Mining and Metallurgical Industries	1	14	10.32
Forestry and Wild life (Revenue)	4	93	60.10
Forestry and Wild life (Expenditure)		37	29.18
Total	7	188	105.31

As can be seen from the above, during 2011-12, three Departments convened one ACM each and Forest Department convened four ACMs in which 188 paragraphs (involving money value of ₹ 105.31 crore) were settled. The other Departments did not take any initiative to hold ACMs.

It is recommended that Government may ensure convening of periodical ACMs by all the Departments for effective and expeditious settlement of outstanding paragraphs.

1.9 Response of the Departments to the draft audit paragraphs

The draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Accountant General to the Secretaries of the concerned Department through demi-official letters requesting them to send their responses within six 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.

Forty draft paragraphs proposed to be included in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2012 were forwarded to the Secretaries of the respective Departments between April 2011 and March 2012. Out of 40 draft paragraphs, the Departments have accepted audit observations in respect of 23 paragraphs.

1.10 Follow up on the Audit Reports- summarised position

According to the instructions issued by the Finance Department, all Departments are required to furnish explanatory memoranda (Departmental Notes) to the Chhattisgarh *Vidhan Sabha* Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House.

As on March 2012, Land Revenue Department had not furnished the Departmental notes in respect of one paragraph included in the Audit Report for

the year 2004-05 for vetting even after delay of 69 months (as on March 2012) as mentioned in the following table:

Sl. No.	Name of the Department	Year of report	Date of presentation to the legislature	Last date by which departmental notes were due	Number of paragraphs for which departmental notes were due	Delay in months at the end of March 2012
1	Land Revenue	2004-05	23.3.2006	23.6.2006	1	69

With a view to ensure accountability of the executive, the Public Accounts Committee (PAC) lays down, in each case, the period within which Action Taken Notes (ATN) on its recommendations should be sent. The PAC discussed 92 selected paragraphs pertaining to the Audit Reports for the years 1998-99 to 2009-10 and gave its recommendations on 40 paragraphs. However, ATNs have not been received in respect of five recommendations of the PAC from the Departments concerned as mentioned in the following table:

Year	Name of the Department					Total
	Excise	Energy	Registration	Transport	Geology and Mining	
1998-99	-	-	-	-	1	1
1999-00	1	1	-	-	-	2
2000-01	-	-	1	1	-	2
Total	1	1	1	1	1	5

1.11 Compliance with the earlier Audit Reports

In the Audit Reports 2006-07 to 2010-11 cases of underassessment, non/shortlevy of taxes, loss of revenue, failure to raise demands etc., were indicated involving ₹ 744.11 crore. The Departments accepted observations involving ₹ 534.53 crore (Commercial Tax: ₹ 54.33 crore, Stamp duty: ₹ 1.77 crore, State Excise: ₹ 11.63 crore, Transport: ₹ 11.10 crore, Land Revenue: ₹ 2.78 crore, Mining: ₹ 6.96 crore, Forest: ₹ 10.66 crore, Electricity: ₹ 50.86 crore and others: ₹ 384.44 crore) of which ₹ 39.97 crore only had been recovered till March 2012 as mentioned in the following table:

(₹ in crore)

Sl. No.	Year of the Audit Report	Total money value	Amount accepted	Recovery made up to March 2012
1.	2006-07	15.99	2.92	2.33
2.	2007-08	92.87	52.88	5.40
3.	2008-09	486.08	446.79	28.78
4.	2009-10	99.21	20.89	3.30
5.	2010-11	49.96	11.05	0.16
Total		744.11	534.53	39.97

From the above, it is observed that only 7.48 per cent of the amount accepted by the Departments was recovered during the last five years.

We recommend that the Government may take appropriate measures to ensure expeditious recovery of revenue, at least in respect of the accepted cases.

1.12 Analysis of the mechanism for dealing with the issues raised by audit

The succeeding paragraphs **1.12.1** and **1.12.2** discuss the performance of the **Commercial Tax 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 2002-03 to 2011-12.

1.12.1 Position of Inspection Reports

The summarised position of IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2012 are mentioned in the following table:

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)
2002-03	239	1,553	181.41	5	80	7.20	5	30	0.91	244	1,603	187.70
2003-04	244	1,603	187.70	12	136	61.32	1	111	36.34	255	1,628	212.68
2004-05	255	1,628	212.68	13	141	9.24	Nil	43	17.73	268	1,726	226.12
2005-06	268	1,726	226.12	14	115	15.40	Nil	71	2.82	282	1,770	238.70
2006-07	282	1,770	238.70	16	190	20.04	1	30	0.52	297	1,930	258.23
2007-08	297	1,930	258.23	2	26	2.50	Nil	1	0.006	299	1,955	260.72
2008-09	299	1,955	260.72	20	142	14.31	Nil	43	0.39	319	2,054	274.64
2009-10	319	2,054	274.64	32	320	63.34	1	72	17.27	350	2,302	320.71
2010-11	350	2,302	320.71	27	195	38.88	10	113	17.24	367	2,384	342.35
2011-12	367	2,384	342.35	10	67	9.22	Nil	18	4.21	377	2,433	347.36

It is recommended that the Department/Government may take appropriate and timely action to settle the outstanding paragraphs, in the interest of revenue.

1.12.2 Assurance given by the Department/Government on the issues highlighted in the Audit Reports

1.12.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last ten years, those accepted by the Commercial Tax Department and the amount recovered are mentioned in the following table:

(₹ in lakh)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of paragraphs accepted	Amount recovered during the year	Cumulative position of recovery of accepted cases
2001-02	7	593.32	Nil	Nil	Nil	17.20
2002-03	11	501.65	Nil	Nil	Nil	0.92
2003-04	10	2,999.41	Nil	Nil	Nil	0.96
2004-05	9	301.76	1	13.92	Nil	Nil
2005-06	14	429.00	Nil	Nil	6.11	6.11
2006-07	10	210.88	2	24.35	Nil	6.11
2007-08	7	73.43	1	31.59	Nil	Nil
2008-09	4	4,946.24	1	4,749.30	Nil	Nil
2009-10	5	336.32	5	336.32	Nil	Nil
2010-11	10	1,842.71	7	202.29	Nil	Nil
Total	87	12,234.72	17	5,357.77	6.11	31.30

It may be seen from the table that out of 87 paragraphs (money value ₹ 122.35 crore) included in the Audit Reports for the period 2001-02 to 2010-11, only 17 paras with money value of ₹ 53.58 crore were accepted by the Department and recovery of only ₹ 31.30 lakh (0.58 *per cent*) was effected.

When asked about the existing mechanism in the Department to monitor the recovery in the accepted cases, the Department intimated that demand notices have been issued to the dealers in all the accepted cases. If the amount is not deposited within the permissible time of 30 days, Revenue Recovery Certificates (RRCs) are issued to recover the amount. However, the fact remains that only 0.58 *per cent* of the amount accepted by the Department was recovered during the last 10 years.

As the progress made by the Department in the accepted cases is very low, we recommend that the Department may take suitable measures to ensure expeditious recovery of revenue in respect of these cases.

1.12.2.2 Action taken on the recommendations accepted by the Department/Government

The draft Performance Audits conducted by the AG are forwarded to the concerned Department/Government with the 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 Reports.

The following paragraphs discuss the issues highlighted in the Performance Audit on the **Commercial Tax Department** featured in the last 10 Audit Reports including the recommendations and action taken by the Department on the recommendations accepted by it as well as the Government.

Year of Audit Report	Name of the performance audit	Number of recommendations	Details of the recommendations accepted	Status
2003-04	Exemption of Commercial Tax to new industries	3	1) The performance of units granted exemption under the scheme should be assessed at regular intervals to ensure that the units function for the stipulated period.	The Department stated (September 2010) that Commerce and Industries Department has included the points relating to the recommendations while implementing plans launched by it.
			2) Coordination between the Industries and the Commercial Tax Department needs to be strengthened so that the grant of eligibility certificates does not get delayed.	
			3) Internal control mechanism in the form of periodical returns and inspections/ survey should be prescribed to prevent misuse of the scheme.	
2007-08	Computerisation of Commercial Tax Department	7	1) The Department should prepare a time bound implementation plan to shift completely to a computerised system with a target date for complete change-over for each module.	A committee of Departmental officers has prepared point-wise suggestions regarding implementation plan to shift completely to the computerised system.
			2) The implementation plan should provide for adequate manpower.	The Government has sanctioned one post of System Analyst, five posts of Programmer, six posts of Assistant Programmer and 167 posts of Data Entry Operator.
			3) The connectivity to all circles and other offices, especially those in the remote areas, may be reviewed to ensure uninterrupted access to the central server.	The Department stated (September 2009) that connectivity problem has since been solved. For uninterrupted access to the central server in future, a contract has been entered into with National Informatics Centre.
			4) Authorised change requests and action taken may be documented.	A policy has been framed for authorised change in the software as per demand and suggestion.
			5) Suitable module may be incorporated for check posts.	The Department stated that M/s CMC Ltd. is preparing suitable module for check posts.
			6) Back up procedures and access controls may be strengthened.	The Department stated that for back up procedures and access controls, alphanumerical password policy has been framed and instructions have been issued to all officers/officials in this regard.
			7) The Department should obtain hardware installation information from all the offices and also conclude Annual Maintenance Contract for the available hardware.	The Department stated that information has been obtained regarding hardware installation from all the offices. For annual maintenance of hardware, an agreement has been executed with M/s HCL Infosystem, Raipur.
The Department stated (September 2012) that Computerisation of Commercial Tax Department is being carried out under which e-registration, e-challan, C-forms and F-forms would be made available on-line so that declaration forms can be issued on-line. All the forms are being uploaded on the website (TINXSYS).				
2008-09	Levy and Collection of Central Sales Tax	5	1) Prescribing criteria for selection of declaration forms for cross verification.	For verification of declaration forms, instructions have been issued to Departmental officers.

			2) Creating a database of exemption of tax on account of branch transfer/consignment sale.	Instructions regarding entry of branches in Registration Certificates have been issued to Departmental officers.
			3) Forwarding utilisation certificates of forms from circles to assessing officers for cross verification.	Instructions have been issued to the Departmental officers for verification of Declaration Form. Utilisation certificates are to be enclosed with tax assessment cases.
	Transition from CG Commercial Tax to CG VAT	4	1) Carrying out a review of all registered dealers who have not been submitting returns for three years.	The Registration Certificates of those registered dealers who have not submitted returns are being cancelled.
			2) Making provision in the software being developed for submission of purchase lists and sale lists on-line by the dealers.	It has been made mandatory for the dealers to submit on-line returns having annual gross sales of ₹ 40 lakh.
			3) Linking the check posts with the Headquarters.	Software has been prepared to link the check posts with Headquarters/ Circles.
2010-11	Cross verification of declaration forms used in inter-state trade or commerce.	6	1) Obtaining of sample declaration forms from other States for easy reference to ascertain the genuineness at the time of assessment of cases.	The Department stated that e-registration, e-challan, C-forms and F-forms would be made available on-line so that declaration forms can be issued on-line. All the forms are being uploaded in the website (TINXSYS) so that declaration forms used in inter-state trade are cross verified.
			2) Forwarding utilisation certificates of statutory forms submitted by the dealers from circles to ACs, for cross verification.	
			3) Creating a database to evaluate the extent of exemptions/concessions allowed.	
			4) Preparing checklist on various points to be checked essentially before acceptance of these forms.	
			5) Strengthening the Internal Audit Wing and ensuring time bound action on suggestions of the wing.	
			6) Initiating a system for online issue of declaration forms.	
The Department stated (September 2012) that in case of all recommendations, the Department is taking action and for computerisation NIC has been appointed for supervision.				

1.13 Results of audit

1.13.1 Position of local audit conducted during the year

Test check of the records of 111 units⁴ of commercial tax, land revenue, state excise, taxes on vehicles, stamps and registration fees, mining and other non-tax receipts conducted during the year 2011-12 revealed underassessment/short levy/loss of revenue aggregating to ₹ 555.69 crore in 18,824 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 106.24 crore involved in 5,701 cases. Of these, the Departments recovered ₹ 11.86 lakh during the year.

1.13.2 This Report

This Report contains 40 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) including one Performance Audit on **Levy and Collection of Electricity Duty** and nine paragraphs on forest expenditure relating to short/non-levy of tax, duty and interest, penalty and doubtful/wasteful expenditure etc., involving financial effect of ₹ 1,568.91 crore. The Departments/Government have accepted audit observations involving ₹ 1,399.13 crore, out of which ₹ 88.91 crore has been recovered. The replies in the remaining cases have not been received (December 2012). These are discussed in the succeeding chapters II to VIII.

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(₹ in crore)

Sl. No.	Name of Department	No. of units audited	No. of cases	Amount	Cases accepted	Amount
1	Commercial Tax	11	118	9.35	3	0.11
2	Excise	6	587	13.92	82	8.28
3	Registration	8	517	4.17	76	0.74
4	Transport	9	2423	22.13	2,282	19.06
5	Land Revenue	38	11,962	47.55	2,981	26.01
6	Geology & Mining	12	2739	375.86	263	51.86
7	Forest (Receipts)	12	335	23.38	14	0.18
8	Forest (Expenditure)	15	143	59.33	0	0
Total		111	18,824	555.69	5,701	106.24

1.14 Amendments made at the instance of Audit

The Department/Government made changes in the concerned Rules at the instance of Audit in the following cases which are featured in the Report.

Sl No.	Name of the Department	Observation made by Audit	Notification/Circular No.	Changes effected	Para No. of this Report
1.	Transport	Seating capacity was not determined on the wheel base resulting in short levy of tax.	Notification.No. 3651/Tech/Transport/2012 dated 6 July, 2012 (Sub Rule 3 of Rule 158 of Chhattisgarh <i>Motoryan Niyam</i> , 1994.	Wheel base categories have been increased to nine from three, to enable the registering authority to determine the appropriate seating capacity for taxation purposes.	5.11
2.	Transport	Trade Tax was levied annually on vehicles in multiple of seven due to which there was no clarity to levy the trade tax on dealers on the vehicles sold by them.	Gazette Notification. No.7296/D.197/21-A/P/C.G/11 dated 12 October 2012 (Section 4 of CGMK <i>Adhiniyam</i> , 1991).	Trade Tax is now being levied in respect of each vehicle.	5.13
3.	Commercial Tax	Chhattisgarh Government had not issued any instruction for levy of Entry Tax on mobile handsets despite existence of enabling provisions in the Entry Tax Schedule.	Circular No. Addl./CT/ Enf./ 2012/1477 dated 8 October, 2012 Schedule II of C.G. Entry Tax Act, 1976, (Entry No. 49 or 53).	Entry Tax at the rate of one <i>per cent</i> is to be levied on the value of mobile handsets.	2.20