

CHAPTER-I

GENERAL

CHAPTER – I: GENERAL

1.1 Trend of receipts

1.1.1 The tax and non-tax revenue raised by the Government of Jharkhand during 2014-15, the State's share of net proceeds of divisible Union taxes, duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table – 1.1.1**.

Table – 1.1.1
Trend of revenue receipts

		(` in crore)				
Sl. No.		2010-11	2011-12	2012-13	2013-14	2014-15
	Revenue raised by the State Government					
1	• Tax revenue	5,716.63	6,953.89	8,223.67	9,379.79	10,349.81
	• Non-tax revenue	2,802.89	3,038.22	3,535.63	3,752.71	4,335.06
	Total	8,519.52	9,992.11	11,759.30	13,132.50	14,684.87
	Receipts from the Government of India					
2	• State's share of divisible Union taxes	6,154.35	7,169.93	8,188.05	8,939.32	9,487.01 ¹
	• Grants-in-aid	4,107.25	5,257.41	4,822.20	4,064.97	7,392.68
	Total	10,261.60	12,427.34	13,010.25	13,004.29	16,879.69
3	Total receipts of the State Government (1 & 2)	18,781.12	22,419.45	24,769.55	26,136.79	31,564.56
4	Percentage of 1 to 3	45	45	47	50	47

Source: Finance Accounts of the Government of Jharkhand.

The above table indicates that during the year 2014-15, the revenue raised by the State Government (` 14,684.87 crore) was 47 *per cent* of the total revenue receipts. The balance 53 *per cent* of receipts during 2014-15 was 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 for the year 2014-15. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure (except Minor Head - 107- Taxes on Professions, Trades, Callings and Employments), 0032 - Taxes on wealth, 0044 - Service tax, 0037 - Customs, 0038 - Union excise duties and 0045 - Other taxes and duties on commodities and services- Minor Head - 901 - Share of net proceeds assigned to State booked in the Finance Accounts under "A-Tax revenue" have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

1.1.2 The details of tax revenue raised during the period 2010-11 to 2014-15 as given in **Table - 1.1.2**.

Table – 1.1.2
Details of Tax Revenue raised

								(₹ in crore)
Sl. No.	Head of revenue		2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+) or decrease (-) in 2014-15 over 2013-14
1	Taxes on Sales, Trade etc.	BE	4,503.00	5,633.25	6,650.00	7,874.50	9,267.95	(+) 17.70
		Actual	4,473.43	5,522.02	6,421.61	7,305.08	8,069.72	(+) 10.47
2	State Excise	BE	525.00	445.00	650.00	700.00	1,931.84	(+) 175.98
		Actual	388.34	457.08	577.92	627.93	740.16	(+) 17.87
3	Stamps and Registration Fees	BE	302.50	450.00	490.00	568.00	680.48	(+) 19.80
		Actual	328.35	401.17	492.40	502.61	530.67	(+) 5.59
4	Taxes on Vehicles	BE	440.00	356.00	550.00	639.40	836.33	(+) 30.80
		Actual	312.37	391.92	465.36	494.79	660.37	(+) 33.46
5	Taxes and Duties on Electricity	BE	53.56	100.00	142.00	161.00	193.82	(+) 20.39
		Actual	53.50	72.76	110.72	145.79	175.40	(+) 20.31
6	Land Revenue	BE	66.00	83.49	82.00	95.00	300.14	(+) 215.94
		Actual	130.65	52.94	96.38	229.84	83.54	(-) 63.65
7	Taxes on Goods and Passengers - Tax on Entry of Goods into Local Areas	BE	65.37	30.00	20.00	Not fixed	0.15	--
		Actual	21.08	40.95	0.51	1.08	0.28	(-) 74.07
8	Other Taxes and Duties on commodities and services	BE	12.00	36.75	28.00	34.50	41.91	(+) 21.48
		Actual	8.91	15.05	15.28	22.76	32.57	(+) 43.10
9	Taxes on Professions, Trades, Callings and Employments	BE	Enforced by SO 7 dated 29 June 2012		65.00	80.00	61.38	(-) 23.28
		Actual			43.49	49.91	57.11	(+) 14.43
Total		BE	5,967.43	7,134.49	8,677.00	10,152.40	13,314.00	(+) 31.14
		Actual	5,716.63	6,953.89	8,223.67	9,379.79	10,349.81	(+) 10.34

Source: Finance Accounts of the Government of Jharkhand and the revised estimates as per the Statement of Revenue and Receipts of Government of Jharkhand.

It can be seen from the above table that growth of budget estimates over that of previous year ranged between (-) 23.28 to 215.94 *per cent*. In respect of State Excise and Land Revenue budget estimates was increased by 175.98 *per cent* and 215.94 *per cent* without considering trend of actual receipts. The departments concerned did not inform reasons for huge increase in budget estimates despite being requested (August 2015).

The reasons for variation in receipts in 2014-15 from those of 2013-14 in respect of some principal heads of tax revenue were as under:

Taxes on Sales, Trade etc.: The increase of 10.47 *per cent* was attributed (July 15) by the Department to better and effective tax administration as well as recovery of substantial due of ₹ 37.79 crore.

State Excise: The increase of 17.87 *per cent* was attributed (June 2015) by the Department to increase in rate of duty of IMFL.

Taxes on Motor Vehicles: The increase of 33.46 *per cent* was attributed (August 2015) by the Department to realization of arrear tax from defaulter vehicles and increase in registration of new vehicles.

Taxes and Duties on Electricity: The increase of 20.31 *per cent* was attributed (July 2015) by the Department to better tax administration.

Other Taxes and Duties on Commodities and Services: The increase of 43.10 *per cent* was attributed (July 2015) to better and effective tax administration.

Reasons for variation in respect of other heads of revenue have not been received from departments concerned despite being requested.

1.1.3 The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table - 1.1.3**.

Table – 1.1.3
Details of Non-Tax Revenue raised

(` in crore)

Si. No.	Head of revenue		2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+) or decrease (-) in 2014-15 over 2013-14
1	Non-ferrous Mining and Metallurgical Industries	BE	2,086.76	2,759.75	3,209.92	3,500.00	4,699.47	(+) 34.27
		Actual	2,055.90	2,662.79	3,142.47	3,230.22	3,472.99	(+) 7.52
2	Forestry and Wild Life	BE	11.79	4.17	4.80	5.25	4.18	(-) 20.38
		Actual	4.76	3.71	4.22	5.17	3.66	(-) 29.21
3	Interest Receipts	BE	279.41	100.64	65.00	115.00	243.36	(+) 111.62
		Actual	98.74	44.16	72.23	69.48	143.04	(+) 105.87
4	Social Security and Welfare	BE	11.15	33.00	19.00	20.00	3.62	(-) 81.90
		Actual	23.85	15.42	20.48	5.24	4.16	(-) 20.61
5	Others	BE	740.53	711.10	542.37	703.40	742.39	(+) 5.54
		Actual	619.64	312.14	296.23	442.60	711.21	(+) 60.69
Total		BE	3,129.64	3,608.66	3,841.09	4,343.65	5,693.02	(+) 31.07
		Actual	2,802.89	3,038.22	3,535.63	3,752.71	4,335.06	(+) 15.52

Source: Finance Accounts of the Government of Jharkhand and the revised estimates as per the Statement of Revenue and Receipts of Government of Jharkhand.

The Departments did not furnish the reasons for excess/shortfall despite our request (between April and August 2015).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 in respect of some principal heads of revenue amounted to ` 3,311.93 crore, of which ` 2,347.84 crore was outstanding for more than five years as detailed in the **Table – 1.2**.

Table – 1.2
Arrears in revenue

(` in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2015	Amount outstanding for more than five years as on 31 March 2015	Remarks
1	Taxes on Sales, Trade etc.	3,005.51	2,254.72	Out of ` 3,005.51 crore, demands of ` 162.16 crore were certified for recovery as arrears of land revenue. Recovery of ` 450.81 crore and ` 258.00 crore was stayed by the Courts and the other appellate authorities respectively. Demand of ` 13.28 crore and ` 15.85 crore were held up due to rectification/review application and dealer/party becoming insolvent. Specific action taken in respect of the remaining arrears of ` 2,105.41 crore has not been intimated (October 2015).
2	Taxes on Vehicles	276.09	82.28	Out of ` 276.09 crore, demands of ` 215.34 crore were certified for recovery as arrears of land revenue, recovery of ` 1.41 lakh was stayed by the Courts. Specific action taken in respect of the remaining arrears of ` 60.74 crore has not been intimated (October 2015).
3	State Excise	30.33	10.84	Out of the closing balance of arrears of ` 30.33 crore as on 31 March 2015, demand for ` 15.28 crore was certified for recovery as arrears of land revenue, recovery of ` 7.72 crore was stayed by the Courts and other judicial authorities, recovery of ` 10.56 lakh was held up due to parties becoming insolvent and a sum of ` 16.08 lakh was likely to be written off. Specific action taken in respect of the remaining amount of ` 7.06 crore has not been intimated (October 2015).
Total		3,311.93	2,347.84	

Out of the total outstanding of ` 3,311.93 crore, ` 392.78 crore was certified for recovery as arrears of land revenue and ` 745.94 crore was held up by the Courts, other appellate authorities, rectification/review application and parties becoming insolvent, whereas specific action taken in respect of the remaining ` 2,173.21 crore was not intimated by the concerned departments.

The position of arrears of revenue pending collection at the end of 2014-15 in respect of other Departments was not furnished (October 2015) despite active pursuance by us (between April and August 2015).

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year as furnished by the Commercial Taxes Department in respect of value added tax, entertainment tax, electricity duty and taxes on works contracts was as below in **Table - 1.3**.

Table - 1.3
Arrears in assessments

Year	Opening balance	New cases due for assessment	Total assessments due	Cases disposed of	Balance at the end of the year	Percentage of column 6 to 4
1	2	3	4	5	6	7
2009-10	13,235	56,106	69,341	49,422	19,919	28.73
2010-11	19,919	64,145	84,064	66,874	17,190	20.45
2011-12	17,190	63,515	80,705	50,473	30,232	37.46
2012-13	31,244	58,087	89,331	53,385	35,946	40.24
2013-14	33,505	63,903	97,408	63,519	33,889	34.79
2014-15	37,983	68,303	1,06,286	65,464	40,822	38.41

Source: Commercial Taxes Department, Government of Jharkhand.

From the above table, it would be seen that during the year 2013-14 and 2014-15, the figures furnished by the Department differ from those reported as balance in previous year. The reason for difference in arrears in assessments, though called for (August 2015), has not been received (October 2015). Further, as on 31 March 2015, 40,822 cases were pending for finalisation of assessment. This may result in loss of revenue as the cases may become barred by limitation.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Commercial Taxes Department, cases finalised and the demand for additional tax raised as reported by the Department are given in **Table - 1.4**.

Table - 1.4
Evasion of Tax detected

Head of revenue	Cases pending as on 31 March 2014	Cases detected during 2014-15	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2015
				Number of cases	Amount of demand (in crore)	
Taxes on sales, trade etc.	33	64	97	63	1.14	34

The figures furnished by the Department differ from those reported as balance in previous year. The reason for difference, though called for (September 2015), has not been received (October 2015). The net effect of completion of assessment and investigation was a demand of ` 1.14 crore, which is a negligible fraction of taxes collected viz ` 9,267 crore, which reflects inadequacy of the investigative mechanism of the department.

1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of 2014-15, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2014-15 as reported by the Department is given in the **Table – 1.5**.

Table – 1.5
Details of pendency of refund cases

(₹ in lakh)

Sl. No.	Particulars	VAT/Taxes and Duties on Electricity	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	503	2,132.96
2.	Claims received during the year	18	648.61
3.	Refunds made during the year	16	359.21
4.	Balance outstanding at the end of the year	505	2,422.36
5.	Interest paid due to belated refunds	NIL	NIL

Source: Information furnished by the Commercial Taxes Department.

The figures furnished by the Department differ from those reported as balance in previous year. The reason for difference, though called for (September 2015), has not been received (October 2015). Jharkhand VAT Act provides for payment of interest, at the rate of six *per cent* per annum, if the excess amount is not refunded to the dealer pending beyond ninety days of the application claiming refund in pursuance to such order till the date on which the refund is granted.

The progress in disposal of the refund cases of Sales Tax/VAT was slow as compared to claims received and is vulnerable to payment of interest.

1.6 Response of the Departments/Government towards Audit

We conduct periodical inspections of the Government Departments to test check the transactions and verify the maintenance of the 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 reply to us 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.

We reviewed the IRs issued upto December 2014 and found that 8,677 paragraphs involving ₹ 13,276.85 crore relating to 1,065 IRs remained outstanding at the end of June 2015 as mentioned below alongwith the corresponding figures for the preceding two years in **Table - 1.6**.

Table - 1.6
Details of pending Inspection Reports

(₹ in crore)

	June 2013	June 2014	June 2015
Number of outstanding IRs	994	977	1,065
Number of outstanding audit observations	6,945	8,127	8,677
Amount involved	10,977.96	12,704.36	13,276.85

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2015 and the amounts involved are mentioned in the **Table - 1.6.1**.

Table - 1.6.1
Department-wise details of Inspection Reports

(` in crore)					
Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Taxes	Taxes on Sales, Trade etc.	235	4,289	4,349.41
		Entry Tax	41	96	24.40
		Electricity Duty	21	67	87.98
		Entertainment Tax etc.	10	10	0.53
2	Excise and Prohibition	State Excise	139	716	622.68
3	Revenue and Land Reforms	Land Revenue	87	571	1,728.11
4	Transport	Taxes on Motor Vehicles	216	1,297	522.32
5	Registration	Stamps and Registration Fees	134	475	3,646.67
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	182	1,156	2,294.75
Total			1,065	8,677	13,276.85

Even 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 for 182 IRs issued from 2003-04 to December 2014. The quantum of revenue that is potentially recoverable as brought out in IRs of ` 13,276.85 crore can be judged from the figure of total revenue collection of the State of ` 14,684.87 crore.

We recommend that Government may institute systems for taking action against officials/officers who fail to send replies to the IRs/ paragraphs as per the prescribed time schedule abiding by the spirit of the constitutional duty of Audit.

1.6.2 Departmental audit committee meetings

The Government sets up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2014-15 and the paragraphs settled are mentioned in the **Table - 1.6.2**.

Table - 1.6.2
Details of departmental audit committee meetings

(` in lakh)			
Heads of revenue	Number of meetings held	Number of paragraphs settled	Amount
Taxes on Sales, Trade etc.	2	64	2,347.85
Stamps and Registration Fees	1	7	0
State Excise	1	24	1,198.92
Taxes on Vehicles	2	41	2,333.78
Land Revenue	2	36	5,00.14
Non-ferrous Mining and Metallurgical Industries	2	111	11,109.10
Total	10	283	22,389.79

The progress of settlement of paragraphs pertaining to the Transport Department and Commercial Taxes Department was negligible as compared to the huge pendency of the IRs and paragraphs.

1.6.3 Non-production of records to Audit for scrutiny

The programme for local audit of tax/non-tax receipts offices is drawn up sufficiently in advance and intimations are issued, usually one month before commencement of audit, to the Department to enable them to keep the relevant records ready for audit scrutiny.

During 2014-15, 256 records relating to 17 offices of four Departments (Commercial Taxes, Transport, Revenue and Land Reforms and Registration Departments) were not made available to us for audit. The office-wise break-up of such cases is given in the **Table – 1.6.3**.

Table – 1.6.3
Details of non-production of records

Name of Office	Number of assessment cases/ records not produced to audit
Dy. Commissioner of Commercial Taxes, Katras	36
Dy. Commissioner of Commercial Taxes, Godda	14
District Transport Officer, Dumka	1
Dy. Collector Land Reforms (DCLR), Khunti	3
Circle Office , Arki	27
Circle Office, Bansjor	2
Circle Office, Bolba	4
Circle Office, Karra	27
Circle Office, Kersai	5
Circle Office, Khunti	27
Circle Office, Kolebira	7
Circle Office, Kurdeg	7
Circle Office, Murhu	27
Circle Office, Rania	27
Circle Office, Thetaitangar	11
Circle Office, Torpa	27
District Sub-Registrar, Godda	4
Total	256

1.6.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Accountant General (AG) to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Forty six draft paragraphs (clubbed into 30 paragraphs) and two performance audits were sent to the Principal Secretaries/Secretaries of the respective Departments by name between May and July 2015. The Principal Secretaries/Secretaries of the Departments did not send replies to 12 draft

paragraphs despite issue of reminders (between July and August 2015) and the same have been included in this Report without the response of the Departments.

1.6.5 Follow up on Audit Reports – summarised position

The internal working system on the Public Accounts Committee (PAC), notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Audit Reports were delayed inordinately. 138 paragraphs (including performance audit) included in the Audit Report of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Jharkhand for the years ended 31 March 2010, 2011, 2012, 2013 and 2014 were placed before the State Legislature Assembly between August 2011 and March 2015. The explanatory notes from the concerned Departments on these paragraphs were received late with average delay of three months. Explanatory notes in respect of 91 paragraphs from the departments which had not been received are mentioned in the **Table – 1.6.5**.

Table - 1.6.5

Sl. No.	Audit Report ending on	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs where explanatory notes received	No. of paragraphs where explanatory notes not received
1	31 March 2010	29.08.2011	26	10	16
2	31 March 2011	06.09.2012	32	26	06
3	31 March 2012	27.07.2013	25	1	24
4	31 March 2013	04.03.2014	27	0	27
5	31 March 2014	26.03.2015	28	10	18
Total			138	47	91

The PAC discussed 43 selected paragraphs pertaining to the Audit Reports for the year 2009-10 to 2013-14 and gave its recommendations on one paragraph pertaining to Mines and Geology Department incorporated in the Report (2009-10). However, ATNs has not been received from the Department in respect of recommendations of the PAC since the creation of the State in November 2000.

1.7 Analysis of mechanism for dealing with 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 performance audit included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 and 1.7.2 discuss the performance of the **Commercial Taxes Department** under revenue head **Taxes on Sales, Trade etc.** and cases detected in the course of local audit conducted during the last ten years and also the cases included in the Audit Reports for the year 2005-06 to 2014-15.

1.7.1 Position of Inspection Reports

The summarised position of inspection reports issued during 2005-06 to 2014-15 in respect of the **Commercial Taxes Department** in respect of revenue head Taxes on Sales, Trade etc., paragraphs included in these reports and their status as on 31 March 2015 are tabulated in below **Table-1.7.1**.

Table - 1.7.1
Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IR	Para-graphs	Money value	IR	Para-graphs	Money value	IR	Para-graphs	Money value	IR	Para-graphs	Money value
2005-06	504	6,688	825.50	24	384	233.09	0	107	2.59	528	6,965	1,056.01
2006-07	528	6,965	1,056.01	13	244	166.89	0	59	0.82	541	7,150	1,222.08
2007-08	541	7,150	1,222.08	23	438	221.28	0	26	2.11	564	7,562	1,441.25
2008-09	564	7,562	1,441.25	21	432	330.64	121	1,589	61.79	464	6,405	1,710.10
2009-10	464	6,405	1,710.10	16	397	580.67	122	1,401	174.46	358	5,401	2,116.30
2010-11	358	5,401	2,116.30	31	596	428.41	72	1,360	242.16	317	4,637	2,302.55
2011-12	317	4,637	2,302.55	16	528	759.49	173	2,039	330.45	160	3,126	2,731.59
2012-13	160	3,126	2,731.59	27	632	510.61	1	94	7.30	186	3,664	3,234.21
2013-14	186	3,664	3,234.21	22	484	743.89	3	199	42.94	205	3,949	3,935.17
2014-15	205	3,949	3,935.17	25	344	276.91	2	201	59.26	228	4,092	4,152.82

During the period 2005-06 to 2014-15, 218 IRs containing 4,479 paragraphs were issued with financial implication of ` 4,251.88 crore. At the same time 494 IRs involving 7,075 paragraphs with monetary value of ` 924.56 crore were settled by conducting audit committee meetings with the Department and through regular interactions with them. At present, 228 IRs containing 4,092 paragraphs with monetary value of ` 4,152.82 crore are pending for settlement, of which 98 IRs containing 1,736 paragraphs having money value of ` 1,558.47 crore are more than five years old (between 2005-06 and 2009-10).

1.7.2 Recovery of accepted cases

The position of paragraphs accepted by the Department and the amount recovered are mentioned in **Table - 1.7.2**.

Table - 1.7.2
Recovery of accepted cases

(₹ in crore)

Year of Audit Report	Number of paragraph included	Money value of the paragraphs	Number of paragraph accepted	Money value of accepted paragraphs	Amount recovered
2004-05	9	47.34	0	0	NA
2005-06	1	375.50	0	0	NA
2006-07	13	338.59	3	286.15	NA
2007-08	16	294.95	16	294.95	NA
2008-09	16	199.13	14	115.13	NA
2009-10	9	208.10	4	118.42	0.96
2010-11	10	320.19	8	307.56	4.42
2011-12	8	224.20	6	104.67	2.27
2012-13	9	304.67	5	290.11	10.07
2013-14	9	741.05	5	705.64	8.50

The Department did not intimate the recovery made against accepted paragraphs for Audit Reports from 2004-05 to 2008-09. It is evident from the above table that the progress of recovery for rest of the years from 2009-10 to 2013-14 in accepted cases was negligible between 1.14 *per cent* and 3.47 *per cent*. The recovery of accepted cases should be pursued as arrears are recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put up in place by the Department/Government.

We recommend that the Department may take immediate action to pursue and monitor the recovery of accepted cases. The pending recovery of accepted cases may be allocated personally to the respective officers, since full seriousness needs to be directed towards protecting the revenue of the State.

1.7.3 Action taken on the recommendations accepted by the Departments/Government

The draft performance audits conducted by us were forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These performance audits were also discussed in an exit conference and Departments/Government's views were included while finalising the performance audit for the Audit Reports.

The following PA on Commercial Taxes Department in respect of revenue head Taxes on Sales, Trade etc. featured in Audit Reports in the last five years. The details of recommendations and their status are given in **Table – 1.7.3**.

Table – 1.7.3

Year of Audit Report	Name of Performance Audits	Recommendations
2010-11	Utilisation of declaration forms in inter-State trade of commerce	To standardize formats for stock register/ledger of central declaration forms for the circles and ensure issue of forms chronologically;
		To strengthen Tax Audit Wing, function of IB for regular survey, collection of data/information regarding purchase, sale and creation of database from departments and under takings of State/Central Government for cross-verification of transactions;
		Uploading of data of dealers and forms issued to them along with a system of verification of forms submitted by them with the database available in TINXSYS at the time of assessment; and
		To spell out a definite timeframe to switchover from manual system to online system after getting the departmental website and data-centre certified.
2013-14	Assessment, levy and collection of tax on works/supplies contracts	Issuing directions to the Department for speedy settlement of the arrear cases by constant monitoring and recovering the arrears as arrears of land revenue by invoking provisions of the Bihar and Orissa Public Demands Recovery Act, 1914;

Table – 1.7.3

Year of Audit Report	Name of Performance Audits	Recommendations
		ensuring conduct of regular market surveys, inter/intra departmental cross verification of data/records and instituting other suitable measures for registration of works/supplies contractors;
		Instituting a system of cross verification of payments received by the sub-contractors from the assessment records of main contractor within the department on regular basis;
		Issuing appropriate directions to the public/private sector undertakings/board/corporation desisting from entering into splitting up of contracts whereby the supply of equipment was treated as transit sale leading to avoidance of tax;
		Instituting a mechanism for monitoring of TDS collection and their remittances to the treasury through returns by issuing a unique identification number to contractee/main contractor
		Ensuring periodical audit by the VAT Audit Wing and determine criteria for selection of records of such sub contractors who had received payments from registered big contractors; and
		Strengthening the functions of IB for regular collection of data/information regarding transactions of works contractors and creation of database from departments and undertakings of State/Central Government and other big undertakings for cross-verification of transactions.

Out of these recommendations, information about implementation of recommendations had not been furnished by the Department.

We recommend that the Government may consider taking suitable steps to monitor the action to be taken/action taken on assurances given by them against our recommendations included in the performance audits during exit conferences.

1.8 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 the 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 the past five years etc. During the year 2014-15, the audit universe comprised of 505 auditable units, of which 114 units were planned and audited. The details are mentioned in **Table - 1.8.**

Table - 1.8
Audit Planning

Sl. No.	Principal Head	Total no. of units	Units planed for audit	Units audited during 2014-15
1	Taxes on Sales, Trade etc.	46	26	26
2	Taxes on Vehicles	27	17	17
3	Stamps and Registration Fees	46	14	14
4	State Excise	23	18	18
5	Land Revenue	307	20	20
6	Non-ferrous Mining and Metallurgical Industries	50	18	18
7	Jharkhand State Mineral Development Corporation	5	00	00
8	Jharkhand State Beverage Corporation Ltd.	1	01	01
Total		505	114	114

Besides the compliance audits mentioned above, two performance audits of “**System of assessment under VAT**” and “**Working of Transport Department with emphasis on compliance with pollution standards**” were also taken up to examine the efficacy of the tax administration of these receipts.

1.9 Results of audit

Position of local audit conducted during the year

Test check of the records of 114 units relating to Taxes on Trade etc. , State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Taxes and Duties on Electricity and Mines Receipts conducted during the year 2014-15 revealed under-assessment/short levy/loss of revenue aggregating ` 1,219.56 crore in 6,699 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ` 687.47 crore in 4,052 cases pointed out by us, of which ` 684.42 crore involved in 4,016 cases were pointed out during 2014-15 and the rest in the earlier year. The Departments effected recovery of ` 3.37 crore in 340 cases in 2014-15.

1.10 Coverage of this Report

This report contains 30 paragraphs selected from audit detections made during local audits referred to above and during earlier years, which could not be included in earlier reports and two Performance Audits of “**System of assessment under VAT**” and “**Working of Transport Department with emphasis on compliance with pollution standards**”, involving financial effect of ` 1,049.00 crore out of which ` 1,026.48 crore is recoverable.

The Department/Government have accepted audit observations involving ` 672.01 crore including avoidable notional loss of ` 22.52 crore and recovered ` 3.18 crore. The replies in the remaining cases have not been received (October 2015). These are discussed in succeeding Chapters II to VI.