

CHAPTER - I

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/Departments to deal with issues raised by Audit, position of outstanding paragraphs in Inspection 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 Madhya Pradesh 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 ₹ 34,456.17 crore which was 55 <i>per cent</i> of the total receipts. The balance 45 <i>per cent</i> of receipts amounting to ₹ 28,147.91 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 13,506 paragraphs relating to 3,465 IRs involving ₹ 6,834.02 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 363 IRs issued up to December 2011. 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>
Non-production of records to audit	<p>71 offices of six Departments (Commercial Tax, Registration and Stamps, Revenue, Mines and Geology, Transport and State Excise) did not furnish 625 tax assessment records during 2011-12.</p>

Very low recovery of the amount pointed out by audit in earlier Audit Reports	In respect of Audit Reports pertaining to the years 2006-07 to 2010-11, the Government/ Departments accepted audit observations involving money value of ₹ 1,985.80 crore, of which ₹ 203.89 crore had been recovered till March 2012.
Departmental Audit Committee Meetings (ACMs)	<p>We noticed that during 2011-12, five Departments had convened seven Audit Committee Meetings (ACMs) wherein 553 paragraphs involving money value of ₹ 288.94 crore were settled, while other Departments did not take any initiative to hold ACMs.</p> <p>It is recommended that the Government may ensure convening of periodical ACMs by all the Departments for effective and expeditious settlement of outstanding paragraphs.</p>
Our Conclusion	<p>Audit observations involving financial effect of ₹ 807.47 crore were issued during the period 2011-12. The Departments/Government accepted observations involving ₹ 539.35 crore. It is recommended that the Government may make efforts to recover the amounts involved in the accepted cases at the earliest.</p> <p>The amount outstanding as arrears of revenue for more than five years was 71 <i>per cent</i> of the total outstanding amount. The State Government may make efforts to ensure the recovery of the outstanding amount at the earliest.</p> <p>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.</p>

CHAPTER - I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Madhya Pradesh 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	12,017.64	13,613.50	17,272.77	21,419.33	26,973.44
	• Non-tax revenue	2,738.18	3,342.86	6,382.04	5,719.77	7,482.73
	Total	14,755.82	16,956.36	23,654.81	27,139.10	34,456.17
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	10,203.50	10,767.14	11,076.99	15,638.52	18,219.14 ¹
	• Grants-in-aid	5,729.41	5,853.71	6,662.87	9,076.56	9,928.77
	Total	15,932.91	16,620.85	17,739.86	24,715.08	28,147.91
3.	Total receipts of the State (1 and 2)	30,688.73	33,577.21	41,394.67	51,854.18	62,604.08
4.	Percentage of 1 to 3	48	50	57	52	55

The above table indicates that during the year 2011-12, the revenue raised by the State Government was 55 *per cent* of the total receipts (₹ 62,604.08 crore) against 52 *per cent* in the preceding year. The balance 45 *per cent* of receipts during 2011-12 was from the Government of India.

¹ For details please see statement No. 11: "Detailed accounts of revenue by minor heads" in the Finance Accounts of the Government of Madhya Pradesh for the year 2011-12. Figures under the head "Share of net proceeds assigned to States" booked in the Finance Accounts 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 from 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.	Taxes on sales, trade etc.	6,045.07	6,842.99	7,723.82	10,256.76	12,516.73	(+) 22.03
2.	State excise	1,853.83	2,301.95	2,951.94	3,603.42	4,316.49	(+) 19.79
3.	Stamps and Registration fees	1,531.54	1,479.29	1,783.15	2,514.27	3,284.41	(+) 30.63
4.	Taxes on goods and passengers	916.44	1,332.57	1,332.88	1,746.20	2,047.46	(+) 17.25
5.	Taxes on vehicles	702.62	772.56	919.01	1,198.38	1,357.12	(+) 13.25
6.	Taxes and duties on electricity	626.08	343.06	2,146.49	1,476.32	1,773.32	(+) 20.12
7.	Land revenue	129.15	338.84	180.03	360.81	279.06	(-) 22.66
8.	Other taxes on income and expenditure - taxes on professions, trades, callings and employments	185.02	172.29	203.92	217.89	248.90	(+) 14.23
9.	Other taxes and duties on commodities and services	20.10	20.28	19.21	29.42	52.29	(+) 77.74
10.	Hotel receipts	7.79	9.67	12.20	15.85	18.33	(+) 15.65
11.	Taxes on immovable property other than agricultural land	-	-	0.12	0.01	1,079.33	(+) 1,07,93,200
Total		12,017.64	13,613.50	17,272.77	21,419.33	26,973.44	

(Source: Finance Accounts of the Government of Madhya Pradesh)

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

Taxes on sales, trade etc.- The increase of 22.03 *per cent* was due to better tax compliance.

State excise - The increase of 19.79 *per cent* was attributed to the increase in execution amount realised through auction of liquor shops.

Stamps and Registration fees - The increase of 30.63 *per cent* was due to registration of more documents and rise in the market value of immovable properties.

Taxes on vehicles – The increase of 13.25 *per cent* was due to effective computerisation.

Taxes and duties on electricity - The increase of 20.12 *per cent* was attributed to the receipt of arrears pending with MP *Vidyut Vitaran* Companies.

Land Revenue – The decrease of 22.66 *per cent* was due to postponement of recovery of dues in order to provide relief to farmers affected by natural calamities.

The other Departments did not inform the reasons for variation (March 2013), despite being requested (May 2012).

1.1.3 The following table presents the details of major non-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.	Non-ferrous mining and metallurgical industries	1,125.39	1,361.08	1,590.47	2,121.49	2,038.31	(-) 3.92
2.	Forestry and wildlife	608.89	685.60	802.00	836.61	878.81	(+) 5.04
3.	Miscellaneous general services	374.60	380.17	399.12	143.00	145.44	(+) 1.71
4.	Interest receipts	206.98	163.29	1,284.03	298.56	1,571.41	(+) 426.33
5.	Other administrative services	68.15	55.58	80.94	85.14	106.05	(+) 24.56
6.	Major and medium irrigation	37.42	37.08	56.75	194.89	263.15	(+) 35.02
7.	Police	25.03	23.63	41.98	62.55	63.19	(+) 1.02
8.	Public works	20.33	21.74	27.37	36.77	47.92	(+) 30.32
9.	Medical and public health	21.93	20.88	21.84	22.77	30.16	(+) 32.45
10.	Co-operation	29.29	13.25	9.08	17.05	11.65	(-) 31.67
11.	Other non-tax receipts	220.17	580.56	2,068.46	1,900.94	2,326.64	(+) 22.39
Total		2,738.18	3,342.86	6,382.04	5,719.77	7,482.73	

(Source: Finance Accounts of the Government of Madhya Pradesh)

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

Forestry and Wildlife - The increase of 5.04 *per cent* was basically due to the increase of the value of forest produce.

Co-operation – The decrease of 31.67 *per cent* was due to shortfall in recovery of audit fees.

The other Departments did not inform the reasons for variation (March 2013), despite being requested (May 2012).

1.2 Variations between the budget estimates and actual receipts

The variations between the budget estimates and actual 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 receipts	Variation excess (+) or shortfall (-)	Percentage increase (+)/ decrease (-)
Tax revenue					
1.	Taxes on Sales, Trade etc.	11,830	12,516.73	(+) 686.73	(+) 5.80
2.	State Excise	4,050	4,316.49	(+) 266.49	(+) 6.58
3.	Stamps and Registration fees	2,000	3,284.41	(+) 1,284.41	(+) 64.22
4.	Taxes and duties on electricity	1,370	1,773.32	(+) 403.32	(+) 29.44
5.	Taxes on vehicles	1,285	1,357.12	(+) 72.12	(+) 5.61
6.	Land Revenue	500.30	279.06	(-) 221.24	(-) 44.22
Non-tax revenue					
1.	Non-ferrous mining and metallurgical industries	2,540	2,038.31	(-) 501.69	(-) 19.75

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

Stamps and Registration fees - The increase of 64.22 *per cent* was mainly due to registration of more documents and rise in the market value of immovable properties.

Land Revenue - The decrease of 44.22 *per cent* was due to postponement of recovery of dues in order to provide relief to farmers affected by natural calamities.

1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of some principal heads of revenue amounted to ₹ 669.97 crore of which ₹ 475.68 crore was outstanding for more than five years as mentioned in the following table:

(₹ 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)	(2)	(3)	(4)
1.	Taxes on Sales, Trade etc.	517.93	403.87
2.	Non-ferrous mining and metallurgical industries	12.31	12.31

(1)	(2)	(3)	(4)
3.	Taxes and Duties on Electricity	67.49	14.69
4.	Stamps and Registration Fees	72.24	44.81
Total		669.97	475.68

The position of arrears of revenue at the end of 2011-12 in respect of other Departments was not furnished by the Government despite being requested (December 2012). Also, the reasons for which arrears were pending for collection were not furnished by the Departments (March 2013).

1.4 Arrears in assessment

The details of assessments relating to Sales tax/VAT, Profession tax, Entry tax, Luxury tax, Tax on works contracts pending at the beginning of the year, additional cases becoming due for assessment during the year, cases disposed during the year and pending cases at the end of each year during 2009-10, 2010-11 and 2011-12 as furnished by the **Commercial Tax Department** are mentioned in the following table:

Name of tax	Year	Opening balance	New cases due for assessment during the year	Total assessments due	Cases disposed during the year	Balance at the end of the year	Percentage of column 6 to 5
1	2	3	4	5	6	7	8
Sales tax/ VAT	2009-10	2,67,035	3,53,048	6,20,083	3,72,161	2,47,922	60.02
	2010-11	2,47,922	2,53,990	5,01,912	3,74,824	1,27,088	74.68
	2011-12	1,24,088 ²	2,94,265	4,18,353	3,30,229	88,124	78.94
Profession tax	2009-10	1,24,375	1,40,241	2,64,616	1,57,938	1,06,678	59.69
	2010-11	1,06,678	88,196	1,94,874	1,27,626	67,248	65.49
	2011-12	67,248	1,19,154	1,86,402	1,22,991	63,411	65.98
Entry tax	2009-10	1,70,356	2,29,913	4,00,269	2,48,537	1,51,732	62.09
	2010-11	1,51,732	2,00,164	3,51,896	2,62,535	89,361	74.61
	2011-12	89,361	2,27,878	3,17,239	2,55,173	62,066	80.44
Luxury tax	2009-10	664	1,026	1,690	1,052	638	62.25
	2010-11	638	3,619	4,257	3,234	1,023	75.97
	2011-12	1,023	308	1,331	911	420	68.44
Tax on works contracts	2009-10	2,541	6,273	8,814	6,183	2,631	70.15
	2010-11	2,631	6,704	9,335	6,593	2,742	70.63
	2011-12	2,742	5,328	8,070	5,450	2,620	67.53

Thus, there has been decrease in disposal of assessment cases relating to luxury tax and tax on works contracts during 2011-12 as compared to the previous year.

² The Department stated (October 2012) that opening balance of the arrears in assessment for the year 2011-12 was 1,24,088. However, this did not match with the closing balance of arrears in assessment (1,27,088) for the year 2010-11 reported on an earlier occasion. The Department did not furnish any reason for this difference.

1.5 Evasion of tax

The details of evasion as reported by the Commercial Tax and Registration and Stamps Departments are mentioned below:

Sl. No.	Name of the tax/duty	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 pending cases as on 31 March 2012
					No. of cases	Amount of demand (₹ in crore)	
1.	Sales Tax/VAT	536	249	785	551	212.65	234
2.	Stamp duty and Registration Fees	8,485	5,953	14,438	4,419	71.13	10,019

Thus, there was increase in the number of pending cases relating to Stamp duty and Registration fees.

1.6 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 end of the year 2011-12 as reported by the Departments are mentioned below:

(₹ in crore)

Sl. No.	Category	Sales Tax/VAT		Taxes and duties on electricity		Stamps and Registration Fees		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	674	10.10	109	1.13	1,507	3.80	10	0.07
2.	Claims received during the year	5,331	86.57	25	2.82	831	3.22	55	1.16
3.	Refunds made during the year	5,457	87.93	05	1.26	792	2.19	43	0.95
4.	Balance outstanding at the end of the year	548	8.74	129	2.69	1,546	4.83	22	0.28

Thus, there was an increase in the number and amount of refund cases at the end of the year in all Departments except Commercial Tax Department.

1.7 Response of the Departments/Government towards audit

The succeeding paragraphs 1.7.1 to 1.7.5 discuss the response of the Departments/Government towards audit observations/recommendations.

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

The Accountant General (Economic & Revenue Sector Audit), Madhya Pradesh (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 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.

We reviewed inspection reports issued up to December 2011 and found that 13,506 paragraphs involving ₹ 6,834.02 crore relating to 3,465 IRs remained outstanding at the end of June 2012 as mentioned in the following table along with the corresponding figures for the preceding two years:

	June 2010	June 2011	June 2012
Number of outstanding IRs	5,040	3,690	3,465
Number of outstanding audit observations	15,608	13,285	13,506
Amount involved (₹ in crore)	9,862.06	9,355.55	6,834.02

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:

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
(1)	(2)	(3)	(4)	(5)	(6)
1.	Commercial Tax	Taxes/VAT on sales, trade etc.	933	4,589	1,016.70
2.	Energy	Taxes and duties on electricity	48	171	460.99
3.	State excise	Entertainment tax	200	392	19.41
		State excise	211	826	625.80
4.	Revenue	Land revenue	1,036	3,292	2,586.02

(1)	(2)	(3)	(4)	(5)	(6)
5	Transport	Taxes on vehicles	382	1,948	326.61
6	Registration and Stamps	Stamps and Registration fees	448	1,273	181.21
7	Mines and Geology	Non-ferrous mining and metallurgical industries	207	1,015	1,617.28
Total			3,465	13,506	6,834.02

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 363 IRs issued up to December 2011. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs. Although this was pointed out in the earlier report for the year ended 31 March 2011, no corrective measures were taken in this regard.

It is recommended that the Government take suitable steps to establish an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

1.7.2 Departmental audit committee meetings

The Government sets up audit committees to monitor and expedite the progress of the settlement of paragraphs in the Inspection Reports. The details of the audit committee meetings held during the year 2011-12 and the paragraphs settled are mentioned in the following table:

(₹ in crore)

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Commercial tax	2	157	6.50
Non-ferrous mining and metallurgical industries	2	124	146.52
Stamps and Registration fees	1	58	2.86
State excise	1	98	62.52
Land revenue	1	116	70.54
Total	7	553	288.94

The table shows that the settlement of outstanding paragraphs relating to Stamps and Registration fees and State Excise has not been satisfactory. This was mainly due to non-production of relevant records by the Departments during the audit committee meetings.

1.7.3 Non-production of records to audit for scrutiny

The programme of local audit of tax/non-tax receipts offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Department to enable them to keep the relevant records ready for audit scrutiny.

During 2011-12, as many as 625 assessment files, registers and other relevant records relating to 71 offices were not made available to audit. In two cases, the tax involved was ₹ 4.87 crore and in the remaining cases the tax effect could not be computed. Year-wise break up of such cases are given below:

(₹ in crore)

Name of Department/ No. of offices	Nature of receipts	Number of assessment cases not audited	Number of cases in which revenue involved could be ascertained	Revenue involved
Commercial Tax/ 30	Sales tax/VAT	360	--	--
Registration and Stamps/ 7	Stamps and Registration fees	64	1	0.30
Revenue/ 19	Land revenue	136	1	4.57
Mines and Geology / 3	Non-ferrous mining and metallurgical industries	5	--	--
Transport/ 8	Taxes on vehicles	49	--	--
State Excise/ 1	Entertainment Tax	4	--	--
State Excise/ 3	State Excise	7	--	--
Total		625	2	4.87

1.7.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by us to the Principal Secretaries/Secretaries of the Departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Department is invariably indicated at the end of each paragraph included in the Audit Report.

53 paragraphs (clubbed into 50 paragraphs) included in this Report were sent to the Principal Secretaries/Secretaries of the concerned Departments between May 2012 and September 2012. Their replies have not been received (March 2013).

The paragraphs pertaining to these Departments have been included in this Report without the response of the Departments.

1.7.5 Follow up on Audit Reports-summarised position

As per the instructions issued (November 1994) by the State Legislative Affairs Department, Action Taken Reports (ATR) on the recommendations of the Public Accounts Committee (PAC) should be submitted within six months from the date of recommendations by the PAC.

The Audit Report for the year 2007-08 has been fully discussed and that for the year 2006-07 and 2008-09 has been partly discussed by the PAC.

ATRs on the PAC recommendations up to 1992-93 have been received. ATRs from 1993-94 to 2003-04 have been partly received and thereafter ATRs have not been received from the concerned Departments.

1.7.6 Compliance with the earlier Audit Reports

During the period from 2006-07 to 2010-11, the Departments/Government accepted audit observations involving ₹ 1,985.80 crore of which only ₹ 203.89 crore was recovered till 31 March 2012 as mentioned below:

(₹ in crore)

Year of the Audit Report	Total money value of the Report	Accepted money value	Amount recovered	Percentage of recovery to amount accepted
2006-07	318.57	288.61	7.44	2.58
2007-08	623.43	428.03	78.52	18.34
2008-09	1,339.50	112.89	9.96	8.82
2009-10	1,469.91	1,045.98	105.98	10.13
2010-11	291.79	110.29	1.99	1.80
Total	4,043.20	1,985.80	203.89	

The percentage of recovery as compared to the accepted cases has been extremely low over the last five years.

We recommend that the Government should take appropriate steps to improve the recovery position, at least in the accepted cases.

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 performance audits included in the Audit Reports of the last 10 years in respect of one Department is evaluated and included in each Audit Report.

The succeeding paragraphs 1.8.1 to 1.8.2.2 discuss the performance of the **State Excise Department** to deal with the cases detected in the course of local audit conducted during the last six years and also the cases included in the Audit Reports for the years 2001-02 to 2010-11.

1.8.1 Position of Inspection Reports

The summarised position of inspection reports issued during the period 2006-07 to 2011-12, paragraphs included in these reports and their status as on 31 March 2012 are mentioned in the following table:

(₹ 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
2006-07	371	1,272	630.05	24	127	65.64	15	116	46.19	380	1,283	649.50
2007-08	380	1,283	649.50	31	173	89.51	23	251	154.55	388	1,205	584.46
2008-09	388	1,205	584.46	43	242	98.48	58	307	184.27	373	1,140	498.67
2009-10	373	1,140	498.67	45	302	181.53	72	348	109.70	346	1,094	570.50
2010-11	346	1,094	570.50	23	168	146.02	165	474	71.35	204	788	645.17
2011-12	204	788	645.17	26	173	85.89	28	178	118.50	202	783	612.56

Out of 178 paragraphs cleared during the year 2011-12, 80 paragraphs were settled in the normal course on the basis of replies and the remaining 98 paragraphs were settled in Audit Committee meetings held with the Department.

1.8.2 Assurance given by the Departments/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, those accepted by the Department and the amount recovered are shown in the following table:

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	No. of paragraphs against which recovery made	Amount recovered up to 31.03.2012
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001-02	9	6.77	3	0.72	3	0.08
2002-03	7 Paragraphs & 1 Review	54.08	4	13.77	1	1.04
2003-04	3 Paragraphs & 1 Review	13.10	3	12.49	1	0.006
2004-05	9	9.60	4	0.88	2	0.04
2005-06	7	7.67	5	2.62	4	0.55
2006-07	1 Review	4.57	1	1.62	1	0.55
2007-08	11	7.95	5	1.82	3	0.21

(1)	(2)	(3)	(4)	(5)	(6)	(7)
2008-09	18	21.68	8	1.80	3	0.09
2009-10	9	5.09	5	3.90	2	0.07
2010-11	8	38.74	1	6.73	1	0.007

The percentage of recovery as compared to the accepted cases has been extremely low over the last ten years.

1.8.2.2 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 views are included while finalising the reviews for the Audit Reports.

The following paragraphs discuss the issues highlighted in the performance audit on the State Excise 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 by the Government.

Year of Audit Report	Name of the Performance Audit	Number of recommendations	Details of the recommendations accepted	Status
2002-03	Uncollected Excise Revenue	2	--	Specific comments on recommendations have not been furnished by the Department.
2003-04	Working of Distilleries	2	--	Specific comments on recommendations have not been furnished by the Department
2006-07	Collection of Excise Receipts on Liquor	6	--	Specific comments on recommendations have not been furnished by the Department

1.9 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 past five years etc.

During the year 2011-12, the audit universe comprised of 924 auditable units, of which 321 units were audited, which is 36.36 *per cent* of the total auditable units.

Besides the compliance audit mentioned above, two Performance audits on **“Recovery of Revenue arrears in Commercial Tax Department”** and **“Collection of Excise Receipts on Liquor”** were also taken up to examine the efficacy of the tax administration of these receipts.

1.10 Results of audit

1.10.1 Position of local audit conducted during the year

Test check of the records of 321 units of Commercial tax, State excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Entertainment Duty, Taxes and Duties on Electricity and Mining Receipts conducted during the year 2011-12 revealed underassessment/short levy/loss of revenue aggregating ₹ 807.47 crore in 6,54,887 cases. During the course of the year, the Departments accepted underassessment and other deficiencies of ₹ 539.35 crore involved in 24,385 cases which were pointed out in audit during 2011-12. The Departments collected ₹ 4.58 crore in 1,522 cases during 2011-12.

1.10.2 This Report

This Report contains 50 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 two performance audits on **“Recovery of Revenue arrears in Commercial Tax Department”** and **“Collection of Excise Receipts on Liquor”** relating to short/non-levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 247.82 crore. The Departments/ Government have accepted audit observations involving ₹ 115.54 crore out of which ₹ 34.05 lakh has been recovered. The replies in the remaining cases have not been received (March 2013). These are discussed in the succeeding Chapters II to VIII.