

Chapter-I

Revenue Sector

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Revenue Sector

1.1 Introduction

1.1.1 Trend of revenue receipts

1.1.1.1 The tax and non-tax revenue raised by the Government of National Capital Territory of Delhi (GNCTD) during the year 2014-15, the State’s share of net proceeds of divisible Union taxes and duties assigned to the State 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**.

Table: 1.1
Trend of revenue receipts

(₹ in crore)						
Sl.No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Revenue raised by the State Government					
	Tax revenue	16477.75	19971.67	23431.52	25918.69	26603.90
	Non-tax revenue	4188.95	460.87	626.93	659.14	632.55
	Total	20666.70	20432.54	24058.45	26577.83	27236.45
2.	Receipts from the Government of India					
	Grants-in-aid	4357.40	1960.64	1502.52	1402.86	2348.14
3.	Total revenue receipts of the State Government (1 and 2)	25024.10	22393.18	25560.97	27980.69	29584.59
4.	Percentage of 1 to 3	83	91	94	95	92

Source: Pay and Accounts Office Delhi Govt.

As brought out above, the revenue raised by the NCT of Delhi (₹ 27,236.45 crore) during the year 2014-15 was 92 *per cent* of the total revenue receipts. The balance eight *per cent* of the receipts during 2014-15 was Grants-in-aid from the Government of India.

1.1.1.2 The details of tax revenue raised during the period 2010-11 to 2014-15 are given in **Table 1.2**.

Table 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	
		BE ¹	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual over BE for 2014-15	Actual of 2014-15 over 2013-14
1	Taxes on sales, trade etc.	12600.00	12068.62	14000.00	13750.95	16500.00	15803.68	18200.00	17925.71	19000.00	18289.31	(-)3.74	(+)2.03
2	State Excise	2000.00	2027.09	2400.00	2533.72	3000.00	2869.74	3200.00	3151.63	3550.00	3422.39	(-)3.59	(+)8.59
3	Stamp Duty	1399.97	1355.75	2399.97	2240.25	3799.97	3098.06	3799.98	2969.07	2938.15	2779.88	(-)5.39	(-)6.37
4	Motor Vehicles Tax	650.00	707.55	950.00	1049.19	1370.00	1240.18	1400.00	1409.27	1600.00	1558.83	(-)2.57	(+)10.61
5	Others	311.00	318.71	378.00	397.54	487.00	419.84	475.00	463.00	520.00	491.70	(-)5.44	(+)6.20
6	Land revenue	0.03	0.02	0.03	0.01	0.03	0.01	0.02	0.01	61.85	61.79	(-)0.10	(+)617800
Total		16961.00	16477.74	20128.00	19971.66	25157.00	23431.51	27075.00	25918.69	27670.00	26603.90		

Source: Finance Accounts

The above table shows that actual receipts for the year 2014-15, under the Head Stamp Duty decreased by 5.39 *per cent* over Budget Estimates. The actual receipts for the year 2014-15 under the Head, ‘Land Revenue’ increased from ₹ 0.01 crore to ₹ 61.79 crore while Stamp Duty decreased from ₹ 2,969.07 crore to ₹ 2,779.88 crore over the previous year.

Revenue Department stated (January 2016) that decrease in revenue collection was due to revised Court Fees by the Hon’ble High Court of Delhi, slump in economy, high interest rates, rising cost of properties and availability of affordable properties in the peripheral area of National Capital Region. Revenue receipt under the Head, ‘Land Revenue’ increased due to allotment of 90.50 acre land to Delhi State Industrial and Infrastructure Development Corporation (DSIIDC).

1.1.1.3 The details of the non-tax revenue raised during the period 2010-11 to 2014-15 are indicated in **Table 1.3**.

Table 1.3
Details of Non-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	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual over BE for 2014-15	Actual of 2014-15 over 2013-14
1	Interest receipts	3918.17	3869.84	369.81	174.14	473.54	340.03	754.50	379.35	604.00	350.52	(-)41.97	(-)7.60
2	Medical and Public Health	26.50	36.28	41.00	47.56	44.24	54.32	65.00	63.05	73.00	58.20	(-)20.27	(-)7.69
3	Public Works	15.50	15.64	20.00	26.15	23.10	25.55	20.00	18.59	17.50	14.74	(-)15.77	(-)20.71
4	Power	17.00	11.53	15.00	12.12	14.00	9.93	22.01	18.46	24.01	16.38	(-)31.78	(-)11.27
5	Other administrative services	57.50	71.95	78.00	92.93	91.00	95.60	115.00	91.04	112.17	98.91	(-)11.82	(+)8.64
6	Other Non-tax receipts	188.00	183.71	116.66	107.97	123.66	101.50	111.42	88.65	133.32	93.79	(-)29.65	(+)5.80
Total		4222.67	4188.95	640.47	460.87	769.54	626.93	1087.93	659.14	964.00	632.54		

Source: Finance Accounts

¹Budget Estimates

Table 1.3 shows that actual receipts for the year 2014-15 decreased between 11.82 and 41.97 *per cent* over Budget Estimates. The actual receipts under the Heads of Public Works and Power for the year 2014-15 decreased by 20.71 *per cent* and 11.27 *per cent* respectively over the previous year.

Reasons for variations were not furnished by the Department.

1.1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 under some principal heads of revenue amounted to ₹ 20,130.71 crore of which ₹ 9,534.19 crore was outstanding for more than five years as detailed in the **Table 1.4**.

Table 1.4
Arrears of revenue

(₹ in crore)				
Sl. No.	Head of revenue	Total 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.	20039.34	9531.13	Reasons for arrear of revenue not furnished by the department.
2.	State Excise, Entertainment and Luxury	91.37	3.06	Department informed that recovery and execution of Arbitrator award will be taken up with Hon'ble High Court after ascertaining the assets and bank account etc. of the defaulting licensee.
Total		20130.71	9534.19	

1.1.3 Arrears in assessments

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 Department of Trade and Taxes and Department of State Excise, Entertainment and Luxury, are as given in **Table 1.5**.

Table 1.5
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2014-15	Total assessments due	Cases disposed of during 2014-15	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Taxes on sales, trade etc.	100	478337	478437	478380	57	99.99
State excise, Entertainment and Luxury	1841	811	2652	1191	1461	44.91

Source: Department of Trade & Taxes, State Excise, Entertainment & Luxury

It would be seen from above that percentage of disposal of assessment cases was as low as 44.91 *per cent* in respect of Department of State Excise, Entertainment and Luxury Tax.

1.1.4 Evasion of tax detected by the department

During 2014-15, the Enforcement Branch (Department of Trade and Taxes) conducted 1,308 surveys, and realised ₹ 313.21 crore against a demand of ₹ 490.90 crore.

1.1.5 Details of pendency of refund cases

The number of refund cases pending at the beginning of the year 2014-15, claims received during the year, refunds allowed during the year and the cases pending at the end of 2014-15 as reported by Department of Trade and Taxes are given in Table 1.6.

Table 1.6
Details of pendency of refund cases

Sl. No.	Particulars	(₹ in crore)		
		Sales Tax/VAT		Interest Paid
		No. of cases	Amount	Amount
1	Claims outstanding at the beginning of the year	18714	479.27	-
2	Claims received during the year	95164	141.69	-
3	Total claims	113878	620.96	-
4	Refunds made during the year	11541	291.07	0.002
5	Percentage of refunds to the total claims	10.13%	46.87%	-
6	Balance outstanding at the end of year	102337	329.89	-

Section 42 of Delhi Value Added Tax Act (DVAT Act), provides for payment of interest, at annual rate notified by government, if the excess amount is not refunded to the dealer within 60 days from the date of the order. However, Audit noticed that the progress of disposal of the refund cases of Sales Tax/VAT was only 10.13 *per cent* as compared to claims received. Not refunding the claims within the stipulated period may attract the provisions for payment of interest.

1.1.6 Response of the Government/Departments to Audit

The Principal Accountant General (Audit), Delhi (PAG) conducts periodical inspection of the government departments to test check the transactions and verify the maintenance of accounts and other records as prescribed in the rules and procedures. These inspections are followed up through 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 to the PAG within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

The summarised position of the Inspection Reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2015 are tabulated in the **Table 1.7**.

Table 1.7
Position of Inspection Reports

(₹ in crore)													
Sl. No.	Year	Opening Balance			Addition 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
1.	2005-06	570	4789	1028.78	81	1377	399.89	227	1916	174.95	424	4250	1253.72
2.	2006-07	424	4250	1253.72	64	880	320.51	265	2548	543.25	223	2582	1030.98
3.	2007-08	223	2582	1030.98	62	1329	1077.42	79	1266	349.89	206	2645	1758.51
4.	2008-09	206	2645	1758.51	89	2265	1748.24	6	429	413.39	289	4481	3093.36
5.	2009-10	289	4481	3093.36	108	2972	2900.71	11	301	218.47	386	7152	5775.60
6.	2010-11	386	7152	5775.60	54	2009	1831.89	85	564	434.09	355	8597	7173.40
7.	2011-12	355	8597	7173.40	96	2204	3079.27	24	657	394.02	427	10144	9858.65
8.	2012-13	427	10144	9858.65	104	1610	1209.64	62	520	571.99	469	11234	10496.31
9.	2013-14	469	11234	10496.31	92	790	1099.45	3	83	-	558	11941	11595.76
10.	2014-15	558	11941	11595.76	76	506	159.57	15	159	7.40	619	12288	11747.93

It is evident from the above table that at the beginning of 2005-06 there were 4,789 paras involving an amount of ₹ 1,028.78 crore but at the end of year 2014-15, number of paras increased to 12,288 involving money value of ₹ 11,747.93 crore which indicates that the Department did not take adequate steps to settle the outstanding paragraphs.

1.1.6.1 Departmental Audit Committee Meetings

The Government set up Audit Committees to monitor and expedite the progress of settlement of audit paragraphs in the IRs. However, no Audit Committee meeting was held with the Department of Trade and Taxes during the year 2014-15. It is recommended that the Government may hold periodical meetings and take concrete steps to clear outstanding paragraphs.

1.1.6.2 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

The Department of Trade and Taxes did not provide 3,191 assessment files/cases out of 7,091 files/cases, (45 *per cent*) during the year 2014-15. Consequently the revenue involved in these cases could not be ascertained. For the Performance Audit on ‘System of Assessment under Value Added Tax’, 1,938 assessed cases were requisitioned during the period 2013-14 and 2014-15. However, only 477 cases (25 *per cent*) were furnished to audit by the Department.

1.1.6.3 Response of the Department to the Performance Audit

The Performance Audit proposed for inclusion in the Report of the Comptroller and Auditor General of India was forwarded by the PAG to the Principal Secretary, Finance, GNCTD and Commissioner, Trade and Taxes, GNCTD requesting them to send their responses within six weeks in January 2016. The Department’s replies have been received and suitably incorporated in the Audit Report.

1.1.6.4 Follow up on Audit Reports – summarized position

The internal working system of the Public Accounts Committee lays down that after presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, Departments shall initiate action on the audit paragraphs and the action taken 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 action taken notes on the Reports were delayed in respect of 50 paragraphs and six performance audits included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of NCT of Delhi for the years ended 31 March 2010, 2011, 2012, 2013 and 2014, placed before the State Legislature Assembly between March 2011 and June 2015. The action taken notes from the concerned Departments were received late with the average delay of six months in respect of each of these Audit Reports. Action taken notes in respect of 30 paragraphs and two performance audits (PAs) from the departments had not been received in respect of the Audit Reports for the year ended 31 March 2010, 2011, 2012, 2013 and 2014 as mentioned in the **Table 1.8**.

PAC did not discuss paragraphs pertaining to the Audit Reports (Revenue Sector) for the period 2009-10 to 2013-14.

Table 1.8
Details of paragraphs and performance audits discussed by PAC

Sl. No.	Year of Report ending 31 March	Number of Paragraphs and Performance Audits printed in Report	Number of Paragraphs and Performance Audits for which ATNs were awaited
1	2010	17+1 (PA)	12+0(PA)
2	2011	12+3 (PA)	10+1(PA)
3	2012	16+1 (PA)	3+0(PA)
4	2013	2+1 (PA)	2+1(PA)
5	2014	3+0 (PA)	3+0(PA)
Total		50+6 (PA)	30+2(PA)

1.1.7 Recovery of 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 in **Table 1.9**.

Table 1.9
Position of paragraphs included, accepted and amount recovered

Year of Audit Report	Number of Paragraphs included	Money value of the Paragraphs (₹ in crore)	Number of Paragraphs accepted	Money value accepted (₹ in crore)	Amount recovered during the year 2014-15 (₹ in crore)	Cumulative position of recovery of accepted cases as of 31 March 2015 (₹ in crore)	Percentage of recovery
2004-05	27	402.36	12	200.31	-	0.10	0.05
2005-06	20	177.85	13	18.44	-	0.06	0.33
2006-07	16	254.93	13	209.06	-	0.27	0.13
2007-08	11	945.52	7	28.17	-	0.18	0.64
2008-09	15	1729.62	7	109.00	-	0.14	0.13
2009-10	18	1764.20	5	49.36	-	0.39	0.79
2010-11	15	1479.98	4	58.00	-	0.06	0.10
2011-12	17	2363.11	1	19.14	-	1.23	6.43
2012-13	3	536.00	3	70.16	-	00	0.00
2013-14	3	98.39	3	20.83	-	00	0.00
Total	145	9751.96	68	782.47	-	2.43	0.31

It is evident from the above table that the progress of recovery, even in accepted cases was negligible. The reports for the year 2004-05 to 2013-14 contained audit findings amounting to ₹ 9,751.96 crore, out of which the observations involving money value of ₹ 782.47 crore were accepted by the Department. However, an

amount of only ₹ 2.43 crore (0.31 *per cent*) was recovered by the Department. Further, the arrear cases including accepted audit observations were not available with the Department of Trade and Taxes, State Excise, Revenue and Transport. In the absence of suitable mechanism, the Departments could not monitor the recovery of accepted cases.

The Department may initiate prompt action to pursue and monitor recovery of dues in the accepted cases.

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

The draft performance reviews conducted by the PAG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the Department's/Government's views are included while finalizing the reviews for the Audit Reports.

Eight Performance Audits (PA) were conducted and featured in the Audit Reports for the years 2008-09 to 2013-14. Audit had made 30 recommendations in the PAs. However, the concerned departments have not furnished their replies.

1.1.9 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 the audit observations and other parameters. The annual audit plan is prepared on the basis of a risk analysis which takes into account matters highlighted in the 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, factors of the tax administration, audit coverage and its impact during the past five years etc.

During the year 2014-15, there were 152 auditable units of which 74 units were planned and audited.

1.1.10 Results of audit

1.1.10.1 Position of local audit conducted during the year

Test check of the records of 74 units of the Department of Trade and Taxes, State Excise, Transport and Revenue conducted during the year 2014-15 revealed under assessment/short levy/loss of revenue and other irregularities involving

₹ 159.57 crore in 506 cases/paragraphs which fall under the following categories as given in **Table 1.10**.

Table 1.10
Category wise irregularities

Sl. No.	Categories	No. of cases/ paras	Amount (₹ in crore)
Sales Tax/Value Added Tax			
1	System of assessment on VAT (Performance Audit)	1	1.34
2	Incorrect claim of exemption/concessional rate of tax on incomplete/defective statutory forms(C and F)	40	13.21
3	Other irregularities		
	i. Duplicate/Incomplete C-Form	33	6.56
	ii. Incomplete H-Form	2	0.56
	iii. Incomplete F-Form	27	13.18
	iv. Defective EI/EII	20	77.37
	v. Incorrect claim of exemption of F forms containing multiple month transaction	3	0.33
	vi. Other (Sale of assets, Exemption on export sale, Concealment of works contract, etc.)	184	38.48
	vii. Absence of system for custody of seized goods leading to theft	1	3.83
Total		311	154.86
Motor Vehicle Tax			
1	Miscellaneous Irregularities	53	-
Total		53	-
Stamp Duty and Registration Fee and State Excise Entertainment & luxury tax			
1	Short payment of stamp duty and registration fee for Stilt parking floor not included in the instrument	10	0.15
2	Non-implementation of the rate prescribed for built up flats in buildings having more than four storied	6	1.77
3	Short payment of stamp duty and registration fee as Minimum rate not applied in case of Pvt. Builders	7	1.64
4	Other Irregularities	119	1.15
Total		142	4.71
Grand Total		506	159.57

During the course of the year, the concerned Departments accepted under assessment and other deficiencies of ₹ 1.45 crore and recovered an amount of ₹ 4.68 lakh which were pointed out in audit during 2014-15.

AUDIT OF TRANSACTIONS

TRADE AND TAXES DEPARTMENT

1.2 Performance Audit on System of Assessment under Value Added Tax

Highlights

- *One hundred and eighty one cases, each with annual Gross Turnover of ₹ 5 crore and above, (aggregated turnover ₹ 5,546.61 crore) for the years 2009-10 and 2010-11, were not scrutinised and assessed, and had become time-barred.*

(Paragraph 1.2.2.1)

- *Ineffective monitoring of demand cases led to non-realisation of government dues worth ₹ 512.05 crore, including ₹ 214.98 crore due from dealers whose registrations had been cancelled.*

(Paragraph 1.2.2.2 (i) & (iv))

- *Absence of validation checks in the system led to excess issue of statutory forms worth ₹ 14.49 crore to dealers whose registrations were cancelled. Statutory forms amounting to ₹ 56.96 crore issued to the dealers though demands of ₹ 1.16 crore were outstanding against them.*

(Paragraph 1.2.3.1 (i & iii))

- *System checks were not integrated to prevent issue of refunds to the dealers whose registrations have been cancelled and assessments were done subsequently.*

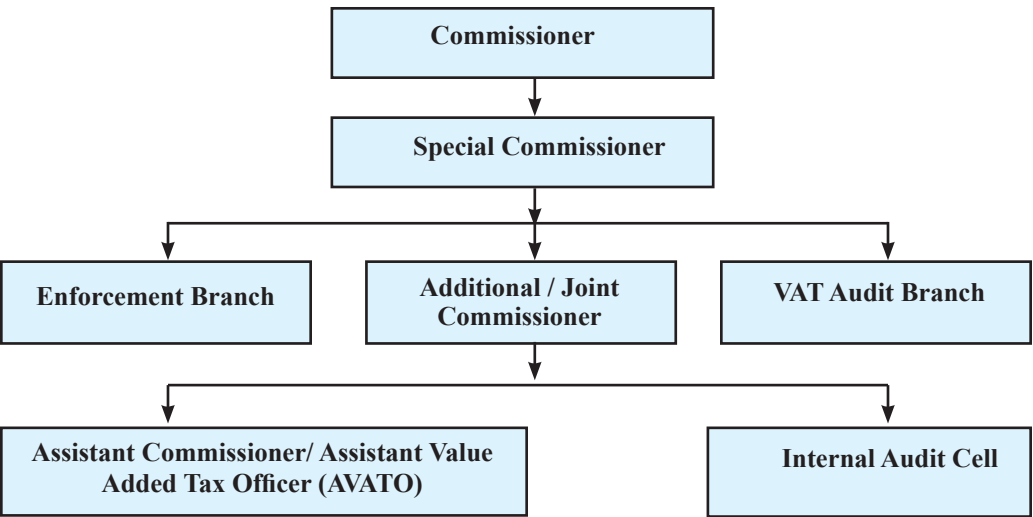
(Paragraph 1.2.3.1(vi))

1.2.1 Introduction

The Value Added Tax Act, 2004 (the Act) came into effect from 01 April 2005 in the National Capital Territory (NCT) of Delhi. Value Added Tax (VAT), a major contributor to the state revenue in Delhi, is a tax levied at each stage of the value addition chain in sale of goods and commodities with a provision of input tax credit (ITC) of tax paid at an earlier stage. The Department of Trade and Taxes, GNCTD (the Department) is responsible for assessment, levy and collection of VAT in the NCT of Delhi. The Department introduced computerised 'DVAT System' with effect from February 2007. After its introduction, tax administration functions like - filing of returns, details of sales and purchases by assessee, payment of tax, requisition and issue of statutory forms, details of statutory forms received, issue of registration certificate (RC), etc. were gradually introduced in the system. On the basis of online details filed by the assessee, the system automatically generates 'demand' involving tax, interest and penalty.

1.2.1.1 Organisational set up

The Commissioner, Trade and Taxes, is responsible for the administration of the Act and Rules framed there under. He is assisted by four Special Commissioners, 15 Additional Commissioners, three Joint Commissioners along with Assistant Commissioners. There are 114 wards, dealing with assessment, levy and collection of tax. The organizational chart is depicted below:



1.2.1.2 Audit objectives

Performance Audit was conducted to assess whether:

- criteria has been prescribed and thereafter followed for selection of cases for scrutiny and assessment;
- assessments were done according to provisions of the Act, Rules and orders; and
- there exists a system of internal control mechanism in the department.

1.2.1.3 Audit scope and methodology

According to section 34 of the Act, assessment of a particular dealer for a financial year can be done within the next four financial years. Keeping this provision in view, only those cases where assessment was completed during the period 2013-14 to 2014-15 were considered for audit appraisal. For the purpose of selecting a sample of assessment cases for examination, 114 wards of the Department were grouped into three categories², on the basis of revenue collected by each during the financial year 2013-14. Then, 11 wards³ (10 *per cent* of total 114 wards) were selected randomly, subject to minimum three wards from each

²(i) Revenue < ₹ 50 crore – total 63 wards,
(ii) Revenue ₹ 50 crore to ₹ 100 crore – total 30 wards, and
(iii) Revenue > ₹ 100 crore – total 21 wards.
³Wards - 44, 94, 101, 201 and 204 (Revenue > ₹ 100 crore), Wards- 49, 86 and 88 (Revenue ₹ 50 crore to ₹ 100 crore), and Wards - 33, 76 and 104 (Revenue < ₹ 50 crore),

category and two from the Key Customer Service (KCS) wards⁴. From each selected ward⁵, 100 assessed cases were selected. A total of 1,938 assessed cases involving Gross Turnover (GTO) of ₹ 55,741.41 crore were taken in the sample selection. This included 858 cases which were assessed by the Department during both the years 2013-14 and 2014-15, and these cases were selected to check consistency and correctness of assessment.

In addition, Audit analysed system data provided by the Department relating to dealers for three years (2012-15) for 11 selected wards, and the observations noticed are also included in the report. Audit of the selected wards was conducted during April 2015 to December 2015.

An entry conference was held with the Additional Commissioner (Audit) in the Department on 15 May 2015 to discuss audit objectives, criteria, scope and methodology. A draft report was issued to the Government in January 2016 to solicit their views on the audit findings and for confirmation of facts and figures incorporated in the draft report. An exit conference was held with the Commissioner, Trade & Taxes on 10 February 2016 to discuss the audit findings. The views of the Government/Department, wherever received, have been appropriately incorporated in the Performance Audit.

1.2.1.4 Audit criteria

The audit criteria were derived from the following sources:

- Delhi Value Added Tax Act, 2004 and Delhi Value Added Tax Rules, 2005;
- the Central Sales Tax Act, 1956 and Central Sales Tax (R&T) Rules, 1957;
- the Central Sales Tax (Delhi) Rules, 2005, and
- Orders/notifications/circulars issued by the Government from time to time.

1.2.1.5 Restriction of Scope of Audit

For the efficient working and functional requirements of the Department, proper management of complete record is essential. Proper management of records enables the Department in effective assessment, reassessment of the dealers as well as in fulfilling the statutory requirements of audit. For the performance audit, 1938 assessed cases during 2013-15 were randomly selected from 11 wards. The details of the assessed cases requisitioned and furnished by the Department are given below:

Year	Cases requisitioned	Cases furnished	Auditable cases ⁶	Percentage of auditable cases
2013-14	1080	404	278	26
2014-15	858	73	69	8
Total	1938	477	347	18

⁴There are seven KCS wards which deal with industry specific dealers who pay ₹ one crore as tax per annum. Annual revenue collection of these wards is very high.

⁵Except Ward 201 which had only 80 files.

⁶Auditable cases indicate cases where details are available in the files

It may be seen from the above table that out of 25 *per cent* assessed files produced by the Department for the period 2013-15, only 18 *per cent* files were auditable. These records were produced only after vigorous perusal at all levels including Commissioner, the Principal Secretary (Finance) and the Chief Secretary. Despite these efforts, non-production of records continues to be the major constraint for conducting audit scrutiny.

The Assessing Authorities (AAs) of the selected wards stated (June 2015) that available records and files had been provided and no further records pertaining to the years 2009-14, were traceable in their wards. Reply is a confirmation of the fact that records were not maintained properly and most of the assessed records are untraceable. In view of non-furnishing of records, Audit was constrained to scrutinize only 26 *per cent* and 8 *per cent* of the selected assessed cases for the year 2013-14 and 2014-15 respectively. The Department in the exit conference (February 2016) stated that necessary steps are being taken to make available the records requisitioned by audit.

Audit findings

1.2.2 Deficiencies in tax administration

The Department carries out assessment, levies and collects tax from assesseees under the relevant provisions of the Act and Rules (**Appendix 1**). Audit observed that the Department lacked a well-defined, effective and efficient system of tax administration at the macro level to optimise tax generation and actual revenue collection. Audit observations highlighting management deficiencies are enumerated in the succeeding paragraphs.

1.2.2.1 Non-compliance of departmental instructions

The return submitted by a dealer depicts details of local sale and purchase, central sale and purchases done during a particular tax period. As such, scrutiny of returns provides primary information about the commercial activities of the assesseees and is the first step towards assessment and levy of tax. To have a check on the activities of the dealers and to maximize collection of revenue, Department issued a circular⁷ on 14 July 2010, requiring Ward Officers to scrutinize a prescribed fraction of returns filed by dealers, based on their GTO. As per the circular, returns were to be scrutinized as shown in **Table 1.2.2**.

Table 1.2.2
Returns to be scrutinised as per Circular of July 2010

Sl. No.	Returns with annual GTO	Percentage of returns to be scrutinised
1.	more than ₹ 5 crore.	100
2.	between ₹ 2 crore to ₹ 5 crore.	50
3.	between ₹ 1 crore to ₹ 2 crore.	25
4.	below ₹ 1 crore.	2

⁷Circular No. 08 of 2010-11, dated 14 July 2010.

Audit called for details of returns scrutinized in compliance of instructions contained in the circular of July 2010. In response, Ward Officers of all selected wards stated (June and July 2015) that no such information was available/maintained in the wards. In the absence of such information, audit could not draw any assurance as to compliance with the departmental instructions and scrutiny of the stipulated number of returns. This highlights the risk of non-detection of tax evasion by AA.

According to system data provided to Audit, the number of dealers with annual GTO of more than ₹ 5 crore in the selected 11 wards was 1,261 during 2009-10 and 1,480 during 2010-11. As per the instructions, all these cases should have been scrutinised and assessed by Ward Officers. However, analysis of system data showed that 96 cases (aggregated GTO ₹ 2,225.95 crore) of 2009-10 and 85 cases (aggregated GTO ₹ 3,320.66 crore) of 2010-11, were not scrutinised and assessed (**Annexure 1.1**). Thus, 181 cases involving GTO of ₹ 5,546.61 crore escaped assessment and became time-barred after 31 March 2015, as per the provisions of the Act.

The Department stated (February 2016) that it had started the process of checking of mismatch of Annexure 2A and 2B⁸ through the system for local sale and purchase and in case of any mismatch detected, further scrutiny and assessment of the dealers will be done.

Further analysis of system data showed that in 15 of 181 cases, dealers made interstate sales of ₹ 7.24 crore and ₹ 8.66 crore against 'C' and 'F' Forms respectively, during 2009-10. However, they did not upload details of statutory forms in column R-10 of Form-1 in the system as directed by the Department. As the Ward Officers failed in scrutinising and assessing these cases, the possibilities of non-realisation of revenue to the extent of ₹ 59 lakh based on applicable rate of tax could not be ruled out.

There was no inbuilt mechanism in the system for timely detection and reporting on non-assessed cases before they become time-barred.

The Department stated (February 2016) that to address this issue, Form-9 has been prescribed in which the dealers are required to submit the details of all statutory forms pertaining to inter-state sales. Further, the system will show all the cases where deficient statutory forms have been received and the concerned ward incharges can frame assessment. The same has also been done for the year 2011-12 and 2012-13.

Audit noted that Form-9 was introduced in March 2014 whereas the observation pertains to the period 2009-10. Further, in one case, the department stated that the case was assessed manually on 3 March 2011 while the department had issued instructions (March 2007) that no assessment order would be passed manually.

⁸Annexure 2A and 2B shows the details of purchase and sale made by a dealer in a particular tax period, which is filed electronically by the dealer w.e.f. May 2012.

Moreover, in the assessment order, the assessing officer had not given the details of statutory forms received against the sale shown in the returns. Further, in the similar case (paragraph no. 2.3.3) printed in the CAG's Audit Report No.1 of the year 2014 (GNCT of Delhi), the Objection Hearing Authority (OHA) rejected the demand which was created on assessment orders passed manually by the Department.

1.2.2.2 Ineffective monitoring system of pending demand cases

(i) Outstanding demand in assessed cases: Under the provisions of the Act, where an amount of tax has been assessed under sections 32 and/or 33 of the DVAT Act and under section 9(2) of the CST Act, the person is required either to pay the additional tax and interest on or before the date specified in the notice of assessment for payment or file an objection within two months of the date of service of the assessment order, extendable up to a further period of two months. In the cases, where the concerned person has neither paid the amount due nor preferred an objection, the Commissioner may serve upon the defaulter 'recovery certificate' specifying the amount of such tax, interest or penalty or other amount due from the dealer. Further, as per section 74 of the DVAT Act, an objection filed by a dealer against an assessment order, is either accepted or refused within three months, extendable upto five months, after the receipt of the objection by the OHA.

To ascertain the efficiency of the monitoring system and control over demands generated on the basis of assessment, Audit selected 2,249 out of 22,078 demand cases having tax effect of ₹ 540.94 crore, which were raised between April 2011 and March 2014. As per information provided by selected wards (June to August 2015 and February 2016), 1,897 out of 2,249 selected cases, having tax effect of ₹ 512.05 crore were pending (**Annexure 1.2**). During exit conference (February 2016), department agreed and stated that a special recovery cell is being set up to monitor such cases.

(ii) Outstanding objection cases: It was observed that 993 out of 1,897 pending demand cases, pertained to seven selected wards⁹. These seven wards informed (June to August 2015) that dealers filed objections with the OHAs in 164 cases involving demands of ₹ 79.92 crore, though, exact dates of filing objections, were not provided. As Audit selected demand cases which were raised between April 2011 and March 2014, going by the time limit of four months (including extension of two months), these objections must have been filed on or before 31 July 2014. However, Audit observed that all these 164 objection cases were pending with OHAs (November 2015), though they were required either to accept or refuse the objections within five months of their receipt. Amount of objections in these cases ranged between ₹ 0.10 lakh and ₹ 22.61 crore, on which OHAs had

⁹Ward-44, 49, 86, 88, 104, 201 and 204

not taken any decision, despite a delay of over 16 months. Ward-wise details of objection cases are given in **Annexure 1.2**.

The Department stated (February 2016) that action is being taken to dispose of the pending cases in a time bound manner and progress of such disposal is being reviewed on a weekly basis at the level of Commissioner (Trade & Taxes).

(iii) Non-levy of interest on delayed payment of demands: Section 42(2) of the DVAT Act stipulates that when a person is in default in making the payment of any tax, penalty or other amount due under the Act, he shall, in addition to the amount assessed, be liable to pay simple interest on such amount at the annual rate notified by the Government from time to time, computed on a daily basis, from the date of such default. Audit scrutiny of information provided by five wards¹⁰ showed that in 37 demand cases, the additional tax payable was deposited by dealers after the due date of payment. The extent of delay ranged between 2 and 973 days. However, the Department did not levy interest on late deposit of tax. This was irregular and led to non-recovery of revenue of ₹ 6.89 lakh.

On this being pointed out, the Department recovered (June to September 2015) interest of ₹ 1.95 lakh in four cases on account of delayed payment of demand. However, the balance amount of ₹ 4.94 lakh was yet to be recovered from the dealers. This only indicated that there was no monitoring of timely receipt of demand and levy of interest on delayed payment.

The Department stated (February 2016) that instructions are being issued at the ward officer level to monitor the interest due on delayed payments.

(iv) Pending demands against dealers whose registration is cancelled

Section 22 (9) of DVAT Act states - 'the cancellation of registration shall not affect the liability of any person to pay tax due for any period and unpaid as on the date of such cancellation or which is assessed thereafter, notwithstanding that he is not otherwise liable to pay tax under this Act'. Audit observed that registration of 128 dealers was cancelled between March 2009 and May 2015, whose assessments were done during the period April 2011 to March 2014. However, demand amounting to ₹ 214.98 crore was outstanding against these dealers as of September 2015 (**Annexure 1.3**). Thus, despite lapse of a period ranging from 19 to 54 months after the assessment was done, the Department could not recover the demand created by it.

The Department stated (February 2016) that it has streamlined the process of recovery by way of publishing advertisements in newspapers, freezing and

¹⁰Ward Nos. - 44, 86, 88, 201 and 204.

attachment of bank accounts of the defaulting dealers and a special recovery cell has also been created for this purpose.

1.2.3 Computerised DVAT System

The Department implemented 'DVAT system' in February 2007 to facilitate capturing of tax related data, assist in better tax administration, introduce dealer friendly e-governance, minimize the interaction between the Department and the assesseees, and reduce transaction cost and time. Initially, filing of returns by the dealers was made online w.e.f. March 2007. At present, it is mandatory for dealers to upload details of purchase and sale in Forms 2A and 2B, and details of interstate sale including list of statutory forms 'received and under their possession' in Form-9 (column R-10 upto March 2014).

The first and foremost intent of developing a computerised system for implementation of any Act, is to ensure that all the provisions of that Act and relevant Rules are taken into consideration and necessary system checks are properly integrated. The system should be able to assure the users about its completeness, reliability and absence of system deficiencies. However, analysis of the data made available to Audit showed various deficiencies, as enumerated in the following paragraphs.

1.2.3.1 Absence of validation checks

System validation checks and input controls are crucial for efficient functioning of any computerised system. A test check of data available in the 'DVAT System' showed that validation checks and input controls integrated in the system, were insufficient. Few examples are enumerated below:

(i) Online issue of statutory forms in excess of purchase amount: Statutory forms like Form 'C', 'F', etc. are issued online to registered dealers who make interstate purchases and declare as such in their returns. Before forms are issued, certain checks like - status of the dealer, sale and purchase details, pending demands, should be inbuilt in the system, so that defaulting dealer is not able to download statutory forms.

(a) However, data analysis showed that a dealer¹¹, registered on 27 February 2013, declared interstate purchase of ₹ 50 lakh against Form 'C', for the tax period 1 April to 30 June 2013 in his return, filed on 9 July 2013. Against this, the dealer downloaded 'C' Forms amounting to ₹ 5.15 crore on 14 July 2013. Therefore, 'C' Forms amounting to ₹ 4.65 crore were issued in excess of the declared amount of interstate purchase. Further analysis showed that Registration Certificate (RC)

¹¹Taxpayer Identification Number - TIN – 07050468906, Ward-101.

of the said dealer was cancelled on 12 May 2014. Audit scrutiny of his original and subsequent revised returns (filed upto 31 March 2015) for the tax period 2013-14, showed that the dealer neither made any local sale and purchase, nor did he sell any item through interstate sale. The only transaction made by the dealer was purchase of items (branch transfer) worth ₹ 6 crore against 'F' Forms. However, the Department failed to detect the irregularity and take action against the dealer who was issued 'C' and 'F' Forms worth ₹ 11.15 crore.

(b) The registration of a dealer¹² was cancelled on 01 January 2014, who declared interstate purchases of ₹ 50,000 and ₹ 20,000 against 'C' and 'F' Forms respectively for the year 2013-14. However, Audit observed that the dealer downloaded 'C' Forms of ₹ 1.28 crore and 'F' Forms of ₹ 80.03 lakh. Thus, the dealer was issued statutory forms of ₹ 2.07 crore in excess of declared interstate purchases.

(c) In another case, a dealer¹³ declared interstate purchases of ₹ 7.62 crore for the year 2009-10, against which 'F' Forms of ₹ 15.39 crore were issued to him, i.e. in excess by ₹ 7.77 crore. Audit further observed that the registration of the dealer was cancelled on 3 December 2009, but forms were issued to him on 3 February 2010 i.e. two months after his registration was cancelled.

Thus, absence of validation checks resulted in excess issue of statutory forms worth ₹ 14.49 crore. (C-Form ₹ 5.92 crore; F-Form ₹ 8.57 crore)

(ii) Acceptance of returns of dealers whose registration had been cancelled: The Department cancelled registration certificates of 14 dealers during April 2011 to October 2014. However, Audit observed that returns of these dealers were accepted by the system even after the date of cancellation of their RCs. It was evident that necessary checks had not been integrated in the DVAT system to reject online submission of returns by dealers after their registrations are cancelled.

(iii) Issue of statutory forms to dealers against whom demands were pending: Audit observed seven cases where statutory forms of ₹ 56.96 crore were issued during 2012-14, to dealers against whom demand of ₹ 1.16 crore was outstanding (Annexure 1.4).

(iv) Invalid cancellation date: Audit observed five cases where date of registration of dealers was subsequent to the date of cancellation of their registration indicative of insufficient data validation, as detailed in Table 1.2.3.

¹² TIN- 07070469089, Ward- 101.

¹³TIN- 07280333028, Ward-94.

Table 1.2.3
Registration date vis-à-vis cancellation date

Sl. No.	TIN of the dealer	Ward	Registration date	Cancellation date
1.	07410471424	76	23.03.2013	6.12.2012
2.	07560324920	88	22.01.2027	30.03.2010
3.	07480468912	94	27.02.2013	05.12.2012
4.	07260307334	94	06.10.2013	03.05.2012
5.	07210474347	94	22.03.2013	05.12.2012

(v) **Non-capturing of ward number against the dealers:** When a person is registered as a dealer, a particular ward is assigned to him, based on the area in which he conducts his business. Data analysis showed that ‘Dealers Profile’ of 14 dealers did not have this vital information in the field ‘Ward’. Instead, it showed ‘Select’, ‘Ward 0’ or ‘Super user office’. In the absence of this information, possibility of non-assessment of such dealers could not be ruled out.

(vi) **Allowance of refund to dealers whose registration had been cancelled:** Audit analysis of data revealed that refunds amounting to ₹ 13.07 lakh were allowed for the financial years 2009-10 to 2012-13 to 11 dealers whose registration was cancelled (September 2010 and October 2013). The refunds were issued to the dealers after 18 days to 26 months of cancellation of their registration. However, assessment of these dealers for financial years 2009-10 to 2012-13 was done after the refund was released, and demands of ₹ 91.03 lakh were raised, which were outstanding as of December 2015 (**Annexure 1.5**). The possibility of its recovery is remote.

The Department stated (February 2016) that corrective steps such as restricting the amount of statutory forms to be downloaded to 45 *per cent* of sale-purchase ratio, not to accept returns from cancelled dealers, restricting downloading of statutory forms by dealers against whom demand is pending and providing other necessary checks in the system, have been introduced.

1.2.4 Deficiencies in statutory forms submitted by the dealers

1.2.4.1 Allowance of concession or exemption of tax against defective forms

Sections 8(1), 8(2) and 8(4) of the CST Act, *inter-alia* stipulate that the selling dealer shall be allowed to pay tax at concessional rate of two *per cent*, if the purchasing dealer furnishes Form ‘C’ to the selling dealer, duly signed by the authorized person and complete in all respects. Rules 12(1) and 12(2) of the CST (Registration & Turnover) Rules, 1957 stipulate that a single Form ‘C’ may cover all the transactions of sale, which take place in a quarter of a financial year.

Under section 6-A of the CST Act, read with Rule 12(5) of the CST (R&T) Rules, the dealer who claims exemption from tax on account of transfer of goods to his other place of business or to his agent or principal, as the case may be, is required to furnish a declaration in Form ‘F’ containing all the prescribed particulars duly filled and signed by the principal officer of the other place of business or his agent. Otherwise, the transactions would be treated as interstate sale without forms and taxed accordingly.

Sections 5(1) and 5(4) of the CST Act and Rule 12(10) (a) of CST (R&T) Rules, *inter-alia* state that sale of goods shall be treated as export out of India, only if such goods have crossed the customs frontiers of India and the selling dealer furnishes a declaration in Form ‘H’ duly filled and signed by the exporter to whom the goods are sold.

Section 6(2) of the CST Act and Rule 7(5) of CST (Delhi) Rules *inter-alia* stipulate that where a sale of any goods occasioned the movement of such goods from one state to another and, if any subsequent sale of such goods is made during such movement (in transit) to a dealer, then it shall be exempt from tax, provided the selling dealer furnishes a certificate in Form ‘E-I/E-II’ and corresponding ‘C’ Form for the subsequent sale, to the Department.

Audit scrutiny of assessment records for the period 2009-14 in selected wards showed that in nine cases, dealers submitted statutory forms involving transactions worth ₹ 23.65 crore, which were either defective, duplicate, or contained transactions of multiple months and quarters. Also, corresponding ‘C’ Forms, in support of transit sale, were not found attached. However, the Assessing Authorities (AA) failed to detect such deficiencies in the statutory forms during assessment. The details are given in **Table 1.2.4** below:

Table 1.2.4
Allowance of irregular concession or exemption of tax

(₹ in crore)

Sl. No.	Transaction details	Number of cases	Transaction value
1.	In one ward ¹⁴ , dealers submitted defective/duplicate ‘C’ forms.	3	5.09
2.	In 3 wards ¹⁵ , dealers submitted defective/duplicate ‘F’ forms.	4	18.23
3.	A dealer ¹⁶ submitted defective ‘H’ Forms.	01	0.18
4.	A dealer ¹⁷ did not submit corresponding ‘C’ Forms against ‘E-I/E-II+C’ sale	01	0.15
Total		9	23.65

¹⁴Ward Nos. 33.

¹⁵Ward Nos.86,104 and 201.

¹⁶Ward No. 86.

¹⁷Ward No. 86.

Such procedural lapses in the statutory forms is fraught with the risk of misrepresentation of transactions made by the dealers and audit could not gain assurance as to the correctness of concession/exemption of tax given to the assessees.

The Department stated (February 2016) that if the record of the dealer is otherwise creditworthy during the past years after detailed verification of available records, the AAs accept such forms. The reply is not tenable as no details regarding the detailed verification of the transactions made against such forms by the AAs were found in the assessment records.

Similar deficiencies were also noticed in 40 assessed cases in 18 wards¹⁸ between April 2014 and March 2015 where the dealers had claimed exemption / concessional rate of tax on transfer/sale of ₹ 204.01 crore, but the claims were not supported by valid statutory forms. The Department vide its reply (January-May 2015) has accepted four cases and issued notices or letter for verification of forms to the Issuing State. Further, in four cases, the Department stated that the dealers have furnished duplicate portion of the forms on the ground that duplicate portion of the respective forms contains all the necessary information/details and was duly signed. The reply is not acceptable, as the original forms submitted by the dealers have deficiencies which could not be removed merely through confirmation letter of purchaser. These deficiencies could only be removed by the forms issuing authority. In one case, the Department's reply is not verified in audit as the amount given in the documents is not matched with the value of the forms. In the remaining cases, Department's reply is awaited as of February 2016.

1.2.4.2 Excess allowance of concessional rate of tax

A firm¹⁹ filed their returns for the year 2009-10 and 2010-11 in Ward 201. Audit scrutiny showed that the assessee declared interstate sale of ₹ 69.40 crore and ₹ 74.15 crore against Form 'C' during 2009-10 and 2010-11 respectively. The assessee submitted 1,629 and 1,803 'C' Forms of different values, and claimed concessional rate of tax on interstate sale of ₹ 67.46 crore and ₹ 74.15 crore against these forms. The assessee was allowed concessional rate of tax. However, Audit found that the actual value of these forms totalled ₹ 59.94 crore and ₹ 69.98 crore respectively. Thus, by inflating the figures of transaction value the dealer availed undue benefit of concessional rate of tax and avoided tax amounting to ₹ 23 lakh for the period 2009-11. The dealer is also liable to pay interest and penalty of ₹ 47 lakh.

The Department accepted the audit observation and stated (February 2016) that the concerned ward has already been directed to recover/realise the due amount from the dealer. The Ward Officer concerned intimated (February 2016) that re-assessment of the dealer for the year 2009-10 has been done (February 2016) and demand of ₹ 74.14 lakh (including interest and penalty) has been created.

¹⁸Ward Nos.1,53,56,62,71,83,86,87,89,91,92,95,97,98,105,202,205,206.

¹⁹TIN-07540013464, Ward-201.

1.2.5 Internal control and Enforcement

1.2.5.1 Internal Audit

Internal Audit is a vital element of good governance and is intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions.

It was observed that even though the Department has an Internal Audit Cell, it has not fixed the number of cases to be scrutinized by the Cell in a particular year. Further, Internal Audit had not scrutinized any case in the last five years. Thus, Internal Audit did not perform the intended work and severely deprived the Department of benefits of audit in taking immediate remedial measures in case of shortcomings and irregularities noticed, without waiting for them to be pointed out by any external agency or statutory authorities, at a later stage. The Department attributed (June 2015) this shortcoming to shortage of staff.

The Department stated (February 2016) that at present, the Internal Audit Cell is defunct and it is only looking after the CAG audit paras. The Department further informed that the Directorate of Audit (GNCT of Delhi) (Directorate) conducts the internal audit of the Department. However, the Department could not furnish the details of assessment cases audited by the directorate during the period 2009-15.

1.2.5.2 Enforcement system

Under Sections 59 and 60 of the DVAT Act, the Department has the power to enter business premises, search, seize and inspect the records of any dealer. This power is exercised by the Enforcement Branch of the Department. To an audit query (May 2015), the Enforcement Branch stated (January 2016) that it conducts surveys of the dealers and on the basis of such surveys, demands are raised. During 2013-14 and 2014-15, the Enforcement Branch conducted 1,508 and 1,308 surveys respectively. As a result of surveys, ₹ 166.40 crore was realised against a demand of ₹ 341.82 crore in 2013-14 and ₹ 313.21 crore against a demand of ₹ 490.90 crore in 2014-15. The Branch attributed shortfall in revenue realisation to (i) voluntary disclosure of tax deficiency and payment of tax within three days by the dealer, where penalty imposed is reduced by 80 *per cent*, and (ii) filing of objection/appeal against the survey/assessment order. Although details of surveys conducted during the period 2009-10 to 2012-13 were furnished, no data of its revenue implication was maintained by the Branch. For the period 2013-14, revenue collection was 49 *per cent* and for 2014-15, it was 64 *per cent* of the demands raised by the Enforcement Branch. Even though the revenue realisation rate improved over the last two years, the Department still needs to strengthen the process of recovery of demands raised by the Enforcement Branch.

1.2.5.3 Audit function

Under Section 58 of the DVAT Act, the Department can conduct audit of business affairs of any dealer, even after assessment. The VAT Audit Branch of the Department performs this function. The Branch informed (January 2016) that cases for audit are selected by the Screening Committee on the basis of certain criteria like non-filing of returns, amount of refund claims, carry forward of ITC of more than ₹ 5 lakh, negative turnover and tax growth, etc. It added that it did not have any mechanism to preserve the details of audits conducted, as the same are sent to the concerned wards. In the absence of such data, Audit could not verify the cases audited by VAT Audit Branch and its revenue implication.

The Department accepted (February 2016) the audit observation and informed that necessary instructions are being issued to preserve data in respect of the cases audited by the Branch and it will be reviewed every month.

1.2.6 Conclusion

Maintenance of records in the Department was unsatisfactory as very limited number of assessed cases could be traced and provided to Audit by the selected wards. Even the basic information regarding cases scrutinized was not available with the wards. Ineffective monitoring of demand cases resulted in non-recovery of substantial amount of revenue from the dealers. Though registration of some dealers was cancelled, demands raised against them are yet to be recovered. DVAT System lacked validation checks and input controls. Non-detection of procedural lapses in the statutory forms submitted by assessee highlights lackadaisical approach towards scrutiny of the statutory forms at the time of assessment. Internal control was not adequate.

1.2.7 Recommendations

It is recommended that the Department should:

- i) Improve the system of maintenance of records of assessed cases;*
- ii) Strengthen its monitoring mechanism to plug loop-holes in collection of revenue and recovery of pending demands;*
- iii) Make online DVAT system more efficient, effective and reliable by removing system deficiencies ;*
- iv) Ensure proper checks by the AA on statutory forms submitted by dealers before he allows concession in rate or exemption from tax; and*
- v) Ensure Internal Audit Cell conducts audit periodically.*

