

## CHAPTER-I : GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Maharashtra during the year 2011-12, the State's share of divisible Union taxes, grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

(₹ in crore)

Sl. no.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	47,528.41	52,029.94	59,106.33	75,027.09	87,608.46
	• Non-tax revenue <sup>1</sup>	16,935.25 (16,947.97)	9,750.77 (9,789.94)	8,263.97 (8,352.61)	8,213.10 (8,225.04)	8,150.10 (8,167.70)
	<b>Total</b>	<b>64,463.66</b> <b>(64,476.38)</b>	<b>61,780.71</b> <b>(61,819.88)</b>	<b>67,370.30</b> <b>(67,458.94)</b>	<b>83,240.19</b> <b>(83,252.13)</b>	<b>95,758.56</b> <b>(95,776.16)</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union Taxes	7,597.22	8,018.41	8,248.12	11,419.79	13,343.34
	• Grants-in-aid	7,509.55	11,432.39	11,203.23	11,195.89	12,166.64
	<b>Total</b>	<b>15,106.77</b>	<b>19,450.80</b>	<b>19,451.35</b>	<b>22,615.68</b>	<b>25,509.98</b>
<b>III.</b>	<b>Total revenue receipts of the State Government</b>	<b>79,570.43</b> <b>(79,583.15)</b>	<b>81,231.51</b> <b>(81,270.68)</b>	<b>86,821.65</b> <b>(86,910.29)</b>	<b>1,05,855.87</b> <b>(1,05,867.81)</b>	<b>1,21,268.54</b> <b>(1,21,286.14)</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>81</b>	<b>76</b>	<b>78</b>	<b>79</b>	<b>79</b>

The above table indicates that during the year 2011-12, the revenue raised by the State Government was 79 per cent of the total net revenue receipts (₹ 1,21,268.54 crore). The balance 21 per cent of receipts during 2011-12 were received from the Government of India.

**1.1.2** The following table presents the details of tax revenue raised during the period 2007-08 to 2011-12:

<sup>1</sup> Figures in brackets indicate gross receipts, the details of which are available in Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Maharashtra for the year 2011-12. The figures above those in brackets are lower because of netting of expenditure on prize winning tickets from Lottery receipts.

(₹ 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.	Sales tax/VAT						
	• State sales tax, VAT etc.	24,368.22	27,805.30	30,170.70	38,934.47	46,796.91	(+) 20.19
	• Central sales tax	2,384.58	2,875.23	2,505.32	3,548.25	3,799.45	(+)7.08
2.	State excise	3,963.05	4,433.76	5,056.63	5,961.85	8,605.47	(+)44.34
3.	Stamp Duty and Registration fees	8,549.57	8,287.63	10,773.65	13,515.99	14,407.49	(+)6.60
4.	Taxes and Duties on Electricity	2,687.87	2,394.86	3,289.32	4,730.26	4,831.09	(+)2.13
5.	Taxes on Vehicles	2,143.11	2,220.22	2,682.30	3,532.90	4,137.42	(+)17.11
6.	Taxes on Goods and Passengers	388.27	891.95	976.60	599.88	574.25	(-) 4.27
7.	Other taxes on Income and expenditure- Taxes on Professions, Trades, Callings and Employments	1,488.26	1,561.17	1,612.35	1,686.20	1,829.94	(+)8.52
8.	Other Taxes and Duties on Commodities and Services	1,043.17	1,013.58	1,325.39	1,422.31	1,662.63	(+)16.90
9.	Land Revenue	512.22	546.22	714.04	1,094.98	963.81	(-)11.98
10	Service Tax	0.09	0.02	0.03	0.00	0.00	
	<b>Total</b>	<b>47,528.41</b>	<b>52,029.94</b>	<b>59,106.33</b>	<b>75,027.09</b>	<b>87,608.46</b>	

The reasons for significant variation in the receipts in 2011-12 from that of 2010-11 in respect of principal heads of revenue as furnished by one department is as under :

**Sales Tax, VAT etc. and Central Sales Tax:** The increase was on account of better administrative control exercised by the Sales Tax Department, introduction of e-payment and improvement in defaulter follow-up.

The following departments did not inform (January 2013) the reasons for variation, despite being requested (April 2012). However, the reasons for variations analysed by us from the Finance Accounts are as follows (figures in brackets indicate percentage of increase/decrease from the previous year's collections):

**State Excise:** The increase was mainly due to increase in collections of State excise duty on the sale of country spirits (35 per cent), malt liquor (21 per cent), foreign liquors and spirits (98 per cent) and receipts under fines and confiscations (130 per cent).

**Taxes on vehicles:** The increase was mainly due to increase in receipts under Indian Motor Vehicles Act (16 *per cent*) and State Motor Vehicles Taxation Acts (16 *per cent*).

**Other taxes and duties on commodities and services:** The increase was mainly due to increase in receipts under Entertainment tax (12 *per cent*), receipts under luxury tax (25 *per cent*) and receipts under Education Cess Act (20 *per cent*).

**Land Revenue:** The decrease was mainly due to decrease in receipts from management of ex-zamindari estates (64 *per cent*), decrease in sale of Government Estates (59 *per cent*) and decrease in receipts of service and service fees (65 *per cent*).

**1.1.3** The following table presents the details of the non-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.	Interest Receipts	1,170.17	1,016.67	1,342.00	1,421.70	1,358.94	(-)4.41
2.	Dairy Development	453.60	471.01	487.30	341.64	265.81	(-)22.20
3.	Other non-tax receipts	953.87	1,200.60	1,681.01	1,296.23	1,430.56	(+)10.36
4.	Forestry and Wild life	195.73	259.76	226.48	238.87	269.78	(+)12.94
5.	Non-ferrous mining and Metallurgical Industries	1,091.19	1,215.67	1,466.73	1,841.19	2,045.47	(+)11.09
6.	Miscellaneous General Services <sup>2</sup>	11,509.38	3,913.08	979.89	622.28	556.29	(-)10.60
7.	Power	344.07	413.28	456.61	485.42	725.01	(+)49.36
8.	Major and Medium Irrigation	626.41	631.77	812.58	729.54	583.05	(-)20.08
9.	Medical and Public Health	170.69	131.22	234.30	173.04	274.98	(+)58.91
10.	Co-operation	67.72	87.78	97.28	77.88	66.65	(-)14.42
11.	Public Works	101.91	154.77	162.31	166.38	167.64	(+)0.76
12.	Police	140.20	137.27	163.45	191.99	234.73	(+)22.26
13.	Other Administrative Services	110.31	117.89	154.03	626.94	171.19	(-)72.69
	<b>Total</b>	<b>16,935.25</b>	<b>9,750.77</b>	<b>8,263.97</b>	<b>8,213.10</b>	<b>8,150.10</b>	

<sup>2</sup> Includes net lottery receipts after adjustment of prize money paid.

The reasons for variations in the receipts for 2011-12 from that of 2010-11, in respect of principal heads of revenue though called for (April 2012) from concerned departments were not furnished (January 2013). However, some of the significant variations in the receipts during 2011-12 over those of the previous year as analysed by us from the Finance Accounts were as follows:

**Forestry and Wild life :** The increase was mainly due to increase in sale of timber and other forests produce (13 *per cent*) and receipts from social and farm foresteries (70 *per cent*).

**Non-ferrous, mining and metallurgical industries:** The increase was mainly due to increase under the sub head “mineral concession fees, rents and royalties” (11 *per cent*) and “service and service fees” (28 *per cent*).

**Power :** The increase was mainly due to increase in receipts under the head “Hydel Generation” (90 *per cent*) and “other receipts” under sub-head “General” (912 *per cent*).

**Medical and Public Health:** The increase was mainly due to increase in the receipts under Urban Health Services (21 *per cent*), rural health services (716 *per cent*), medical education, training and research (40 *per cent*) and public health (251 *per cent*).

**Police:** The increase was mainly due to increase in receipts under the head “Police supplied to other Government (64 *per cent*), police supplied to other parties (65 *per cent*) and receipts under fees, fines and forfeitures” (44 *per cent*).

**Other Administrative Services:** The decrease was mainly due to decrease in receipts under the detailed head “Other receipts” of the sub head “60 – Other Services” (93 *per cent*).

**Dairy Development:** The decrease was mainly due to less receipt from various Government Milk Schemes.

**Miscellaneous General Services:** The decrease was mainly due to decrease in receipts under the head “guarantee fees” (77 *per cent*).

## **1.2 Response of the Departments/Government to audit observations**

The offices of the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur (AsG) arrange to conduct periodical inspections of the various offices of the Government Departments to test check transactions of the tax and non-tax receipts and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. After inspections by field parties, inspection reports (IRs) are issued to the heads of offices, with copies of the same to the next higher authorities. The Government of Maharashtra, Finance Department’s circular dated 10 July 1967 provides for response by the executive to the IRs issued by the offices of the AsG, within one month, after ensuring action in compliance to the observations made during audit inspections. Serious irregularities are also brought to the notice of the heads of departments by the offices of the AsG. Half yearly reports are sent to the secretaries of the concerned

departments in respect of the pending IRs to facilitate the monitoring of audit observations.

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

Scrutiny of the inspection reports issued upto 31 December 2011 revealed that 10,860 observations relating to 4,921 IRs involving ₹ 2,667.74 crore, remained outstanding at the end of June 2012 as mentioned below, along with the corresponding figures for the preceding two years.

	30 June 2010	30 June 2011	30 June 2012
Number of outstanding IRs	4,681	4,682	4,921
Number of outstanding audit observations	9,811	10,293	10,860
Amount involved (₹ in crore)	1,419.02	1,722.20	2,667.74

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

Sl. no.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Home	State Excise	183	385	976.43
2	Home	Taxes on vehicles	244	883	28.47
3	Revenue and Forest	Land Revenue	1,113	2,180	591.59
4	Revenue and Forest	Entertainments Duty	288	504	9.70
5	Revenue and Forest	Forestry and Wild Life	149	240	60.62
6	Revenue and Forest	Education Cess and Employment Guarantee Cess	102	171	179.50
7	Revenue and Forest	Stamp Duty and Registration Fees	1,085	2,420	391.13
8	Finance	Taxes on Sales, trades etc.	1,436	3,655	231.07
9	Finance	Taxes on profession etc.	104	143	1.86
10	Industries, Energy and Labour	Electricity duty	74	111	187.84
11	Urban Development	Residential Premises Tax	71	83	2.11
12	Urban Development	Repair Cess	14	20	2.67
13	Home, Irrigation, Public Works, Revenue and Forest	Other non tax receipts	58	65	4.75
	<b>Total</b>		<b>4,921</b>	<b>10,860</b>	<b>2,667.74</b>

In respect of the above observations, 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 in respect of 1,874 observations relating to 601 IRs,

issued upto December 2011 involving revenue of ₹ 178.49 crore. Huge 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 had failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AsG in the IRs.

**It is recommended that the Government take suitable steps to evolve a mechanism for prompt and appropriate response to audit observations. The Government may also consider fixing responsibility for failure to reply to the IRs/paragraphs as per the prescribed time schedule as well as for not taking appropriate and time bound action to recover losses/outstanding demands.**

## **1.2.2 Departmental Audit Committee Meetings**

The Government had 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 (ACM) held during the year 2011-12 and the paragraph settled are mentioned below:

(₹ in crore)					
Admini- strative Department	Head of revenue	Number of meetings held	Number of paras discussed	Number of paras settled	Amount
Revenue and Forest	Entertainments Duty	1	150	28	0.39
	Non-tax receipts- Forest	2	46	12	1.01
Relief and Rehabilitation	Stamp Duty and Registration Fees	1	407	249	11.23
Finance	Taxes on sales, trade etc.	4	338	145	1.38
Home	Motor vehicle tax	1	343	22	0.13
Industries, Energy and Labour	Electricity duty	1	77	27	39.79
<b>Total</b>		<b>10</b>	<b>1,361</b>	<b>483</b>	<b>53.93</b>

As can be seen from the above, as against 1,361 paras discussed, 483 paras (35 per cent) were settled in the meetings, indicating that the Departments were not adequately prepared with full and final compliance in respect of the audit observations made in the local audit reports. Further, no meeting was held in case of Land Revenue and only one meeting was held for Stamp Duty and Registration Fees even though the pendency of cases was quite high in those Departments. As 10,860 audit observations were outstanding at the end of June 2012, it indicates that the machinery created for this purpose was not put to use effectively.

**The Government may take proactive action to send replies in advance so that more number of paras could be settled in the ACM. Special efforts may also be made to comply to the old outstanding paras.**

### 1.2.3 Non-production of records to Audit for scrutiny

The programme of local audit of Sales Tax/VAT receipts offices is drawn up in advance and intimations are issued to the Department, usually much before the commencement of audit, to enable them to keep the relevant records ready for audit scrutiny.

During the audits, tax records of 927 dealers, whose assessments/returns were examined/ accepted by the Sales Tax Department, for the audit periods 2002-03 and 2004-05 to 2011-12, were not made available to audit. Out of this, in respect of 383 cases, tax liability involved was ₹ 34.68 crore and in the remaining 544 cases the tax effect was not available in the departmental records.

Year-wise break-up of such cases are given below:

(₹ in crore)

Name of Office	Year in which it was to be audited	Number of assessment cases not audited	Number of cases in which revenue involved could not be ascertained	Number of cases in which revenue involved could be ascertained	Revenue involved
(i) erstwhile BST and allied Acts	2002-03	16	11	5	0.04
	2004-05	2	1	1	0.95
	2005-06	1	1	0	0.00
	2006-07	11	2	9	2.86
	2007-08	39	7	32	1.91
	2008-09	81	24	57	2.21
	2009-10	153	63	90	4.67
	2010-11	133	46	87	11.64
	2011-12	423	348	75	9.56
<b>Total (i)</b>		<b>859</b>	<b>503</b>	<b>356</b>	<b>33.84</b>
ii) Value Added Tax	2010-11	36	14	22	0.80
	2011-12	32	27	5	0.04
<b>Total (ii)</b>		<b>68</b>	<b>41</b>	<b>27</b>	<b>0.84</b>
<b>Grand Total</b>		<b>927</b>	<b>544</b>	<b>383</b>	<b>34.68</b>

Though these units are audited annually, 190 out of 927 tax records involving revenue of ₹ 14.36 crore were not made available to audit during the audit of these units in subsequent years, though requisitioned.

**The Government/Department may ensure that the tax records are made available to audit during the audit period itself so that any under assessment/short recovery of tax involved in these cases could be pointed out by audit for timely action.**

### 1.2.4 Response of the Departments to draft audit paragraphs

The Finance Department had issued directions to all the Departments in July 1967 to send their responses to the draft audit paragraphs proposed for



inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs were forwarded by Audit 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 the prescribed time. The fact of non-receipt of replies from the Government was invariably indicated at the end of each paragraph included in the Audit Report.

Draft paragraphs (clubbed into 42 paragraphs) included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2012 were forwarded to the Secretaries of the respective Departments between April 2012 and October 2012 through demi-official letters. Replies to most of the paragraphs (clubbed into 42 paragraphs) have not been received. These paragraphs have been included in this report.

### **1.2.5 Follow-up on Audit Reports - summarised position**

According to the instructions issued by the Finance Department, all the Departments were required to furnish explanatory memoranda, vetted by Audit, to the Maharashtra Legislative Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House.

A review of the outstanding explanatory memoranda on paragraphs included in the Reports of the Comptroller and Auditor General of India (Revenue Receipts) which were still to be discussed by the Public Accounts Committee (PAC), disclosed that as on 30 September 2012, the Departments had not submitted remedial explanatory memoranda on 86 paragraphs for the years from 1997-98 to 2010-11 (excluding 1999-00)<sup>3</sup> as detailed below:

Sl. No.	Name of the Department	1997-98	1998-99	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Total
1	Home	--	--	--	--	--	--	--	--	--	--	1	2	4	7
2	Revenue and Forests	3	1	--	2	--	2	2	1	5	4	3	4	4	31
3	Urban Development	--	--	1	2	1	--	--	--	--	--	--	2	--	6
4	Finance	--	--	--	--	--	--	--	--	--	1	1	1	14	17
5	Water Resources	--	--	--	--	--	--	--	--	--	--	1	--	--	1
6	Industries, Energy and Labour	--	--	--	1	--	--	--	--	1	--	--	1	--	3
7	Relief and Rehabilitation	--	--	--	1	--	--	--	--	--	--	6	6	7	20
8	Co-operation and Textiles	--	--	--	--	--	1	--	--	--	--	--	--	--	1
<b>Total</b>		<b>3</b>	<b>1</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>12</b>	<b>16</b>	<b>29</b>	<b>86</b>

<sup>3</sup> 1999-00 – Explanatory memoranda were received and the Audit Report discussed.



With a view to ensure accountability of the executive in respect of all the issues dealt with in the Audit Reports, the PAC lays down in each case, the period within which action taken notes (ATNs) on its recommendations should be sent.

The PAC discussed 248 selected paragraphs pertaining to the Audit Reports for the years from 1986-87 to 2005-06 and its recommendations on 121 paragraphs were incorporated in their Reports as mentioned below:

Report Number and year of PAC	Year of Audit Report	No. of recommendations	No. of ATNs awaited
27 <sup>th</sup> Report of 1994-95	1986-87, 1987-88, 1988-89	6	3
9 <sup>th</sup> Report of 1995-96	1989-90, 1990-91, 1991-92	9	9
12 <sup>th</sup> Report of 1995-96	1990-91	2	2
12 <sup>th</sup> , 13 <sup>th</sup> , 14 <sup>th</sup> and 18 <sup>th</sup> Report of 1996-97	1989-90, 1990-91, 1993-94	42	17
21 <sup>st</sup> Report of 1996-97	1992-93, 1993-94	4	2
21 <sup>st</sup> Report of 1997-98	1992-93	2	2
5 <sup>th</sup> Report of 2000-01	1994-95, 1995-96	11	2
12 <sup>th</sup> Report of 2002-03	1996-97, 1999-00	4	1
5 <sup>th</sup> Report of 2006-07	1997-98	4	4
6 <sup>th</sup> Report of 2007-08	1998-99	6	5
5 <sup>th</sup> , 6 <sup>th</sup> and 7 <sup>th</sup> Report of 2010-11	2003-04, 2004-05, 2005-06	31	30
<b>Total</b>		<b>121</b>	<b>77</b>

However, ATNs have not been received in respect of 77 recommendations of the PAC from the Departments concerned as mentioned in the following table:

Year	Name of the department								Total
	Home	Revenue and Forests	Finance	Industries, Energy and Labour	Relief and Rehabilitation	Medical Education and Drugs	Co-operation and Textiles	Urban Development	
1986-87	--	1	--	--	--	--	--	--	1
1987-88	--	--	1	--	--	--	--	--	1
1988-89	--	--	1	--	--	--	--	--	1
1989-90	1	4	2	--	--	--	--	--	7
1990-91	7	2	4	--	--	--	--	--	13
1991-92	1	--	--	1	1	--	--	--	3
1992-93	1	1	--	1	--	--	--	--	3
1993-94	3	2	1	--	--	--	--	--	6
1995-96	--	1	--	--	--	--	--	--	1
1996-97	--	--	--	--	1	--	--	--	1
1997-98	--	2	1	--	1	--	--	--	4
1998-99	--	4	1	--	--	--	--	--	5
2002-03	--	--	--	--	1	--	--	--	1
2003-04	--	--	7	--	3	2	1	--	13
2004-05	1	1	4	1	-	-	-	1	8
2005-06	3	2	2	1	1	0	0	--	9
<b>Total</b>	<b>17</b>	<b>20</b>	<b>24</b>	<b>4</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>77</b>

### 1.2.6 Compliance to the earlier Audit Reports

During the periods from 2001-02 to 2010-11, the Government/Departments accepted audit observations involving ₹ 3,536.21 crore, out of which an amount of ₹ 1,135.72 crore had been recovered till 31 March 2012 as mentioned below:

(₹ in crore)

Year of Audit Report	Total money value	Accepted/recoverable money value	Recovery made
2001-02 to 2006-07	6,481.70	2,406.87	861.92
2007-08	818.90	167.44	85.71
2008-09	3,246.16	857.72	183.22
2009-10	59.67	19.37	4.06
2010-11	399.64	84.81	0.81
<b>Total</b>	<b>11,006.07</b>	<b>3,536.21</b>	<b>1,135.72</b>

Despite the matter being taken up with the concerned secretaries a number of times, the position relating to recovery of dues as pointed out by audit, remains highly unsatisfactory.

**The Government may institute a mechanism to monitor the position of recoveries pointed out in the audit reports and take effective steps to recover the amounts early.**

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

The succeeding paragraphs 1.3.1 and 1.3.2 discuss the performance of the Motor Vehicle Department to deal with the cases detected in the course of local audit conducted during the period from 2003-04 to 2010-2011.

#### 1.3.1 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last eight years, paragraphs included in these reports and their status as on 31 March 2012 are tabulated below:

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2003-04	109	266	20.43	37	119	2.47	22	88	1.91	124	297	20.99
2004-05	124	297	20.99	34	107	2.14	41	136	3.89	117	268	19.24
2005-06	117	268	19.24	39	130	12.13	36	116	17.09	120	282	14.27
2006-07	120	282	14.27	48	168	7.65	22	102	8.19	146	348	13.73
2007-08	146	348	13.73	42	137	3.60	23	78	0.87	165	407	16.46
2008-09	165	407	16.46	47	238	9.10	22	110	3.73	190	535	21.83
2009-10	190	535	21.83	50	312	4.93	37	174	3.80	203	673	22.96
2010-11	203	673	22.96	47	303	12.16	22	78	2.05	228	898	33.07

**The Department may make effective use of the machinery created for settling outstanding audit observations.**

In order to obtain speedy compliance to the outstanding para, statements of such paras are forwarded to the concerned Departments of the Government in January and July every year. The outstanding paras are also pursued through periodic references to the concerned offices and also through field parties which visit these offices for audit in the subsequent years. Further, apart from the ACMs regular meetings are also held with heads of offices for discussion of issues wherein the Departmental views do not concur with the audit observation.

#### 1.3.2 Recovery of accepted cases

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

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases
2003-04	5	1.39	5	0.54	0.00	0.40
2004-05	3	22.58	1	21.63	0.00	0.30
2005-06	2	0.90	2	0.90	0.00	0.18
2006-07	1	0.60	1	0.60	0.00	0.15
2007-08	2	0.96	2	0.96	0.00	0.16
2008-09	3	1.46	3	1.46	0.01	0.32
2009-10	1	4.50	0	0.98	0.01	0.13
2010-11	2	3.25	1	1.22	0.00	0.25
<b>Total</b>	<b>19</b>	<b>35.64</b>	<b>15</b>	<b>28.29</b>	<b>0.02</b>	<b>1.89</b>

As seen from the above table, out of 19 paras involving ₹ 35.64 crore, 15 paras involving ₹ 28.29 crore were accepted by the Department, whereas the amount recovered in respect of these paragraphs was only ₹ 1.89 crore.

**The Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority basis.**

## 1.4 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* include critical issues in Government revenues and tax administration i.e. budget speech, white paper on state finances, reports of the Finance Commission (State and Central), recommendations of the taxation reforms committee; statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years, etc..

During the year 2011-12, out of the audit universe comprising of 2,977 auditable units, 1,081 units were planned for audit and 1,077 units were actually audited which is 36 per cent of the total auditable units.

Besides the compliance audit mentioned above, two Performance Audits were also taken up to examine the efficacy of the tax administration and compliance issues.

## 1.5 Results of audit

### 1.5.1 Position of local audit conducted during the year

Test check of the records of 1,077 units of Sales Tax, Stamp Duty and Registration Fees, Land Revenue, Motor Vehicles Tax, State Excise, Forest Receipts and other tax and non-tax receipts conducted during 2011-12 revealed under assessments/short levy/loss of revenue amounting to ₹ 1,550.44 crore in 7,439 cases. During the course of the year, the Departments accepted

under assessments, short levy, etc., of ₹ 238.47 crore in 2,550 cases of which 368 cases involving ₹ 26.90 crore were pointed out in 2011-12 and rest in earlier years. Of these, the Departments recovered ₹ 237.41 crore during 2011-12.

### **1.5.2 This Report**

This Report contains 42 paragraphs including two performance audits on (i)“VAT on Works Contract” and (ii)“Preparation of Annual Statement of Rates and its application for determination of market value for levy of Stamp Duty and Registration fee” relating to short/non levy of tax, duty and interest, penalty etc. and involving financial effect of ₹ 233.59 crore. The Departments/Government have accepted audit observations involving ₹ 168.48 crore, out of which ₹ 2.63 crore has been recovered. These are discussed in succeeding Chapters II to VI.