

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the State Government, 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 during the year 2012-13 and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1	Revenue raised by the State Government					
	Tax revenue	14,943.75	16,414.27	20,758.12	25,377.05	30,502.65
	Non-tax revenue	3,888.46	4,558.22	6,294.12	9,175.10	12,133.59
	Total	18,832.21	20,972.49	27,052.24	34,552.15	42,636.24
2	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	8,998.47	9,258.13	12,855.63	14,977.05	17,102.85
	Grants-in-aid	5,638.17	5,154.39	6,020.33	7,481.56	7,173.92
	Total	14,636.64	14,412.52	18,875.96	22,458.61	24,276.77
3	Total revenue receipts of the State Government (1 and 2)	33,468.85	35,385.01	45,928.20	57,010.76	66,913.01¹
4	Percentage of 1 to 3	56	59	59	61	64

The above table indicates that during the year 2012-13, the revenue raised by the State Government (₹ 42,636.24 crore) was 64 *per cent* of the total revenue receipts. The remaining 36 *per cent* of receipts was received from the Government of India.

¹ For details, please refer Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Rajasthan for the year 2012-13. 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 2008-09 to 2012-13:

(₹ in crore)

Sl. No.	Heads of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/ decrease (-) in 2012-13 over 2011-12
1.	Taxes on sales, trade etc.	8,442.02	9,681.38	11,901.24	14,665.63	17,214.34	(+) 17
	Central sales tax	462.48	482.15	728.35	1,100.80	1,360.31	(+) 24
2.	State excise	2,169.90	2,300.48	2,861.41	3,287.05	3,987.83	(+) 21
3.	Stamp duty and registration fee						
	Stamps-judicial	30.61	30.47	43.07	79.40	144.27	(+) 82
	Stamps-non-judicial	1,137.54	1,104.79	1,522.01	2,153.68	2,693.13	(+) 25
	Registration fee	188.48	227.68	375.96	418.29	497.47	(+) 19
4.	Taxes and duties on electricity	654.05	699.99	905.81	1,094.48	1,570.06	(+) 43
5.	Taxes on motor vehicles	1,213.56	1,372.87	1,612.25	1,927.05	2,283.13	(+) 18
6.	Taxes on goods and passengers	189.87	176.10	230.69	220.13	248.57	(+) 13
7.	Other taxes on income and expenditure, tax on professions, trades, callings and employments	0.04	0.04	0.02	0.06	0.19	(+) 217
8.	Other taxes and duties on commodities and services	64.52	58.52	64.43	43.44	48.47	(+) 12
9.	Land revenue	162.52	147.66	222.17	209.01	304.55	(+) 46
10.	Other taxes	228.16	132.14	290.71	178.03	150.33	(-) 16
	Total	14,943.75	16,414.27	20,758.12	25,377.05	30,502.65	(+) 20

The following reasons for variations in 2012-13 as compared to 2011-12 were reported by the concerned Departments:

Taxes on sales, trade etc.: The increase (17 per cent) was due to intensive monitoring, check on tax evasion, recovery efforts of the Department, increase in the rate of tax on some commodities.

Central sales tax: The increase (24 per cent) was due to proper monitoring, check on tax evasion and recovery efforts of the Department.

State excise: The increase (21 per cent) was mainly due to higher receipts from sale of malt liquor, foreign liquor and spirits, increase in guarantee amount and licence fees and effective Excise Preventive Force activities.

Stamp duty and registration fees: The increase (26 per cent) was due to higher sales of non-judicial stamps, fees for registering documents and court fees and increase in rates of land fixed by DLC².

Taxes and duties on electricity: The increase (43 per cent) was due to higher receipt of taxes on consumption and sale of electricity.

Taxes on motor vehicles: The increase (18 per cent) was mainly due to higher receipt of taxes, surcharge, green tax etc.

Taxes on goods and passengers: The increase (13 per cent) was mainly due to higher receipt of entry tax on goods.

1.1.3 The following table presents the details of the non-tax revenue raised by the State during the period from 2008-09 to 2012-13:

(₹ in crore)

Sl. No.	Heads 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	1,195.96	1,185.45	1,276.70	1,714.53	2,067.00	(+) 21
2.	Forestry and wildlife	57.74	56.35	93.20	74.95	91.24	(+) 22
3.	Non-ferrous mining and metallurgical industries	1,275.59	1,612.26	1,929.58	2,366.32	2,838.59	(+) 20
4.	Miscellaneous general services	580.33	739.30	271.19	353.09	686.10	(+) 94
5.	Major and medium irrigation	54.16	48.83	86.04	91.83	87.21	(-) 5
6.	Medical and public health	36.87	56.55	45.46	59.38	96.04	(+) 62
7.	Cooperation	18.13	21.03	16.35	22.38	22.02	(-) 2
8.	Public works	93.43	62.75	62.10	55.85	57.63	(+) 3
9.	Police	71.43	126.24	133.93	143.54	192.07	(+) 34
10.	Other administrative services	49.57	49.12	80.33	110.99	85.50	(-) 23
11.	Other non-tax receipts	455.25	600.34	2,299.24	4,182.24	5,910.19	(+) 41
	Total	3,888.46	4,558.22	6,294.12	9,175.10	12,133.59	(+) 32

The following reasons for variations in 2012-13 as compared to 2011-12 were reported by the concerned Departments:

Interest receipts: The increase (21 per cent) was mainly due to higher receipts of interest on investment of cash balance.

² District Level Committee.

Forestry and wildlife: The increase (22 per cent) was mainly due to higher receipts under forestry and wildlife, sale of timber and forest produce.

Medical and public health: The increase (62 per cent) was mainly due to higher receipts from the Employees State Insurance Scheme and other receipts.

Police: The increase (34 per cent) was mainly due to higher receipts from police personnel supplied to other Government parties, other receipts and more receipts under head Receipt of State Headquarter Police.

The reasons for variation(s) in respect of remaining heads of revenue despite being called for (April/June 2013) from the concerned Departments were not received (December 2013).

1.2 Response of the Government/Department towards Audit observations

The Accountant General (Economic and Revenue Sector Audit), Rajasthan conducts periodical inspections 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 inspections 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 offices/Department 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 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

Scrutiny of IRs, issued up to 31st December 2012, disclosed that 9,489 audit observations involving ₹ 7,731.42 crore relating to 2,882 IRs were outstanding at the end of June 2013. The details of IRs and audit observations outstanding along with the corresponding figures for the preceding two years are mentioned in the following table:

Particulars	June 2011	June 2012	June 2013
Number of outstanding IRs	2,469	2,628	2,882
Number of outstanding audit observations	7,464	8,260	9,489
Amount involved (₹ in crore)	2,748.76	5,958.95	7,731.42

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2013 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.	554	2,577	3,229.46
		Entertainment tax, luxury tax etc.	27	33	7.29
2.	Transport	Taxes on motor vehicles	424	1,490	204.37
3.	Land Revenue	Land revenue	259	539	1,157.25
		Land and buildings tax	8	12	0.50
4.	Registration and Stamps	Stamp duty and registration fee	1,183	3,156	145.28
5.	State Excise	State excise	156	349	325.58
6.	Mines and Geology, Petroleum	Non-ferrous mining and metallurgical industries	271	1,333	2,661.69
Total			2,882	9,489	7,731.42

Initial replies required to be received from the heads of offices within one month from the date of issue of the IRs, were not received (by 30 June 2013) in respect of 80 IRs issued up to December 2012. This large pendency of the IRs is indicative of the fact that the heads of offices and heads of the Departments had not initiated any action to rectify the defects, omissions and irregularities pointed out by the 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 and taking action against officers who fail to send replies to the IRs/paragraphs within the prescribed time and who 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 committee's³ to monitor and expedite the progress of settlement of paragraphs in the IRs. The Departments were required to conduct at least four meetings (one in each quarter) of the audit committee in a year. Besides, for settlement of audit observations, audit sub-committee meetings were also to be organised by the Departments. The details of the audit committee and audit sub-committee meetings held during the year 2012-13 and

³ Audit Committees, *inter alia*, comprising of Secretary of concerned Departments and Accountant General/his representative, were formed as per Circular No. 1/2005 dated 18.1.2005 of Government of Rajasthan. In addition to this, audit sub-committees comprising of Officers of the Departments and representative of Accountant General, are also formed.

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	1	-	-
Transport	3	6	57	2.77
Land Revenue	-	6	-	-
Registration and Stamps	2	13	126	1.40
State Excise	3	4	80	7.21
Mines and Geology, Petroleum	1	-	-	-
Total	11	30	263	11.38

The above table indicates that against 24 audit committee meetings that to be held only 11 were held.

It is recommended that the Government may strengthen the mechanism of audit committee meetings and issue instructions for increasing the frequency of audit committee meetings.

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, if any, is indicated at the end of each paragraph included in the Audit Report.

Fifty two draft paragraphs (clubbed into 39 paragraphs in this report) including two Performance Audits on 'Recovery of arrears in Commercial Taxes Department' and 'Encroachment on Government Land' proposed to be included in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2013 were forwarded to the Secretaries of the respective Departments between September and December 2013. Of these replies were received in 50 draft paragraphs consisting of 68 cases. In addition to this, the findings of the Performance Audits on 'Recovery of arrears in Commercial Taxes Department' and 'Encroachment on Government Land' were discussed with the concerned Departments/Government in the Exit Conferences.

1.2.4 Follow-up on Audit Reports - summarised position

The position of paragraphs which appeared in the Audit Reports and those pending discussion as on 31 December 2013 is given in **Appendix-A**. A total of 99 paragraphs pertaining to the period 2005-06 to 2011-12 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 251 action taken notes were outstanding as on 31 December 2013 as detailed in **Appendix-B**.

1.2.5 Compliance to the earlier Audit Reports

The position of paragraphs included in the Audit Reports of the last 10 years, accepted by the Departments and the amount recovered as on 31 December 2013 is 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 ⁴	Total recovery as on 31 December 2013
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	Nil	6.60
2007-08	39	666.55	34	247.33	0.51	99.70
2008-09	48	392.71	35	72.25	1.78	23.63
2009-10	28	638.85	21	432.30	5.76	22.89
2010-11	32	617.96	21	341.98	2.97	10.66
2011-12	43	763.52	31	405.06	15.88	15.88
Total	374	4,788.28	283	2,343.07	26.90	321.14

During the years 2002-03 to 2011-12, 374 paragraphs involving ₹ 4,788.28 crore were included in the Audit Reports. The Government/Departments accepted audit observations involving ₹ 2,343.07 crore, of which only ₹ 321.14 crore (13.70 per cent) had been recovered as on 31 December 2013.

The Government may ensure that all recoveries are made in the cases where the paragraphs have been accepted.

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 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

⁴ January 2013 to December 2013.

five years, features of the tax administration and audit coverage and its impact during past five years *etc.*

The audit universe comprised 761 auditable units. Of these, 382 units were planned for audit during 2012-13 and 380 units were audited. The remaining two units could not be audited due to non-production of records despite request for the same (March 2013). Besides the compliance audit, two performance audits were 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 380 units of Commercial Taxes, Transport, Land Revenue, Registration and Stamps, State Excise, Mining and other Departmental offices conducted during the year 2012-13 revealed underassessments, short levy/loss of revenue *etc.* aggregating to ₹ 2,286.17 crore in 37,959 cases. During the year, the concerned Departments accepted underassessments and other deficiencies in 23,519 cases involving Government revenue of ₹ 598.39 crore, of which 11,973 cases involving ₹ 217.42 crore were pointed out in audit during 2012-13 and the rest in the earlier years. The Departments recovered ₹ 73.07 crore in 5,876 cases during 2012-13.

1.4.2 This Report

This Report contains 39 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) with financial effect of ₹ 586.49 crore including two Performance Audits on 'Recovery of arrears in Commercial Taxes Department' and 'Encroachment on Government Land' involving revenue implications of ₹ 369.02 crore. The Departments/Government have accepted audit observations involving ₹ 87.57 crore, of which ₹ 11.30 crore have been recovered. The replies in the remaining cases have not been received (December 2013). These are discussed in chapters II to VII.