

## CHAPTER-V : OTHER IMPORTANT POINTS

### 5.1 Non-utilisation of modules

Audit observed that some modules viz. Dealer audit assessment system, Refund system, Arrear recovery system, Penalty and offence system, Appeal and Revision system which are important for effective tax administration are not made functional. The deficiencies due to non utilisation of the said modules are discussed below.

#### 5.1.1 Audit Assessment Module

In the VAT scenario the conventional system of assessments has been replaced by self assessment, which is a voluntary compliance system. Thus the correctness of the self assessment depends up on the integrity of the dealers. In the white paper prepared for formulating State level VAT, the Empowered Committee<sup>1</sup> has stressed the necessity of an independent assessment wing other than the tax collection wing for the detailed audit on the basis of risk analysis. Sections 23 and 24 of the KVAT Act, empowered the department for such detailed audit assessment.

An audit assessment wing which functioned for such assessment was abolished in 2009 and the detailed assessments were entrusted with the officers conducting regular scrutiny and best judgment assessments. KVATIS had an audit assessment module with various parameters to identify the high risk dealers. But the Department had not utilised this Module due to abolition of the audit assessment wing.

The audit recommends that the audit assessment Module be made operational with suitable modifications in such a way that high risk dealers are selected on the basis of specific parameters through KVATIS that can be monitored by Inspecting Assistant Commissioners/Deputy Commissioners/ higher authorities.

#### 5.1.2 Refund System Module

As per proviso below Section 11(6), the dealer is eligible to get refund of the excess input tax remained unadjusted at the end of the year. Since refund is the pay back of the excess tax paid to the government, the refund under VAT is a potential risk area. The Refund Module developed for the automation of procedures involved in the refund process especially for cross verification of transactions could not be put to use so far.

#### 5.1.3 Arrear Recovery System Module

The Arrear Recovery System Module was developed for helping the officers in watching the various process involved in realisation of huge amount of arrears such as revenue recovery, vacation of stay, preparation of second appeals etc.,. Non utilisation of the Module resulted in accumulation of arrears without proper follow up action. With the operationalisation of the module the

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<sup>1</sup> A Committee formed (17 July 2000) by the Government of India consisting of Finance Ministers from all States for implementation of VAT

assessing/higher authorities can monitor the arrear recovery mechanism effectively.

#### **5.1.4 Other Modules**

Other modules like Appeal and Revision System for the use of appellate wing, Penalty and Offences System to capture the details of nature of the penalty levied and Employee performance system Module were also not operational and the continuation of manual procedures in those area resulted in non monitoring of disposal of appeals/performance by higher authorities through KVATIS.

#### **5.2 Inadequate Management Information System (MIS) Reports**

KVATIS provides for various MIS reports. Audit found that MIS Reports available in the KVATIS were not adequate to analyse the various risk parameters and to solve the deficiencies pointed out in earlier chapters. More over certain reports like sales turnover details, employee performances etc are not being generated even though there is provision for such reports in the system.

Audit recommends that well defined MIS Reports be developed which would enable better tax administration through KVATIS.

#### **5.3 Insufficient training**

In order to ensure the effectiveness of KVATIS in tax administration, continuous and timely training in various aspects of KVATIS to officers and staff are required for the smooth operation of the relevant Module. Audit conducted a study among the assessing officers by issuing questionnaires and from their replies Audit found that insufficient training especially for the officers and staff working in the assessment wing and checkposts affected the effective utilisation of system and thereby tax administration.

#### **5.4 Conclusion**

- The KVATIS was planned and designed to capture the complete workflow of all main functions in the Department. Due to lack of proper inbuilt control, the system is not equipped to analyse, evaluate and report all the transactions. The Government replied that the existing server capacity is not adequate to cater to the additional requirements.
- Carrying on partial manual and partial automated procedures with inadequate data capture relating to manual procedures limits the adequacy of information available in the system.
- The automatic workflow as envisaged through the KVATIS system was not attained and the continuation of manual intervention in important functions may lead to deviation from the main objectives of computerisation.
- Due to non integration of modules, the system could not utilise the data available to evaluate the risk areas of tax evasion and achieve the objectives of computerisation viz, maximisation of tax collection, reduction of tax evasion and corruption.

## 5.5 Recommendations

Audit recommends that -

- ❖ the Department may operationalise the Audit Assessment Module with suitable modifications for the selection of high risk dealers through KVATIS for detailed audit. Thus the progress can be monitored by higher authorities and failure penalised.
- ❖ the Department may initiate action to make use of other Modules so that the disposal of appeals, the nature of penalty levied, progress of collecting arrears etc can easily be monitored.
- ❖ important/required MIS reports may be made available in the software.
- ❖ the Department may impart sufficient training to all officers and staff periodically.
- ❖ the upgradation of the present system/server which is slow, would be cost effective in terms of improvement of revenue realisation, which was one of the primary goals of implementation of KVATIS.
- ❖ the Department may lay down norms for check of physical records on the basis of reports generated through KVATIS indicating risk areas.



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