

CHAPTER-I: GENERAL

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1.1 Trend of revenue receipts

1.1.1 The revenue receipts of the Government of Rajasthan comprise 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. The position of the receipts during the year 2011-12 and the corresponding figures for the preceding four years is 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	13,274.73	14,943.75	16,414.27	20,758.12	25,377.05
	• Non-tax revenue	4,053.93	3,888.46	4,558.22	6,294.12	9,175.10
	Total	17,328.66	18,832.21	20,972.49	27,052.24	34,552.15
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	8,527.60	8,998.47	9,258.13	12,855.63	14,977.05
	• Grants-in-aid	4,924.36	5,638.17	5,154.39	6,020.33	7,481.56
	Total	13,451.96	14,636.64	14,412.52	18,875.96	22,458.61
3.	Total revenue receipts of the State Government (1 and 2)	30,780.62	33,468.85	35,385.01	45,928.20	57,010.76¹
4.	Percentage of 1 to 3	56	56	59	59	61

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 34,552.15 crore) was 61 *per cent* of the total revenue receipts. The balance 39 *per cent* of receipts during 2011-12 was received 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 Rajasthan for the year 2011-12. Figures under the head 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0022 - Taxes on agriculture income, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties and 0044 - Service tax - share of net proceeds assigned to State booked in the Finance Accounts under A - Tax revenue have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this statement.

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

(₹ in crore)

Sl. No.	Heads 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.	7,345.84	8,442.02	9,681.38	11,901.24	14,665.63	(+) 23
	Central sales tax	404.90	462.48	482.15	728.35	1,100.80	(+) 51
2.	State excise	1,805.12	2,169.90	2,300.48	2,861.41	3,287.05	(+) 15
3.	Stamp duty and registration fees						
	Stamps-judicial	30.61	30.61	30.47	43.07	79.40	(+) 84
	Stamps-non-judicial	1,316.41	1,137.54	1,104.79	1,522.01	2,153.68	(+) 42
	Registration fee	197.33	188.48	227.68	375.96	418.29	(+) 11
4.	Taxes and duties on electricity	584.23	654.05	699.99	905.81	1,094.48	(+) 21
5.	Taxes on motor vehicles	1,164.40	1,213.56	1,372.87	1,612.25	1,927.05	(+) 20
6.	Taxes on goods and passengers	160.61	189.87	176.10	230.69	220.13	(-) 5
7.	Other taxes on income and expenditure, tax on professions, trades, callings and employments	0.04	0.04	0.04	0.02	0.06	(+) 200
8.	Other taxes and duties on commodities and services	58.91	64.52	58.52	64.43	43.44	(-) 33
9.	Land revenue	155.29	162.52	147.66	222.17	209.01	(-) 6
10.	Other taxes	51.04	228.16	132.14	290.71	178.03	(-) 39
	Total	13,274.73	14,943.75	16,414.27	20,758.12	25,377.05	(+) 22

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

Taxes on sales, trade etc.: The increase (23 per cent) was due to proper monitoring, check on tax evasion and recovery efforts of the Department and increase in the rate of tax on some commodities.

Central sales tax: The increase (51 *per cent*) was due to proper monitoring, check on tax evasion and recovery efforts of the Department.

State excise: The increase (15 *per cent*) was mainly due to more receipt from sale of malt liquor, foreign liquor and spirits.

Stamp duty and registration fee: The increase (37 *per cent*) was due to more sale of judicial and non-judicial stamps, fee for registering documents, court fee and increase in DLC² rates.

Taxes and duties on electricity: The increase (21 *per cent*) was due to more receipt of taxes on consumption and sale of electricity.

Taxes on motor vehicles: The increase (20 *per cent*) was mainly due to more receipt of surcharge, green tax and increase in the rate of one time tax.

Other taxes and duties on commodities and services: The decrease (33 *per cent*) was due to less receipt due to abolition of entertainment tax on cinema tickets.

Other taxes: The decrease (39 *per cent*) in collection was due to stay orders granted by various courts.

The other Departments did not inform (November 2012) the reasons for variation although called for (April 2012).

² District Level Committee.

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

(₹ in crore)							
Sl. No.	Heads 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	1,112.43	1,195.96	1,185.45	1,276.70	1,714.53	(+) 34
2.	Forestry and wildlife	58.30	57.74	56.35	93.20	74.95	(-) 20
3.	Non-ferrous mining and metallurgical industries	1,226.61	1,275.59	1,612.26	1,929.58	2,366.32	(+) 23
4.	Miscellaneous general services	919.72	580.33	739.30	271.19	353.09	(+) 30
5.	Major and medium irrigation	57.92	54.16	48.83	86.04	91.83	(+) 7
6.	Medical and public health	39.11	36.87	56.55	45.46	59.38	(+) 31
7.	Co-operation	27.01	18.13	21.03	16.35	22.38	(+) 37
8.	Public works	53.41	93.43	62.75	62.10	55.85	(-) 10
9.	Police	94.81	71.43	126.24	133.93	143.54	(+) 7
10.	Other administrative services	54.71	49.57	49.12	80.33	110.99	(+) 38
11.	Other non-tax receipts	409.90	455.25	600.34	2,299.24	4,182.24	(+) 82
Total		4,053.93	3,888.46	4,558.22	6,294.12	9,175.10	(+) 46

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

Interest receipt: The increase (34 per cent) was mainly due to more receipt of interest on investment of cash balances.

Forestry and wildlife: The decrease (20 per cent) was due to less receipt under forestry.

Non-ferrous mining and metallurgical industries: The increase (23 per cent) was mainly due to more receipt of minerals concession fees, rents and royalties.

Miscellaneous general services: The increase (30 per cent) was mainly due to unspent amount of earlier years deposited by State Project Director, State Project Management Unit District Poverty Initiative Project, Jaipur, Urban tax deposited by Urban Improvement Trust, Udaipur and Kota.

Medical and public health: The increase (31 per cent) was mainly due to more receipt from the Employees State Insurance Scheme and other receipts.

Co-operation: The increase (37 *per cent*) was mainly due to more receipt of dividends and increase in the rate of registration fees.

Other administrative services: The increase (38 *per cent*) was due to more receipt from fine, forfeitures and other receipts under elections.

Other non-tax receipts: The increase (82 *per cent*) was mainly due to more receipt on account of royalty because of enhanced production of crude oil from Barmer area.

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

1.2 Response of the Government/Department towards Audit observations

The Principal Accountant General (Economic and Revenue Sector Audit), Rajasthan conducts periodical inspection of the Government Departments to test-check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed by issue of the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial replies to the Principal Accountant General 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.

1.2.1 Outstanding IRs and audit observations

The position of IRs issued upto December 2011 was reviewed. It disclosed that 8,260 audit observations involving ₹ 5,958.95 crore relating to 2,628 IRs were outstanding at the end of June 2012. The details of the IRs and audit observations outstanding along with the corresponding figures for the preceding two years are mentioned in the following table:

Particulars	June 2010	June 2011	June 2012
Number of outstanding IRs	2,400	2,469	2,628
Number of outstanding audit observations	6,765	7,464	8,260
Amount involved (₹ in crore)	2,112.69	2,748.76	5,958.95

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

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Amount involved (₹ in crore)
1.	Commercial taxes	Taxes/VAT on sales, trade etc.	489	2,177	2,156.74
		Entertainment tax, luxury tax etc.	27	27	7.29
		Electricity duty	-	-	-
2.	Transport	Taxes on motor vehicles	433	1,312	397.76
3.	Land revenue	Land revenue	268	457	1,109.02
		Land and buildings tax	8	12	0.49
4.	Registration and stamps	Stamp duty and registration fee	1,009	2,586	114.24
5.	State excise	State excise	152	422	270.47
6.	Mines, geology and Petroleum	Non-ferrous mining and metallurgical industries	242	1,267	1,902.94
Total			2,628	8,260	5,958.95

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 102 IRs issued upto 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 Principal Accountant General in the IRs.

The Government may consider taking suitable steps to introduce an effective procedure for prompt and appropriate response to the audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedule and also fail to take action to recover loss/outstanding revenue in a time bound manner.

1.2.2 Departmental Audit Committee Meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of paragraphs in the IRs. The Departments were required to conduct at least four meetings (one in each quarter) of audit committee in a year. Besides, for settlement of audit paragraphs, audit sub-committee meetings were also to be organised in the Departments. The details of the audit committee and audit sub-committee meetings held during the year 2011-12

and the paragraphs settled are mentioned below:

Name of Department	Number of audit committee meetings held	Number of audit sub-committee meetings held	Number of paragraphs settled	Amount (₹ in crore)
Commercial taxes	2	-	-	-
Transport	3	2	145	3.89
Land revenue	-	5	46	12.48
Registration and stamps	2	13	142	0.96
State excise	4	1	10	0.45
Mines, geology and Petroleum	2	-	-	-
Total	13	21	343	17.78

The above table indicates that no paragraph was settled in Commercial taxes and Mines, Geology and Petroleum departments. The number of audit committee meetings held was less than four except for State Excise Department.

It is recommended that the Government may issue instructions to the concerned departments for increasing the frequency of audit committee meetings so that a good number of paragraphs are settled on the spot.

1.2.3 Response of the Departments

The Finance Department issued directions to all the Departments in August 1969 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within three weeks of their receipt. The draft paragraphs are forwarded 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 is invariably indicated at the end of each such paragraph included in the Audit Report.

Ninety draft paragraphs (clubbed into 43 paragraphs of this report) including a Performance audit on "Assessment and collection of Value Added Tax and Central Sales Tax" proposed to be 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 September and November 2012. Out of these, replies have been received from the concerned Departments in 46 cases. In addition to this the findings of the Performance Audit on "Assessment and collection of Value Added Tax and Central Sales Tax" were discussed with the Commercial Taxes Department/ Government in the Exit Conference.

1.2.4 Follow-up on Audit Reports - summarised position

According to the instructions issued by the Finance Department, all Departments are required to furnish explanatory memoranda vetted by the Audit to the Secretariat of the State Legislature in respect of paragraphs

included in the Audit Reports within three months of their being laid on the table of the House.

The position of paragraphs which appeared in the Audit Reports and those pending for discussion as on 30 September 2012 is given in **Annexure-A**. A total of 111 paragraphs pertaining to the period 2005-06 to 2010-11 were pending for discussion by the Public Accounts Committee.

As per the Rules and Procedures of the Public Accounts Committee of the Rajasthan State Assembly framed in 1997, the concerned Departments have to take necessary steps to send their action taken notes on the recommendations of the Public Accounts Committee on the Audit Reports within six months from the date of its presentation to the House. We observed that 189 action taken notes were outstanding as on 30 September 2012 as detailed in **Annexure-B**.

1.2.5 Compliance to the earlier Audit Reports

The position of paragraphs included, accepted, amount recovered in the Audit Reports during the last ten years as on 30 September 2012 is mentioned in the following table:

(₹ 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 ³	Cumulative position of recovery of accepted cases
2001-02	45	448.86	36	99.65	Nil	30.52
2002-03	46	382.52	36	220.03	Nil	62.83
2003-04	31	381.48	30	234.77	Nil	49.52
2004-05	27	276.63	23	16.14	Nil	6.15
2005-06	39	352.81	27	118.93	Nil	23.28
2006-07	41	315.25	25	254.28	0.05	6.60
2007-08	39	666.55	34	246.83	2.47	99.19
2008-09	48	392.71	32	71.80	0.22	21.85
2009-10	28	638.85	20	431.15	10.63	17.13
2010-11	32	617.96	16	335.70	7.69	7.69
Total	376	4473.62	279	2029.28	21.06	324.76

During the years from 2001-02 to 2010-11, 376 paragraphs involving ₹ 4,473.62 crore were included in the Audit Reports. The Government/ Departments accepted audit observations involving ₹ 2,029.28 crore, of which ₹ 324.76 crore (16 per cent) only had been recovered (30 September 2012) during the last 10 years.

The Government may consider setting up of a mechanism to ensure that recoveries are made in case of the accepted paragraphs.

³ January 2012 to September 2012.

1.3 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* includes 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, the audit universe comprised 758 auditable units, of which 409 units were planned and audited during the year 2011-12, which is 54 *per cent* of the total auditable units. Besides the Transaction Audit, one Performance Audit was also taken up to examine the efficacy and working/procedure of the Departments.

1.4 Results of audit

1.4.1 Position of local audit conducted during the year

Test check of the records of 409 units of Commercial Taxes, Transport, Land Revenue, Registration and Stamps, State Excise, Mining and other Departmental offices conducted during the year 2011-12 revealed under-assessments, short levy/loss of revenue *etc.* aggregating to ₹ 3,119.98 crore in 47,716 cases. During the year, the concerned Departments accepted under-assessments and other deficiencies in 17,146 cases involving Government revenue of ₹ 1,110.74 crore, of which, 3,896 cases involving ₹ 1,013.90 crore were pointed out in audit during 2011-12 and the rest in the earlier years. The concerned Departments collected ₹ 44.26 crore in 8,789 cases during 2011-12.

1.4.2 This Report

This Report contains 43 paragraphs including one **Performance Audit on “Assessment and collection of Value Added Tax and Central Sales Tax”** involving revenue implications of ₹ 763.52 crore. The Departments/ Government have accepted audit observations involving ₹ 353.77 crore, of which ₹ 10.74 crore have been recovered. The replies in the remaining cases have not been received (November 2012). These are discussed in succeeding Chapters II to VII.