

## CHAPTER I : GENERAL

### 1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by Government of West Bengal during the year 2012-13, the State's share of net proceeds of divisible Union taxes and duties assigned to the States and grants-in-aid received from Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

**Table 1.1 – Trend of revenue receipts**

(₹ in crore)						
Sl. No.	Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Revenue raised by the State Government					
	• Tax revenue	14,419.15	16,899.98	21,128.74	24,938.16	32,808.49
	• Non-tax revenue	4,966.39	2,438.11	2,380.49	1,340.25	1,918.15
	<b>Total</b>	<b>19,385.54</b>	<b>19,338.09</b>	<b>23,509.23</b>	<b>26,278.41</b>	<b>34,726.64</b>
2.	Receipts from Government of India					
	• State's share of net proceeds of divisible Union taxes	11,321.78	11,648.16	15,954.95	18,587.81	21,226.27
	• Grants-in-aid	6,197.07	5,935.40	7,800.02	13,888.82	12,342.84
	<b>Total</b>	<b>17,518.85</b>	<b>17,583.56</b>	<b>23,754.97</b>	<b>32,476.63</b>	<b>33,569.11</b>
3.	<b>Total receipts of the State Government (1 and 2)</b>	<b>36,904.39</b>	<b>36,921.65</b>	<b>47,264.20</b>	<b>58,755.04</b>	<b>68,295.75<sup>1</sup></b>
4.	Percentage of 1 to 3	53	52	50	45	51

The above table indicates that during the year 2012-13, the revenue raised by the State Government (₹ 34,726.64 crore) was 51 *per cent* of the total revenue receipts against 45 *per cent* in the preceding year. The balance 49 *per cent* of receipts during 2012-13 was received from Government of India as State's share of net proceeds of divisible Union taxes and Grants-in-aid.

<sup>1</sup> For details, please see Statement No. 11 – Detailed statement of revenue by minor heads in the Finance Accounts of Government of West Bengal for the year 2012-13. Figures under the heads 0020-Corporation tax, 0021 - Taxes on income other than Corporation tax, 0032 - Taxes on wealth, 0037 – Customs duty, 0038 - Union Excise duties and 0044 - Service tax mentioned in the Statement under caption “A - Tax revenue” have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes.

1.1.2 The following table presents the details of tax revenue raised during the period 2008-09 to 2012-13:

Table 1.2 - Details of Tax revenue

(₹ 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.	Tax on Sales, trade etc.	8,955.09	10,509.64	13,275.77	15,888.41	18,554.76	(+)16.78
2.	Stamp duty and registration fees	1,509.49	1,814.22	2,265.21	2,731.68	4,357.23	(+)59.51
3.	State excise	1,082.94	1,443.81	1,783.34	2,117.04	2,621.43	(+)23.83
4.	Land revenue	983.78	928.92	1,253.66	1,872.23	2,023.72	(+)8.09
5.	Taxes on vehicles	608.01	774.34	936.01	1,007.23	1,221.55	(+)21.28
6.	Other taxes and duties on Commodities and Services	367.15	393.11	441.18	477.39	448.72	(-)6.01
7.	Other taxes on Income and Expenditure- Taxes on Profession, Trades, Callings and Employment	321.60	362.40	388.54	426.68	448.01	(+)5.00
8.	Taxes and duties on electricity	587.52	664.57	769.09	408.19	1,837.15	(+)350.07
9.	Other taxes	3.57	8.97	15.94	9.31	1,295.92 <sup>2</sup>	(+)13,819.66
	<b>Total</b>	<b>14,419.15</b>	<b>16,899.98</b>	<b>21,128.74</b>	<b>24,938.16</b>	<b>32,808.49</b>	<b>(+)31.56</b>

Increase in tax revenue receipts in 2012-13 over the preceding year from Sales Tax and VAT (16.78 per cent) was attributed by the department mainly to increase on surcharge on sales tax, motor spirit sales, collection under VAT and West Bengal Sales Tax Act. Increase in Stamp Duty and Registration Fees (59.51 per cent) was due to sale of judicial stamps, stamp duties on unstamped document, collection of registration fees, standard user charges, sale of other non-judicial stamps, duty on impressing of documents. Increase in State Excise (23.83 per cent) was due to State Excise on country spirits, license fees for commercial spirits, fines and confiscations, receipts on malt

<sup>2</sup> The figure includes Tax on entry of goods into local areas of ₹ 1,282.54 crore collected subsequent to introduction of the West Bengal Tax on Entry of Goods into Local Areas Act, 2012.

liquor, spirits used for medical preparations and receipts of duty on foreign liquor. The increase of Land Revenue (8.09 *per cent*) was due to receipts on Land Revenue tax, rates and cesses on land, miscellaneous receipts other than Government estates, collection of royalties from mines and minerals, surcharge on Land Revenue under rural employment, interest on arrears of Land Revenue, education cess on coal mines and recoveries on account of Land Acquisition Establishment. The increase in Taxes on vehicles (21.28 *per cent*) was due to receipts on One Time Tax on motor vehicle, issue of laminated driving license, receipts under the Motor Vehicles Act, 1988 and the West Bengal Motor Vehicles Tax Act, 1979. Increase in Other taxes on income and expenditure (five *per cent*) and Taxes and duties on electricity (350.07 *per cent*) were due to receipts on Profession, Trade, Callings & Employment and receipts for adjustment for energy charges of CTC to Calcutta Electricity Supply Corporation (CESC), waiving of Government electricity duty as per incentive scheme, receipts towards adjustment of subsidy for rural electrification by West Bengal State Electricity Board (WBSEB), receipts in cash payable by WBSEB, CESC, other receipts on taxes and duties on electricity respectively.

The decrease in Other taxes and duties on commodities and services (6.01 *per cent*) was attributed by the department mainly to decrease in receipts of Entertainment Tax on VCR/VCP Set, Betting tax, collection from Railway Passenger fare, Luxury tax, collection of cess on sale of motor spirit and high speed diesel etc.

1.1.3 The following table presents the details of Non-Tax revenue raised during 2008-09 to 2012-13:

Table 1.3 - Details of Non-Tax revenue

(₹ 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	3,999.90	362.83	716.84	291.54	934.10	(+)220.40
2.	Police	66.88	68.67	103.62	152.79	133.76	(-)12.46
3.	Forestry and wildlife	45.33	64.17	75.49	92.47	113.61	(+)22.86
4.	Medical and public health	66.36	47.34	67.03	82.13	84.34	(+)2.69
5.	Dairy development	29.84	27.43	26.84	28.37	30.11	(+)6.13
6.	Roads and Bridges	18.58	25.90	22.52	23.34	47.55	(+)103.73
7.	Education, sports, art and culture	44.62	73.04	65.21	20.54	38.33	(+)86.61
8.	Housing	9.07	14.52	11.52	11.94	11.44	(-)4.19
9.	Food storage and warehousing	340.17	1,292.97	877.31	1.55	1.39	(-)10.32
10.	Others	345.64	461.24	414.11	635.58	523.52	(-)17.63
<b>Total</b>		<b>4,966.39</b>	<b>2,438.11</b>	<b>2,380.49</b>	<b>1,340.25</b>	<b>1,918.15</b>	<b>(+) 43.12</b>

The increase in non-tax revenue receipts in 2012-13 over the preceding year from Interest receipts (220.40 *per cent*), Forestry and wildlife (22.86 *per cent*) and Roads and bridges (103.73 *per cent*) was attributed by the departments mainly to (i) interest on loans to studios and laboratories, West Bengal State Electricity Distribution Co. Ltd., West Bengal Electronic Industries Development Corporation, LIG housing scheme, premium on loan on West Bengal Government stock, interest on capital outlay for Multipurpose River Project Scheme and investment of cash balances; (ii) sale of timber from different circles of the department; and (iii) other receipts on Roads and Bridges and agency charges on national highways received from Government of India.

The decrease in non-tax revenues in 2012-13 over the preceding year under Police (12.46 *per cent*) was attributed by the department mainly to deployment of police to other Government and private persons and decrease in recoveries of establishment charges from Calcutta Port Trust (CPT), receipts of cost of anti-hijacking measures, receipts under Arms Act and miscellaneous receipts.

## 1.2 Response of the departments/Government towards audit

Audit observations raised during local inspection are replied to by the concerned authorities after issue of inspection report(s). On non-receipt of satisfactory reply/non-settlement of the observations in the departmental Audit Committee meeting(s), the potential observations are converted into draft paragraph(s) and forwarded to the departments/Government for reply/comments within six weeks. In case, the reply furnished by the Government is not satisfactory, the draft paragraphs are finally included in the Audit Report. The Secretary to the Government of the concerned department, after laying of the Audit Report in the legislature, forwards explanatory notes on the relevant paragraphs to the Committee on Public Accounts (PAC) for vetting by the Accountant General (AG). After discussion, the PAC makes recommendations for compliance within six months by the Government for final settlement of the paragraphs.

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

The Accountant General (E&RSA) conducts periodic 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 up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the 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 AG within four weeks from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

Inspection Reports issued upto December 2012 disclosed that 3,595 paragraphs involving ₹ 1,313.57 crore relating to 757 IRs remained outstanding at the end of June 2013 as mentioned below alongwith the corresponding figures for the preceding two years:

**Table 1.4 - Summary of outstanding IRs**

	June 2011	June 2012	June 2013
Number of outstanding IRs	1,007	673	757
Number of outstanding audit observations	3,039	2,780	3,595
Amount involved (₹ in crore)	4,280.62	832.52	1,313.57

The department-wise details of the IRs and audit observations outstanding as on 30 June 2013 and the amounts involved are mentioned below:

**Table 1.5 - Department wise details of outstanding IRs**

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Finance	Sales Taxes/ VAT	165	1,153	453.71
		Electricity duty	33	59	71.26
		Amusement Tax	16	34	1.89
		Profession Tax	60	159	6.52
		Stamp duty and registration fees	191	527	69.84
		Non-judicial Stamp duty	10	23	8.46
		State Lotteries	01	01	0.07
2.	Excise	State excise	30	164	119.47
3.	Land and Land Reforms	Land Revenue	83	647	213.50
		Receipts from mines and minerals	89	380	136.67
4.	Transport	Taxes on motor vehicles	79	448	232.18
<b>Total</b>			<b>757</b>	<b>3,595</b>	<b>1,313.57</b>

Even the first replies required to be received from the heads of offices within four weeks from the date of issue of the IRs were not received for 245 IRs issued upto December 2012. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the heads of the departments *inter alia* failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

**It is recommended that the Government may put in place an effective mechanism to ensure prompt and appropriate response to audit observations as well as institute a system for taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules or fail to take action to recover loss/outstanding demand in a time bound manner.**

## 1.2.2 Departmental Audit Committee meetings

The Government sets up Audit Committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the Audit Committee meetings held during the year 2012-13 and the paragraphs settled are mentioned in the following table:

**Table 1.6 - Details of Departmental Audit Committee meetings**

Departments	Number of meetings held	Number of paragraphs		Money Value of paragraphs settled (₹ in lakh)
		Discussed	Settled	
Land and Land Reforms	4	25	23	1,284.82
State Excise	1	41	25	354.96
<b>Total</b>	<b>5</b>	<b>66</b>	<b>48</b>	<b>1,639.78</b>

Thus, out of four Departmental<sup>3</sup> Audit Committees, two committees held five meetings during 2012-13 and settled 48 paragraphs involving money value of ₹ 1,639.78 lakh. The other departments/directorates did not hold any Audit Committee meeting during 2012-13 despite being requested.

**The Government may consider holding Audit Committee meetings regularly of each department at least twice a year.**

## 1.2.3 Response of the departments to the draft audit paragraphs

Audit issued 32 draft paragraphs (DPs) and two Performance Audits (PAs) to four departments proposed for inclusion in the Audit Report 2012-13. After regular persuasion through reminders with departments, replies in respect of two PAs were received within the stipulated period of six weeks. In respect of 32 DPs, replies were received after the stipulated period. After consideration of the replies, the report now contains 23 paragraphs.

<sup>3</sup> Excise Department, Finance Department (comprising Directorate of Commercial Taxes, Directorate of Registration and Stamp Revenue, Directorate of Electricity Duty and Directorate of State Lotteries), Land and Land Reforms Department and Transport Department.

The details of DPs and PAs issued and reply received are mentioned below:

**Table 1.7 - Response of the departments to the DPs**

Name of the Department	Head of Revenue	No. of DPs issued	Reply received within due date	Reply received after due date
Finance	Sales Tax/VAT	10+01(PA)	01(PA)	10
	Stamp Duty and Registration Fees	01(PA)	01(PA)	Nil
	Profession Tax	02	Nil	02
Excise	State Excise	02	Nil	02
Land and Land Reforms	Land Revenue including Mines and Minerals	06	Nil	06
Transport	Taxes on Motor Vehicles	12	Nil	12
<b>Total</b>		<b>32+02(PA)</b>	<b>02(PA)</b>	<b>32</b>

**The Government should ensure that the concerned departments furnish replies to the DPs within the stipulated period of six weeks.**

#### **1.2.4 Follow up on Audit Reports – summarised position**

As per Rules of Procedure of the Committee on Public Accounts of the West Bengal Legislative Assembly (Internal Working) framed in 1997, the concerned department shall send Action taken notes (ATN) on the recommendations contained in the Report of the PAC within six months from the date of its presentation to the House. However, the departments failed to submit ATNs within the stipulated period in respect of 33 paragraphs included in the Audit Reports upto the year ended March 2007 of which 19 belonged to the period prior to 2001-02.

The position of outstanding ATNs due from the departments (as on March 2013) in respect of Audit Reports of last 10 years is mentioned in the following table:

**Table 1.8 - Position of outstanding ATNs**

Year of Audit Report	No. of paragraphs /PA	No. of paragraphs /PA discussed	PAC Report	Date of presentation in the Assembly	No. of ATNs due
2001-02	53+02(PA)	03	37 <sup>th</sup> Report of 2010-11	25 March 2011	1
2001-02			20 <sup>th</sup> Report of 2008-09	17 March 2009	2
2003-04	34+02(PA)	01+01(PA)	2 <sup>nd</sup> Report of 2006-07	28 November 2006	8
2006-07	53+03(PA)	05+02(PA)	23 <sup>rd</sup> Report of 2008-09	24 March 2009	2
2006-07			35 <sup>th</sup> Report of 2010-11	25 March 2011	1

**The Government should put in place a monitoring mechanism to watch and ensure timely action on the recommendations made by PAC in their report, with a view to safeguard the interests of revenue of the State.**



## 1.2.5 Compliance with the earlier Audit Reports

The Committee on Public Accounts discusses the Audit Reports (Revenue Sector) and presents its own reports and recommendations for compliances by the Government. Normally 20 *per cent* of the total numbers of paragraphs of the Audit Report are selected every year for discussion. The remaining paragraphs are settled on the basis of replies of the Government.

As of 31 March 2013, the Government had not furnished explanatory notes in respect of selected six paragraphs and eight sub-paragraphs and unselected 1,080 paragraphs and 525 sub-paragraphs of Audit Reports from 1981-82 to 2010-11. The lack of response from the Government would adversely affect the revenue realisation.

### 1.2.5.1 Recovery of the accepted cases of the earlier Audit Reports

During the years 2007-08 to 2011-12, the Departments/Government accepted audit observations involving ₹ 1,244.52 crore of which an amount of ₹ 19.61 crore was recovered till March 2013 as mentioned in the following table:

**Table 1.9 - Recovery of the accepted cases of the earlier Audit Reports**

(₹ in crore)			
Year of Audit Report	Total money value of the Audit Report	Total money value of the accepted cases	Amount recovered
2007-08	616.07	193.74	0.49
2008-09	784.58	495.00	14.83
2009-10	236.97	88.24	0.94
2010-11	558.70	181.42	1.87
2011-12	530.97	286.12	1.48
<b>Total</b>	<b>2,727.29</b>	<b>1,244.52</b>	<b>19.61</b>

Thus, recovery in respect of the accepted cases was very low (1.58 *per cent*) as compared to the accepted money value.

**The Government may take action to install a mechanism to pursue and monitor prompt recovery in the accepted cases.**

## 1.3 Analysis of the mechanism for dealing with the issues raised by Audit

### Excise Department

The succeeding paragraphs 1.3.1 to 1.3.2 discuss the action taken by the **Excise Department** to deal with the cases detected in course of local audit conducted during the last 10 years (*Table No. 1.10*) and also the cases included in the Audit Reports for the years 2002-03 to 2011-12 (*Table No. 1.11*).

### 1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2013 are tabulated as follows:

Table 1.10 - Position of Inspection Reports

(₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2003-04	135	323	460.68	12	61	5.46	23	91	54.37	124	293	411.77
2004-05	124	293	411.77	17	87	60.88	01	34	12.99	140	346	459.66
2005-06	140	346	459.66	06	65	49.18	02	45	6.07	144	366	502.77
2006-07	144	366	502.77	07	72	41.27	10	93	26.30	141	345	517.74
2007-08	141	345	517.74	10	122	22.57	03	75	98.57	148	392	441.74
2008-09	148	392	441.74	06	52	27.67	01	36	3.72	153	408	465.69
2009-10	153	408	465.69	10	82	59.06	132	370	463.44	31	120	61.31
2010-11	31	120	61.31	06	80	42.36	14	78	9.58	23	122	94.09
2011-12	23	122	94.10	07	80	63.12	01	42	66.13	29	160	91.09
2012-13	29	160	91.09	10	92	46.87	06	72	17.36	33	180	120.60

The department settled lesser number of paragraphs as compared to additions during the last 10 years except in the years 2003-04, 2006-07 and 2009-10.

It would be seen from the above table that the pace of clearance was slow except in 2009-10. Since with the passage of time chances of recovery of receipts become remote, the department may settle the audit observations promptly.

The department held one Audit Committee meeting during the year 2012-13 and settled 25 paragraphs involving money value of ₹ 354.96 lakh.

### 1.3.2 Recovery of the accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the department and the amount recovered are mentioned below:

Table 1.11 - Recovery of the accepted cases

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Position of recovery of cases as on 31.03.2013
2002-03	04	84.50	02	16.11	0.10
2003-04	03	8.32	03	0.30	0.06
2004-05	04	11.57	03	11.18	0.13
2005-06	04	0.35	04	0.30	0.14
2006-07	14	37.69	07	27.02	0.59
2007-08	04	11.13	02	0.27	0.24
2008-09	06	20.66	03	0.73	0.43
2009-10	04	2.49	03	0.86	0.02
2010-11	01	293.85	01	85.06	0.08
2011-12	01	0.06	00	00	0.00
<b>Total</b>	<b>45</b>	<b>470.62</b>	<b>28</b>	<b>141.83</b>	<b>1.79</b>

The department accepted 28 paragraphs involving ₹ 141.83 crore during the last 10 years but realised ₹ 1.79 crore (1.26 per cent) till 31 March 2013 which is meagre. This indicates that the recovery mechanism of the department needs improvement.

### 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 tax administration, audit coverage and its impact during last five years etc.

During the year 2012-13, the audit universe consisted of 224 auditable units out of 535 units. Against 171 units planned for audit, 175 units were audited. The details are shown in the **Annexure-I** of the report.

Besides Compliance Audit mentioned above, two Performance Audits on “Efficiency of the Administration of Value Added Tax in West Bengal” and “Evasion of Stamp Duty and Registration Fees” were also taken up to examine the efficacy of tax administration of these receipts.

## **1.5 Results of Audit**

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

Test check of records of 175 units of commercial tax, state excise, land and land reforms, transport, stamp duty and registration fees and other departmental offices conducted during the year 2012-13 revealed underassessments/short levy/loss of revenue aggregating to ₹ 571.86 crore in 1,533 cases. During the year, the departments concerned accepted underassessments and other deficiencies in 864 cases involving ₹ 119.96 crore of which 747 cases involving ₹ 110.71 crore were pointed out during 2012-13 and the rest in the earlier years. The departments collected ₹ 2.80 crore in 87 cases during 2012-13.

### **1.5.2 This Report**

This report contains 23 paragraphs involving financial effect of ₹ 268.45 crore and two Performance Audits on “Efficiency of the Administration of Value Added Tax in West Bengal” and “Evasion of Stamp Duty and Registration Fees” pointing out financial implications of ₹ 532.15 crore and ₹ 154.10 crore respectively. The departments/Government has accepted audit observations involving ₹ 668.00 crore of which ₹ 1.67 crore has been recovered. Position of realisation in the remaining accepted cases has not been received (November 2013). These are discussed in succeeding chapters II to VII.