

CHAPTER - I

GENERAL

EXECUTIVE SUMMARY

What we have highlighted in this Chapter	In this Chapter we present the trend of Revenue Receipts of the Government of Bihar, variation between budget estimates and actual receipts, cost of collection, analysis of arrears of revenue, response of the departments/ Government towards audit and impact of audit.
Trend of Revenue Receipts of the State Government	<p>The revenue receipts of the Government of Bihar comprises of tax and non-tax revenue raised by the Government, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from the Government of India.</p> <p>During the year 2012-13, the revenue raised by the State Government was ₹ 17,388.35 crore which was 29 <i>per cent</i> of the total revenue receipts. The balance 71 <i>per cent</i> of receipts during 2012-13 was from the Government of India.</p>
Non-compliance of observations included in the Inspection Reports	<p>Inspection Reports (IRs) issued upto December 2012 disclosed that 23,327 paragraphs involving ₹ 10,847.46 crore relating to 4,165 IRs remained outstanding at the end of June 2013 for want of compliance.</p> <p>Even the first replies required to be received from the heads of offices within four weeks from the date of issue of the IRs were not received for 1,598 IRs issued upto December 2012. 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.</p>
Very low recovery of the amount pointed out by audit in earlier Audit Reports	In respect of Audit Reports pertaining to the years 2007-08 to 2011-12, the departments/Government accepted audit observations involving ₹ 1,443.43 crore, of which an amount of ₹ 9.54 crore only was recovered as on 31 March 2013.

Impact of audit

We conducted test-check of the records of 281 units of commercial taxes, State excise, taxes on vehicles, land revenue, non-ferrous mining and metallurgical industries and other departmental offices during the year 2012-13 and observed underassessment/short levy of revenue of ₹ 1,066.92 crore in 2,673 cases. During the course of the year, the departments concerned accepted underassessment and other deficiencies of ₹ 50.20 crore, of which cases involving ₹ 10.96 crore were pointed out in audit during 2012-13 and the rest in the earlier years. The Department collected ₹ 70.47 lakh in 29 cases during 2012-13.

This report contains 41 paragraphs including one review on **‘Receipts from Mines and Minerals’** relating to short/non-levy of tax, duty and interest, penalty *etc.* involving financial effect of ₹ 269.74 crore. The departments/Government have accepted audit observations involving ₹ 42.76 crore out of which ₹ 1.80 crore has been recovered.

Our conclusion

The Department needs to take appropriate steps to recover the amount involved, at least in accepted cases. It also needs to improve the internal control system so that weaknesses in the system are addressed and omissions detected by us are avoided in future.

The Government may take suitable steps to install an effective procedure for prompt and appropriate response to audit paragraphs. It may also consider initiating action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules or who fail to take action to recover loss/outstanding demand in a time-bound manner.

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Bihar during the year 2012-13, 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:

Table- 1.1

(₹ in crore)						
Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Revenue raised by the State Government					
	• Tax revenue	6,172.74	8,089.67	9,869.85	12,612.10	16,253.08
	• Non-tax revenue	1,153.32	1,670.42	985.53	889.86	1,135.27
	Total	7,326.06	9,760.09	10,855.38	13,501.96	17,388.35
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	17,692.51	18,202.58	23,978.38	27,935.23	31,900.39 ¹
	• Grants-in-aid	7,962.12	7,564.16	9,698.56	9,882.98	10,277.92
	Total	25,654.63	25,766.74	33,676.94	37,818.21	42,178.31
3.	Total revenue receipts of the State Government (1 and 2)	32,980.69	35,526.83	44,532.32	51,320.17	59,566.66
4.	Percentage of 1 to 3	22	27	24	26	29

(Source: Finance Accounts, Government of Bihar)

The above table indicates that during the year 2012-13, the revenue raised by the State Government (₹ 17,388.35 crore) was 29 *per cent* of the total revenue receipts against 26 *per cent* in the preceding year. The balance 71 *per cent* of receipts during 2012-13 was from the Government of India. The overall increase of 28.78 *per cent* in revenue raised by the State Government (₹ 17,388.35 crore) during 2012-13 as compared to ₹ 13,501.96 crore during

¹ For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2012-13. Figures under Minor Head – 901 - Share of net proceeds assigned to the State under the Major Heads 0020 - Corporation Tax (₹ 11,458.90 crore), 0021 - Taxes on income other than Corporation Tax (₹ 6,860.25 crore), 0032 - Taxes on Wealth (₹ 19.32 crore), 0037 - Customs (₹ 5,301.09 crore), 0038 - Union Excise Duties (₹ 3,602.64 crore) and 0044 - Service Tax (₹ 4,658.19 crore) booked in the Finance Accounts under A - Tax Revenue have been excluded from the revenue raised by the State and included in State's share of divisible union taxes in this statement.

2011-12 was mainly due to 28.87 per cent increase in tax revenue and 27.58 per cent increase in non-tax revenue as detailed in paragraphs 1.1.2 and 1.1.3.

1.1.2 The following table presents the details of tax revenue raised during the period 2008-09 to 2012-13.

Table- 1.2

(₹ in crore)

Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/decrease (-) in 2012-13 over 2011-12
1.	Taxes on Sales, Trade etc.	3,016.47	3,839.29	4,557.18	7,476.36	8,670.79	(+) 15.98
2.	State Excise	679.14	1,081.68	1,523.35	1,980.98	2,429.82	(+) 22.66
3.	Stamps and Registration Fees	716.19	997.90	1,098.68	1,480.07	2,173.02	(+) 46.82
4.	Taxes and Duties on Electricity	67.62	66.63	65.22	54.69	102.55	(+) 87.51
5.	Taxes on Vehicles	297.74	345.13	455.43	569.13	673.39	(+) 18.32
6.	Taxes on Goods and Passengers	1,279.41	1,613.16	2,006.32	828.30	1,932.12	(+) 133.26
7.	Other Taxes on Income and Expenditure- Taxes on Professions, Trades, Callings and Employment	Nil	Nil	Nil	29.56	36.95	(+) 25.00
8.	Land Revenue	101.74	123.96	139.02	167.49	205.45	(+) 22.66
9.	Other Taxes and Duties on Commodities and Services	14.43	21.92	24.65	25.52	28.99	(+) 13.60
Total		6,172.74	8,089.67	9,869.85	12,612.10	16,253.08	(+) 28.87

(Source: Finance Accounts, Government of Bihar)

The departments concerned reported the following reasons for variation in collection of tax revenue in 2012-13 as compared to the year 2011-12:

Taxes on Sales, Trade etc.- The increase (15.98 per cent) was due to enhancement of rate of tax from 13.5 per cent to 20 per cent for Tobacco and Tobacco products with effect from 26 June 2012 and also increase in rate of tax deducted at source (TDS) from four per cent to five per cent for works contract with effect from 22 June 2012.

Stamps and Registration fees: The increase (46.82 per cent) was due to revision of Minimum Value Register (MVR) of urban areas throughout the State with effect from 31 March 2012.

Taxes on vehicles: The increase (18.32 *per cent*) was due to enhancement of rate of tax on personalised vehicles with effect from 31 March 2012.

Land Revenue: The increase (22.66 *per cent*) was due to collection of establishment charges for acquisition of land from other departments/Authorities and also collection of capitalised value of annual rent for 25 years from commercial organisations for transfer of Government land.

The other departments did not inform (November 2013) the reasons for variations, despite being requested between May and August 2013.

1.1.3 The following table presents the details of non-tax revenue raised during the period 2008-09 to 2012-13.

Table- 1.3

(₹ in crore)

Sl. No.	Head of Revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) / decrease (-) in 2012-13 over 2011-12
1.	Interest Receipts	304.57	353.27	237.96	573.70	167.12	(-) 70.87
2.	Forestry and Wild Life	6.15	6.78	7.64	11.04	16.60	(+) 50.36
3.	Non-ferrous Mining and Metallurgical Industries	245.00	319.93	405.59	443.10	511.08	(+) 15.34
4.	Miscellaneous General Services	385.82	770.28	0.34	(-)383.78	22.03	(+) 105.74
5.	Medium Irrigation	10.64	14.80	15.45	17.59	13.99	(-) 20.47
6.	Medical and Public Health	17.25	14.08	15.33	23.91	41.02	(+) 71.56
7.	Fisheries	6.87	7.87	7.28	10.16	11.79	(+) 16.04
8.	Roads and Bridges	26.40	30.02	39.60	60.35	32.56	(-) 46.05
9.	Police	9.44	11.89	11.85	9.26	25.01	(+) 170.09
10.	Other Administrative Services	8.09	9.42	19.98	11.49	10.01	(-) 12.88
11.	Other non-tax receipts	133.09	132.08	224.51	113.04	284.06	(+) 151.29
Total		1,153.32	1,670.42	985.53	889.86	1,135.27	(+) 27.58

(Source: Finance Accounts, Government of Bihar)

As reported by the Mines and Geology Department the increase (15.34 *per cent*) was due to more settlement of Sand Ghats.

As per Finance Accounts, Government of Bihar for the year 2012-13, the reasons for variation in collection of non-tax revenue are as under:

Interest Receipts: The decrease (70.87 *per cent*) was mainly due to less receipts mainly under interest from Departmental Commercial undertakings and interest realised on investment of cash balances.

Police: The increase (170.09 *per cent*) was mainly due to more receipts under Fees, Fines and Forfeitures.

Medical and Public Health: The increase (71.56 per cent) was mainly due to more receipts from Employees State Insurance Scheme and receipts/contribution from patients and others under Rural Health Services.

The other departments did not inform (November 2013) the reasons for variations, despite being requested between May and August 2013.

1.2 Variation between the budget estimates and actuals

The variation between the budget estimates of revenue receipts and the actual receipts under the principal heads of tax and non-tax revenue for the year 2012-13 is mentioned below:

Table- 1.4

(₹ in crore)

Sl. no.	Revenue head	Budget estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage
• Tax revenue					
1.	Taxes on Sales, Trade etc.	8,071.00	8,670.79	(+) 599.79	(+) 7.43
2.	State Excise	2,715.00	2,429.82	(-) 285.18	(-) 10.50
3.	Stamps and Registration Fees	1,906.00	2,173.02	(+) 267.02	(+) 14.01
4.	Taxes on Vehicles	644.40	673.39	(+) 28.99	(+) 4.50
5.	Taxes and Duties on Electricity	60.70	102.55	(+) 41.85	(+) 68.95
6.	Land Revenue	185.00	205.45	(+) 20.45	(+) 11.05
7.	Other Taxes and Duties on Commodities and Services	41.99	28.99	(-) 13.00	(-) 30.96
8.	Taxes on Goods and Passengers	2,800.00	1,932.12	(-) 867.88	(-)31.00
9.	Other Taxes on Income and Expenditure- Taxes on Professions, Trades, callings and Employment	31.00	36.95	(+) 5.95	(+) 19.19
• Non-tax revenue					
1.	Non-Ferrous Mining and Metallurgical Industries	470.00	511.08	(+) 41.08	(+) 8.74
2.	Forestry and Wild Life	7.05	16.60	(+) 9.55	(+) 135.46
3.	Interest Receipts	263.74	167.12	(-) 96.62	(-) 36.63
4.	Medium Irrigation	4.00	13.99	(+) 9.99	(+) 249.75

(Source: Revenue and Capital Receipt, (Detail): Finance Accounts, Government of Bihar)

Land Revenue: The increase (11.05 per cent) was due to collection of establishment charges for acquisition of land from other departments/Authorities and also collection of capitalised value of annual rent for 25 years from commercial organisations for transfer of Government land.

Non-Ferrous Mining and Metallurgical Industries: The increase (8.74 per cent) was due to more settlement of Sand Ghats.

The other departments did not inform the reasons for variation, despite being requested (between May and August 2013).

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during 2012-13 along with the all-India average percentage of expenditure on collection in 2011-12 were as under:

Table- 1.5

(₹ in crore)

Sl. No.	Head of revenue	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2011-12
1.	Commercial Taxes ²	10,771.40	78.86	0.73	0.83
2.	State Excise	2,429.82	42.67	1.76	2.98
3.	Stamps and Registration Fees	2,173.02	45.50	2.09	1.89
4.	Taxes on Vehicles	673.39	25.28	3.75	2.96

(Source: Finance Accounts, Government of Bihar)

The above table indicates that the percentage of expenditure on collection during the year 2012-13 in respect of Stamps and Registration Fees and Taxes on Vehicles were more than the all-India average percentage for the year 2011-12.

The Government needs to take appropriate measures to bring down the cost of collection.

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2013 in respect of the principal heads of revenue as reported by the departments was ₹ 1,631.74 crore of which ₹ 666.65 crore³ were outstanding for more than five years as mentioned below:

² Gross collection by the Commercial Tax Department includes taxes on Sales, Trade etc., Taxes on Goods and Passengers, Taxes and Duties on Electricity, Other Taxes on Income and Expenditure- Taxes on Professions, Trades, Callings and Employment and Other Taxes and Duties on Commodities and Services.

³ Excluding Land Revenue for which particulars have not been furnished by the Department.

Table- 1.6

(₹ in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than five years	Remarks
1.	Taxes on Sales, Trade etc.	916.32	437.78	Out of ₹ 916.32 crore, demands for ₹ 334.30 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 79.58 crore and ₹ 13.11 crore were stayed by the courts and the Government respectively and recovery of ₹ 13.78 crore was held up due to rectification/review of appeal. An amount ₹ 475.55 crore was pending at other stages.
2.	Taxes and Duties on Electricity	2.40	2.34	Out of ₹ 2.40 crore, demands for ₹ 1.49 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 69.08 lakh was stayed by the courts and ₹ 21.45 lakh was pending at other stages.
3.	Taxes on Goods and Passengers (Entry tax)	142.31	3.17	Out of ₹ 142.31 crore, demand for ₹ 10.29 crore was certified for recovery as arrears of land revenue. Recovery of ₹ 5.01 crore was stayed by the courts and ₹ 127.01 crore was pending at other stages.
4.	Other Taxes and Duties on Commodities and Services (Entertainment tax)	10.73	4.05	Out of ₹ 10.73 crore, demands for ₹ 9.47 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 4.52 lakh was stayed by the courts and ₹ 1.22 crore was pending at other stages.
5.	State Excise	66.61	9.00	Out of ₹ 66.61 crore, demands for ₹ 8.95 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 1.83 crore and ₹ 9.30 lakh were stayed by the courts and the Government respectively. Recovery of ₹ 25.12 lakh and ₹ 5.33 lakh were held up due to rectification/review of applications and dealer/party becoming insolvent. An amount of ₹ 35.74 lakh was likely to be written off and ₹ 55.07 crore was pending at other stages.
6.	Taxes on vehicles	185.47	113.06	The entire amount of ₹ 185.47 crore were certified for recovery as arrears of land revenue.
7.	Land Revenue	107.21	NA	Stages at which the arrears were pending for collection have not been intimated, despite being requested (between May and August 2013).

8.	Mines and Minerals	200.69	97.25	Out of ₹ 200.69 crore, demands for ₹ 184.59 crore were certified for recovery as arrears of land revenue. The Department did not furnish the stages of action for remaining arrears.
Total		1,631.74	666.65	

(Source: Information furnished by the Departments)

1.5 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Taxes Department, cases finalised and demands raised as reported by the Department is mentioned below:

Table- 1.7

Head of the department	Cases pending as on 31 March 2012	Cases detected during 2012-13	Total	Number of cases in which assessments/investigation completed and additional demand including penalty etc., raised during the year 2012-13		Number of pending cases as on 31 March 2013
				No. of cases	Amount (₹ in lakh)	
Commercial Taxes	189	426	615	321	209.33	294

(Source: Information furnished by the Department)

It may be seen from the above table that Commercial Taxes Department finalised only 52 per cent of the total cases outstanding as on 31 March 2013.

1.6 Refunds

The number of refund cases pending at the beginning of the year 2012-13, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2013), as reported by the Commercial Taxes Department is mentioned below:

Table- 1.8

(₹ in lakh)

Sl. No.	Particulars	Taxes on Sales, Trade etc.		Entry tax		Entertainment tax		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,383	8,226.09	103	96.74	6	2.00	379	923.90
2.	Claims received during the year	457	12,825.26	12	435.17	Nil	Nil	502	1,234.61
3.	Refunds made during the year	132	12,984.42	15	423.08	Nil	Nil	443	1,151.98

4.	Balance outstanding at the end of the year	1,708	8,066.93	100	108.83	6	2.00	438	1,006.53
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(Source: Information furnished by the Department)

It may be seen that a large number of refund cases were pending in respect of taxes from sales, trade etc. and State excise.

Government may take effective steps to dispose of pending refund cases.

1.7 Response of the departments/Government towards audit

1.7.1 Compliance to audit observations

The Accountant General (AG), Audit, Bihar 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 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 report compliance through initial reply to the AG within four weeks of its receipt. As per Paragraph 199 of the Regulations on Audit and Accounts, the audit office may send copies of important audit observations to the head of the department and it shall be the duty of the head of the department to follow up all such cases for appropriate remedial and corrective action and report compliance to the audit office.

A review of IRs issued upto December 2012 disclosed that 23,327 paragraphs involving ₹ 10,847.46 crore relating to 4,165 IRs remained outstanding at the end of June 2013 as mentioned below along with the corresponding figures for the preceding two years:

Table- 1.9

	June 2011	June 2012	June 2013
Number of outstanding IRs	4,259	3,858	4,165
Number of outstanding paragraphs	22,364	20,979	23,327
Amount involved (₹ in crore)	10,404.30	8,754.19	10,847.46

The Department-wise details of the IRs and paragraphs outstanding as on 30 June 2013 and the amounts involved are mentioned in the following table:

Table- 1.10

(₹ in crore)

Sl. No.	Name of the departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on Sales, Trade <i>etc.</i> ,	652	7,620	5,136.46
		Entry tax	143	322	74.06
		Electricity duty	21	25	16.74
		Entertainments tax, luxury tax, <i>etc.</i>	13	21	0.61
2.	Registration, Excise and Prohibition (Excise)	State Excise	470	2,388	1,574.59
3.	Revenue and Land Reforms	Land Revenue	1,471	6,102	1,132.72
4.	Transport	Taxes on Vehicles	517	3,337	1,261.82
5.	Registration, Excise and Prohibition (Registration)	Stamps and Registration Fees	487	1,333	229.72
6.	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	391	2,179	1,420.74
Total			4,165	23,327	10,847.46

Even the first replies required to be received from the heads of offices within four weeks from the date of issue of the IRs were not received for 1,598 IRs issued upto December 2012. 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 may take suitable steps to install an effective procedure for prompt and appropriate response to audit paragraphs. It may also consider initiating action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules or who fail to take action to recover loss/outstanding demand in a time-bound manner to enhance accountability mechanism.

1.7.2 Departmental audit committee meetings

The Government set up audit committees (during various periods) to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. One audit committee meeting with the Commercial Taxes Department was

held during the year 2012-13 wherein 32 paragraphs of 14 Inspection Reports were settled. Holding of only one meeting during the entire year (2012-13) had deprived the Government of the opportunity of settlement of more number of outstanding audit observations as mentioned in preceding paragraph.

The Government may take suitable steps to hold departmental audit committee meetings at regular intervals for the settlement of outstanding IRs/paragraphs.

1.7.3 Response of the departments to the draft audit paragraphs of current year's Report

The Chief Secretary, Government of Bihar had issued directions (August 1967) to all the departments to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. As per Paragraph 207(1) of the Regulations on Audit and Accounts, the Accountant General (Audit) forwards the draft paragraphs 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 six weeks. The fact of non-receipt of the replies from the departments is invariably indicated at the end of each paragraph included in the Audit Report.

Forty one draft paragraphs including one review included in this Report for the year ended 31 March 2013 were forwarded to the Secretaries of the concerned departments between June and September 2013 through demi-official letters.

The Principal Secretary of the Transport Department and the Commissioner-cum-Secretary of the Registration, Excise and Prohibition (Excise) had sent partial replies to 10 and four draft paragraphs respectively. The Government also sent the replies on the review on Receipts from Mines and Minerals. The Commercial Tax Department also sent partial replies to 10 draft paragraphs.

1.7.4 Follow-up on Audit Reports

The Manual of Instructions (1998) of the Finance Department, Government of Bihar envisaged that the Secretaries to Government of the concerned departments submit explanatory notes to the Assembly Secretariat on audit paragraphs and performance audits included in Audit Reports (AR) after vetting in audit within two months from the date of presentation of the ARs to the State Legislature without waiting for any notice or call from the Public Account Committee (PAC).

We reviewed the position and found that as of July 2013, 10 departments had not furnished the explanatory notes in respect of 57 paragraphs included in the Audit Reports for the years between 1990-91 and 2010-11 for vetting. The delay ranged from 8 month to over 19 years as mentioned in the following table:

Table- 1.11

Sl. No.	Department	Year of Audit Report	Month in which the Audit Report presented in the Legislature	Month in which Departmental notes were due	Number of paragraphs for which Departmental notes were due	Delay in months
1.	Finance	2004-05	March 2006	June 2006	1	85
2.	Finance (Commercial Taxes)	2005-06 to 2010-11	July 2007 to August 2012	October 2007 to November 2012	30	8 to 69
3.	State Excise	1990-91	March 1994	June 1994	1	229
4.	Revenue & Land Reforms	2005-06, 2008-09	July 2007, July 2010	October 2007, October 2010	2	33 to 70
5.	Registration	2003-04	December 2005	March 2006	1	88
6.	Transport	2010-11	August 2012	November 2012	6	8
7.	Forest & Environment	2005-06 to 2007-08	July 2007 to July 2009	October 2007 to October 2009	6	45 to 69
8.	Water Resources	1995-96, 1997-98, 2005-06 to 2010-11	March 1997, August 1999, July 2007 to August 2012	June 1997, November 1999, October 2007 to November 2012	8	8 to 193
9.	Urban Development	1997-98	August 1999	November 1999	1	164
10.	Road Construction	2010-11	August 2012	November 2012	1	8
Total					57	

The delay in submission of explanatory notes was indicative of the fact that the heads of the offices/departments did not take prompt action on the important issues highlighted in the Audit Reports that involved large sums of unrealised revenue, the recovery of some of which could be barred by limitation now.

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

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the departments/Government, the action taken on the paragraphs and reviews included in the Inspection Reports/Audit Reports in respect of **Commercial Taxes Department** was evaluated. The succeeding paragraphs 1.8.1 and 1.8.2 discuss the performance of the 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.

1.8.1 Position of Inspection Reports

The summarised position of inspection reports relating to Commercial Taxes issued during the last 10 years, paragraphs included in these reports and their status as on August 2013 are mentioned in the following table:

Table- 1.12

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
2002-03	281	2,575	1,350.56	39	287	11.20	Nil	Nil	Nil	320	2,862	1,361.76
2003-04	320	2,862	1,361.76	29	230	13.59	Nil	Nil	Nil	349	3,092	1,375.35
2004-05	349	3,092	1,375.35	67	537	188.64	Nil	Nil	Nil	416	3,629	1,563.99
2005-06	416	3,629	1,563.99	79	399	158.76	Nil	Nil	Nil	495	4,028	1,722.76
2006-07	495	4,028	1,722.76	62	292	59.60	Nil	Nil	Nil	557	4,320	1,782.35
2007-08	557	4,320	1,782.35	52	288	186.37	Nil	Nil	Nil	609	4,608	1,968.72
2008-09	609	4,608	1,968.72	45	292	55.97	Nil	Nil	Nil	654	4,900	2,024.69
2009-10	654	4,900	2,024.69	58	598	673.76	Nil	Nil	Nil	712	5,498	2,698.45
2010-11	712	5,498	2,698.45	19	357	1,293.97	Nil	Nil	Nil	731	5,855	3,992.43
2011-12	731	5,855	3,992.43	39	778	387.84	1	97	22.18	769	6,536	4,358.08

In view of heavy accumulation of pending IRs/paragraphs, the responsibility of disposal of pending IRs and paragraphs upto the year 1995-96 was left to the Department (August 2006) except in cases of outstanding paragraphs (Audit Reports), performance audits, cases pending in Hon'ble courts and cases of defalcation in which the final decision rests with the PAC/Hon'ble courts.

1.8.2 Assurance given by the Department/Government on the issues highlighted in the Audit Report

1.8.2.1 Recovery of accepted cases

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

Table- 1.13

Year of AR	Number of paragraphs included in AR	Money value of the paragraphs (₹ in crore)	Number of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Position of recovery in accepted cases as reported by the Department (₹ in lakh)
2002-03	9	28.40	1 (Partial)	0.06	39.58
2003-04	8	301.71	1 (Partial)	9.04	500.90
2004-05	9	34.36	9 (3 Partial)	19.76	56.31
2005-06	18	21.38	7 (Partial)	10.95	56.55

2006-07	12	46.08	2 (Partial)	8.44	18.52
2007-08	12	153.70	5 (Partial)	115.63	5.64
2008-09	15	619.33	11 (4 Partial)	293.17	76.39
2009-10	13	841.96	11 (7 Partial)	716.28	38.35
2010-11	22	863.17	15 (13 Partial)	828.25	113.29
2011-12	16	261.78	11 (8 Partial)	58.84	Nil
Total	134	3,171.87	73 (51 Partial)	2,060.42	905.53

The preceding table shows that out of ₹ 3,171.87 crore involved in 134 paragraphs included in the Audit Reports for the years 2002-03 to 2011-12, the Government/Department accepted ₹ 2,060.42 crore involved in 73 paragraphs against which recovery of ₹ 9.06 crore (0.44 *per cent*) could only be effected.

The Government/Department may take effective steps for recovery of Government revenue in accepted cases.

1.8.2.2 Action taken on the recommendations accepted by the departments / Government

The draft reports on review conducted by the AG are forwarded to the concerned departments/Government for their information with a request to furnish their replies. These reports on review are also discussed in an exit conference and the departments/Government's views are included while finalising the reports on review for the Audit Reports.

Six review audits containing 31 recommendations were featured in the Audit Reports for the years 2002-03 and 2011-12 on receipts of Commercial Taxes Department. The Department had accepted the recommendations made in the Audit Reports for the years 2002-03 and 2003-04. We are yet to receive any information regarding acceptance of the recommendations and action taken thereon in remaining reviews (November 2013) as detailed below:

Table- 1.14

Year of AR	Name of the review	Number of recommendations
2002-03	Accountal and Utilisation of declaration forms/certificates	2
2003-04	Arrears of Revenue in Sales Tax	5
2007-08	Assessment, Levy and collection of Sales tax/ Value Added tax on works/supplies contracts	4
2008-09	Implementation of Value Added Tax in Bihar	8
2010-11	Utilisation of declaration forms in inter-State trade and commerce	6
2011-12	Internal Control Mechanism in Commercial Taxes Department	6

1.9 Impact of audit

1.9.1 Status of compliance to Audit Reports (2007-08 to 2011-12)

During the years between 2007-08 and 2011-12, the departments/Government accepted audit observations involving ₹ 1,443.43 crore of which an amount of ₹ 9.54 crore only was recovered as on 31 March 2013 as mentioned below:

Table- 1.15

(₹ in crore)

Year of Audit Report	Amount involved in the Audit Report	Amount accepted	Amount recovered
2007-08	523.80	417.47	5.50
2008-09	838.92	709.78	0.78
2009-10	977.82	96.16	0.45
2010-11	893.61	155.08	2.34
2011-12	568.99	64.94	0.47
Total	3,803.14	1,443.43	9.54

The above table indicates that the recovery in respect of the accepted cases was meagre (0.66 per cent) as compared to the accepted money value.

1.9.2 Status of compliance to outstanding Inspection Reports (2007-08 to 2011-12)

We made 8,041 audit observations involving ₹ 7,198.51 crore through our Inspection Reports during the years 2007-08 to 2011-12, of which the departments/Government accepted ₹ 2,820.94 crore and an amount of ₹ 6.75 crore only was recovered as on 31 March 2013 as mentioned below:

Table- 1.16

(₹ in crore)

Year	No. of cases in which observations made	Amount involved in the Inspection Report	Amount accepted during the year	Amount recovered
2007-08	1,253	843.09	221.72	1.05
2008-09	1,220	965.35	684.49	1.17
2009-10	1,951	2,146.31	1,696.54	0.93
2010-11	1,802	1,942.93	80.26	0.89
2011-12	1,815	1,300.83	137.93	2.71
Total	8,041	7,198.51	2,820.94	6.75

The negligible recovery even against the accepted cases indicates lack of promptness in recovery of the Government money.

The Government needs to take necessary steps for prompt recovery of the amounts involved, at least in the accepted cases.

1.9.3 Status of compliance to Inspection Reports 2012-13

We conducted test-check of the records of 281 units of commercial taxes, State excise, taxes on vehicles, land revenue, non-ferrous mining and metallurgical industries and other departmental offices during the year 2012-13 and observed underassessment/short levy of revenue of ₹ 1,066.92 crore in 2,673 cases. During the course of the year, the departments concerned accepted underassessment and other deficiencies of ₹ 50.20 crore involved in 288 cases of which 103 cases involving ₹ 10.96 crore were pointed out in audit during 2012-13 and the rest in the earlier years. The departments collected ₹ 70.47 lakh in 29 cases during 2012-13.

1.9.4 This Report

This report contains 41 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in the earlier reports) including one review on **‘Receipts from Mines and Minerals’** relating to short/non-levy of tax, duty and interest, penalty *etc.* involving financial effect of ₹ 269.74 crore. The departments/Government have accepted audit observations involving ₹ 42.76 crore out of which ₹ 1.80 crore has been recovered. These paragraphs/review are discussed in the succeeding chapters II to VI.