

PART- A
(Revenue Sector)

Chapter-I
General

Chapter-1 General

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of National Capital Territory (NCT) of Delhi and grants-in-aid received from the Government of India during the year 2012-13 and the corresponding figures for the preceding four years are given in the Table 1.1.

Table: 1.1
Trend of revenue receipts (₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Revenue raised by the State Government					
	Tax revenue	12,180.70	13,447.85	16,477.75	19,971.67	23,431.52
	Non-tax revenue	2,300.72	3,467.40	4,188.95	460.87	626.93
	Total	14,481.42	16,915.25	20,666.70	20,432.54	24,058.45
2.	Receipts from the Government of India					
	Grants-in-aid	1,870.79	3,536.08	4,357.40	1,960.64	1,502.52
3.	Total revenue receipts of the State Government (1 and 2)	16,352.21	20,451.33	25,024.10	22,393.18	25,560.97
4.	Percentage of 1 to 3	89	83	83	91	94

Source: Pay and Accounts Office, Delhi

The revenue raised by the State Government accounted for 94 per cent of the total revenue and the remaining six per cent was received as grant-in-aid from the Government of India. The increase in tax revenue and non-tax revenue was 17.32 per cent and 36.03 per cent respectively over the previous year.

1.1.2 The details of tax revenue raised during the period from 2008-09 to 2012-13 are given in the Table 1.2.

Table 1.2
Details of tax revenue raised (₹ in crore)

Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) in 2012-13 over 2011-12
1.	Taxes on sales, trade, etc.	9,152.09	10,126.01	12,068.62	13,750.95	15,803.68	(+)14.93
2.	State Excise	1,420.91	1,643.56	2,027.09	2,533.72	2,869.74	(+)13.26
3.	Stamps and Registration fee	788.01	929.97	1,355.75	2,240.25	3,098.06	(+)38.29
4.	Taxes on vehicles	419.12	462.65	707.55	1,049.19	1,240.18	(+)18.20
5.	Other taxes	400.57	285.66	318.74	397.55	419.85	(+)05.61
	Total	12,180.70	13,447.85	16,477.75	19,971.66	23,431.51	(+)17.32

Source: Pay and Accounts Office, Delhi

The respective departments reported the following reasons for variation:

Taxes on sales, trade etc.: The increase was normal growth of revenue.

State excise: State excise revenue was mainly increased due to adoption of new duty structure from 7 June 2011.

Taxes on vehicles: The revenue increase was due to increase in sale of vehicles.

The other departments, though requested (August 2013), did not furnish the reasons for variations in receipts from that of the previous year (February 2014).

1.1.3 The details of non-tax revenue raised during the period 2008-09 to 2012-13 are given in **Table 1.3**.

Table 1.3
Details of non-tax revenue raised

(₹ 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	2,101.41	3,236.61	3,869.84	174.14	340.03	(+)95.26
2.	Dividend & profit	29.92	41.56	46.59	33.00	26.25	(-)20.45
3.	General services	64.91	93.41	101.84	128.58	143.11	(+)11.30
4.	Social services	54.53	56.13	61.59	79.48	87.24	(+)09.76
5.	Economic services	49.95	39.69	109.08	45.67	30.31	(-)33.63
	Total	2,300.72	3,467.40	4,188.94	460.87	626.93	(+)36.03

Source: Receipts Budget 2013 and Pay and Accounts Office, Delhi

The reasons for increase/decrease in non-tax revenue during 2012-13 over those of 2011-12, as given by the concerned departments were that the Non-Tax Revenue Receipts were not a regular income of the Government, but charged on commodities and services provided and fines etc., collected there under.

1.2 Variations between the budget estimates and actual receipts

The variations between the budget estimates and actual collection of revenue receipts for the year 2012-13 in respect of principal heads of tax and non-tax

revenue are mentioned in the **Table 1.4**.

Table 1.4
Budget estimates and actual receipts

(₹ in crore)

Sl. No.	Head of revenue	Budget estimates	Actuals	Variation excess (+)/ shortfall (-)	Percentage of variation
1.	Taxes on sales, trade, etc.	16,500.00	15,803.68	(-) 696.32	(-) 4.22
2.	State Excise	3,000.00	2,869.74	(-) 130.26	(-) 4.34
3.	Stamps and Registration fee	3,800.00	3,098.06	(-) 701.94	(-) 18.47
4.	Taxes on vehicles	1,370.00	1,240.18	(-) 129.82	(-) 9.48
5.	Other taxes	487.00	419.85	(-) 67.15	(-) 13.78
Non- tax revenue					
1.	Interest receipts	473.54	340.03	(-)133.51	(-) 28.19
2.	Dividend and profit	48.00	26.25	(-) 21.75	(-) 45.31
3.	General services	130.28	143.11	(+) 12.83	(+) 9.85
4.	Social services	79.56	87.24	(+) 7.68	(+) 9.65
5.	Economic services	38.16	30.31	(-) 7.85	(-) 20.57

Source: Receipts Budget 2013 and Pay and Accounts Office, Delhi

The reasons attributed by the concerned departments to variations are as follows:

Stamps and Registration fee: The decrease of 18.47 *per cent* for the year 2012-13 was due to court verdict, disallowing “General Power of Attorney” (GPA) in case of transfer of property.

Taxes on vehicles: The decrease of 9.48 *per cent* for the year 2012-13 was due to phasing out of Blue Line buses from public transport.

Non-Tax Revenue: Preparation of estimates well in advance in the month of September/October of the previous year and in case of interest, less amount of loan released during the previous year in respect of major revenue receipt.

The other departments, though requested (August 2013), did not furnish the reasons for variations between budget estimates and actual receipts (February 2014).

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 the years 2010-11 to 2012-13, along with the relevant all India average percentage of expenditure on collection to gross collection for the year

2011-12 are given in the Table 1.5.

Table: 1.5
Cost of collection

(₹ in crore)

Head of revenue	Year	Collection	Cost of collection	Percentage of cost of collection to collection	All India average of cost of collection for the year 2011-12
Taxes on sales, trade etc.	2010-11	12,068.62	50.69	0.42	1.89
	2011-12	13,750.95	53.67	0.39	
	2012-13	15,803.68	75.70	0.48	
State excise	2010-11	2,027.09	9.44	0.47	2.98
	2011-12	2,533.72	10.79	0.43	
	2012-13	2,869.74	23.67	0.82	
Stamps and Registration fee	2010-11	1,355.75	19.30	1.42	0.83
	2011-12	2,240.25	31.60	1.41	
	2012-13	3,098.06	14.57	0.47	
Taxes on vehicles	2010-11	707.55	37.03	5.23	2.96
	2011-12	1,049.19	31.79	3.03	
	2012-13	1,240.18	28.91	2.33	

Source: Receipts Budget 2013 and Pay & Accounts Office, Delhi

The above table shows that during 2012-13, cost of collection in respect of Stamp Duty and Registration Fee and Taxes on Vehicles decreased, where as the cost of collection in respect of Taxes on Sales, Trade etc. and state excise increased over the previous year.

1.4 Analysis of arrears of revenue

An analysis of arrears of revenue as on 31 March 2013 in respect of some principal heads of revenue amounting to ₹ 16,225.47 crore is depicted in the Table 1.6.

Table 1.6
Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than 5 years	Remarks
1.	Taxes on sales, trade etc.	16,221.30	1,540.28	Demand created by ex-parte assessment and non-reflection of deposited amount in the records of the Department.
2.	State excise	16.70	3.06	As on 31 March 2013, a demand of ₹ 7.05 crore is under appeal and ₹ 5.55 crore has been remanded back for fresh assessment. Apart from above, recovery amounting to ₹ 4.10 crore with interest is also pending with department.
3.	Stamps duty and Registration fee	0.05	-	Arrears are pending on account of non-depositing of stamp duty adjudicated by the Collector of Stamp (HQ), by the company for issue of shares.
Total		16,238.05	1,543.34	

1.5 Arrears in assessment

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Department of Trade & Taxes and the Department of State Excise, are given in **Table 1.7**.

Table 1.7
Arrears in assessment

Year	Opening balance	Cases which became due for assessment	Total assessments due	Cases disposed of during the year	Cases pending at the end of the year	Percentage of disposal (col.5 to 4)
1	2	3	4	5	6	7
Department of Trade & Taxes						
2010-11	4,945	85,360	90,305	85,720	4,585	93
2011-12	4,585	1,44,115	1,48,700	1,46,774	1,926	98
2012-13	1,926	1,73,942	1,75,868	1,74,563	1,305	99
Department of State Excise						
2010-11	1,422	854	2,276	584	1,692	26
2011-12	1,692	879	2,571	834	1,737	32
2012-13	1,737	873	2,610	687	1,923	26

It would be seen from the table that the percentage of disposal of assessment cases was very low and ranged between 26 and 32 *per cent* in the Department of State Excise and in the case of Department of Trade and Taxes it was as high as 99 *per cent*.

1.6 Evasion of tax

The number of cases of evasion of tax detected by the Department of Trade and Taxes during the years 2010-11, 2011-12 and 2012-13 were 1843, 871 and 1,292 respectively pointing out the total evasion of ₹ 1,151.23 crore under various forms of evasion as reported by the department, as detailed in **Table 1.8**.

Table 1.8
Evasion of tax
(₹ in crore)

Sl. No.	Type of variation	Amount detected
1.	Cash variation	37.29
2.	Stock variation	564.48
3.	Seizure detected	549.46
Total		1,151.23

The cases detected by the branch, were then forwarded to the concerned assessing authorities of the department for further necessary action.

1.7 Response of the Departments/Government towards Audit

1.7.1 Lack of prompt response to audit observations

The Principal Accountant General (Audit), Delhi (PAG), conducts periodical inspection of the Government departments to test check the transactions and to verify the maintenance/correctness 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 therein the irregularities detected during the inspection, but not settled on the spot. These are issued to the Heads of the Offices inspected, with copies to the next higher authorities for taking prompt corrective action. The Heads of Offices/ Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of issuance of the IRs. Serious financial irregularities are reported to the Heads of Department and the Government.

Inspection reports issued up to December 2012 disclosed that 624 IRs containing 12,224 paragraphs involving ₹ 11,054.77 crore remained outstanding at the end of June 2013 as mentioned in the **Table 1.9**, along with the corresponding figures for the preceding two years.

Table 1.9
Outstanding IRs/Paragraphs

	June 2011	June 2012	June 2013
Number of outstanding IRs	360	483	624
Number of outstanding audit paragraphs	7,867	10,028	12,224
Amount involved (₹ in crore)	6,619.49	8,938.03	11,054.77

The department-wise details of the IRs and audit paragraphs outstanding as on 30 June 2013 and the money value involved are mentioned in the **Table 1.10**.

Table 1.10
Department wise outstanding IRs/Paragraphs

Sl. No.	Name of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit paragraphs	Money value involved (₹ in crore)
1.	Trade and taxes	Taxes/VAT on sales, trade etc.	499	11,706	10,936.27
2.	Excise	State Excise	8	41	61.67
3.	Transport	Taxes on motor vehicles	56	122	20.42
4.	Revenue (Stamps and Registration)	Stamps and Registration Fees	61	355	36.41
Total			624	12,224	11,054.77

The large pendency of IRs was due to non-receipt of replies which indicates the lack of seriousness on the part of executives to promptly respond to audit.

It is recommended that the Government may take suitable steps to establish an efficient procedure for prompt and appropriate response to audit observations as well as for taking action against officials/officers who failed to send responses to the IRs/paragraphs as per the prescribed time schedules and take action to recover loss/outstanding demand in a time bound manner.

1.7.2 Departmental Audit Committee Meetings

The Government set up Audit Committees to monitor and expedite settlement of IRs and paragraphs therein. Only three departmental audit committee meetings were held during the period 2012-13 in which no para was settled by the Trades and Taxes Department.

It is recommended that the Government may hold more meetings and take concrete steps to clear outstanding paragraphs.

1.7.3 Non-production of records to Audit for scrutiny

It is incumbent upon the Department to expeditiously produce the records, furnish relevant informations and afford necessary facilities for inspection of their accounts and smooth conduct of audit. The details of non-production of records by the department of Trade and Taxes for the last three years ending 2012-13 are given in Table 1.11.

Table 1.11
Non-production of records

Year in which it was to be audited	No. of files requisitioned	No. of files not produced	Percentage of non-production
2010-11	8,860	2,982	34
2011-12	7,602	2,526	33
2012-13	8,067	3,312	41
Total	24,529	8,820	

It may be observed that the non-production of records is 41 *per cent* in 2012-13 and the revenue involved in the above cases could not be ascertained.

1.7.4 Response of the Departments to the draft audit paragraphs

Serious and important audit observations (paragraphs) noticed during local inspections and proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India (CAG), are forwarded to the Principal Secretaries/Secretaries of the concerned departments through demi-official letters with a request to furnish their response within six weeks of their receipt. The fact of non-receipt of replies from the Government is indicated at the end of each such paragraph included in the Audit Report.

Nine draft paragraphs and one Performance Audit proposed to be included in the Part A of the Audit Report for the year ended 31 March 2013 were sent to the respective Departments and the Government upto October 2013 with the request to send the replies within six weeks. The replies in respect of two paragraphs have been received and included in the paragraphs.

The Performance Audit was discussed in the exit conference held with the Government/concerned department.

1.7.5 Follow up on Audit Reports – summarised position

Once the Reports of the Comptroller and Auditor General of India are placed in the State Legislative Assembly, the various Departments are required to submit Action Taken Notes (ATNs) on all paragraphs/reviews contained therein, for consideration of the Public Accounts Committee (PAC). Undue delay in submission of ATNs dilutes the accountability of the Executive to the Legislature. The position of outstanding ATNs on paragraphs and reviews included in the Report relating to Revenue Receipts of the Comptroller and Auditor General of India, on Government of NCT of Delhi as on October 2013 is mentioned in the **Table 1.12**.

Table: 1.12
Outstanding Action Taken Notes

Sl. No.	Year of Report ending 31 March	Number of paragraphs included in Audit Report	Number of paragraphs for which ATNs were awaited
1.	2008	11	2*
2.	2009	15	15**
3.	2010	18	16*
4.	2011	15	15
5.	2012	17	6*

* ATN in respect of one Performance Audit received partially

**ATNs on 4 paragraphs received partially

The Government should submit the pending ATNs at the earliest.

1.7.6 Compliance with the earlier Audit Reports

In respect of the paragraphs featured in the Audit Reports for the last five years, i.e., 2007-08 to 2011-12, the Department/Government accepted audit observations involving revenue of ₹ 263.67 crore, of which only ₹ 2.00 crore was recovered till August 2013 as mentioned in the **Table 1.13**.

Table: 1.13
Recovery against accepted cases

(₹ in crore)

Year of the Audit Report	Money value of Audit Reports	Money value of accepted cases	Amount recovered
2007-08	945.52	28.17	0.18
2008-09	1,729.62	109.00	0.14
2009-10	1,764.20	49.36	0.39
2010-11	1,479.98	58.00	0.06
2011-12	2,363.11	19.14	1.23
Total	8,282.43	263.67	2.00

It would be seen from the above table that even after accepting the audit observations of ₹ 263.67 crore, the Department/Government has recovered only ₹ 2 crore (0.76 per cent).

It is recommended that Government may ensure prompt recovery in the accepted cases.

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

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 five years in respect of Department of Trade and Taxes is evaluated and included in each Audit Report.

The succeeding paragraph 1.8.1 and 1.8.2 discuss the performance of the Department of Trade and Taxes to deal with the cases detected in the course of local audit, conducted during the last five years and also the cases included in the Audit Reports for the years 2008-09 to 2012-13.

1.8.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last five years, paragraphs included in these reports and their status as on 31 March 2013 are tabulated in the **Table 1.14**.

Table: 1.14

Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Additions 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
2008-09	206	2,645	1,758.51	89	2,265	1,748.24	6	429	413.39	289	4,481	3,093.36
2009-10	289	4,481	3,093.36	108	2,972	2,900.71	11	301	218.47	386	7,152	5,775.60
2010-11	386	7,152	5,775.60	54	2,009	1,831.89	85	564	434.09	355	8,597	7,173.40
2011-12	355	8,597	7,173.40	96	2,204	3,079.27	24	657	394.02	427	10,144	9,858.65
2012-13	427	10,144	9,858.65	104	1,610	1,209.64	62	520	571.99	469	11,234	10,496.31
Total				451	11,060	10,769.75	188	2471	2,031.96			

It is evident from the above table that at the beginning of the year 2008-09, there were 206 IRs with 2,645 paras involving the audit objections of ₹ 1,758.51 crore, awaiting response from the Department, but after a period of five years, i.e., at the end of 2012-13, the number of IRs and paras increased to 469 (128 per cent) and 11,234 (324 per cent) respectively and the amount of audit objections increased to ₹ 10,496.31 crore (497 per cent). This shows that the Department/Government was not paying adequate attention towards inspection reports issued by the Office of the PAG.

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

The draft Performance Audits conducted by the Office of PAG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These Performance Audits are also discussed in exit conferences and the Department's/ Government's views are included while finalising the Performance Audits for the Audit Reports.

The details of Performance Audits on the Department of Trade and Taxes, featured in the last five Audit Reports, are mentioned in the **Table 1.15**, however, none of these Performance Audits had been taken up by the Public

Accounts Committee (PAC) for discussion.

Table 1.15
Action Taken on recommendations

Year of Report	Name of the Review	Number of recommendations	Status
2007-08	Performance appraisal of exemption of Central Sales Tax on account of branch transfer/consignment sale	4	Reply not furnished.
2008-09	Assessment, levy and collection of tax on Works Contract	3	Reply not furnished.
	Transition from Delhi Sales Tax to the Delhi Value Added Tax	4	Reply not furnished.
2010-11	Utilization of declaration forms in Inter-State Trade & Commerce	4	Reply not furnished.

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* 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 2012-13, out of 102 planned for audit, 96 units were audited, which is 94 *per cent*.

Besides the compliance audit mentioned above, one Performance Audit was also taken up to examine the efficacy of the tax administration.

1.10 Result of audit

1.10.1 Position of Local Audits conducted during the year

Test check of the records of 96 units of the Departments of Trade & Taxes, State Excise, Transport, Entertainment, Luxury & Betting and Revenue conducted during the year 2012-13 showed underassessment/short levy/loss of revenue aggregating to ₹ 2041.32 crore in 2238 cases. The concerned departments accepted underassessment and other deficiencies of ₹ 50.46 crore involved in 627 cases pointed out in audit during 2012-13 and earlier years. The departments recovered ₹ 5.61 lakh in six cases during the year 2012-13.

1.10.2 Contents of the Part A (Revenue Chapter)

The Revenue Chapter contains one Performance Audit on "Levy and collection of Stamps and Registration Fee" and two paragraphs, wherein we have pointed out several system and compliance deficiencies, besides short/non-levy of tax, interest, etc., involving financial effect of ₹ 536 crore. These are discussed in Chapters II of the Report.