

# ***CHAPTER-I***

## ***GENERAL***

## CHAPTER I GENERAL

### 1.1 Revenue Receipts

1.1.1 The tax and non-tax revenue raised by the Government of Andhra Pradesh, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-aid received from the Government of India during the period from 1 April 2014 to 31 March 2015 are mentioned in Table -1.1.1.

**Table- 1.1.1**  
**Trend of revenue receipts**

(₹ in crore)

Sl. No.	Particulars <sup>1</sup>	2010-11*	2011-12*	2012-13*	2013-14*	1 April 2014 to 1 June 2014*	2 June 2014 to 31 March 2015
<b>1.</b>	<b>Revenue raised by the State Government</b>						
	• Tax revenue	45,139.55	53,283.41	59,875.05	64,123.53	12,761.15	29,856.87
	• Non-tax revenue	10,719.72	11,694.34	15,999.14	15,472.86	2,794.62	8,181.35
	<b>Total</b>	<b>55,859.27</b>	<b>64,977.75</b>	<b>75,874.19</b>	<b>79,596.39</b>	<b>15,555.77</b>	<b>38,038.22</b>
<b>2.</b>	<b>Receipts from the Government of India</b>						
	• Share of net proceeds of divisible Union taxes and duties	15,236.75	17,751.15	20,270.77	22,131.89	3,852.96	11,446.29
	• Grants-in-aid	9,900.28	10,824.79	7,685.32	8,990.55	5,568.32	16,210.89
	<b>Total</b>	<b>25,137.03</b>	<b>28,575.94</b>	<b>27,956.09</b>	<b>31,122.44</b>	<b>9,421.28</b>	<b>27,657.18</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>80,996.30</b>	<b>93,553.69</b>	<b>1,03,830.28</b>	<b>1,10,718.83</b>	<b>24,977.05</b>	<b>65,695.40</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>69</b>	<b>69</b>	<b>73</b>	<b>72</b>	<b>62</b>	<b>58</b>

\* Data pertain to composite State of Andhra Pradesh for 23 districts.

During the period from 1 April 2014 to 1 June 2014, the revenue raised by the State Government (₹ 15,555.77 crore) was 62 per cent of the total revenue receipts. The remaining 38 per cent of the receipts during the period was from the Government of India.

<sup>1</sup> For details please see Statement No.14- Detailed accounts of revenue by minor heads in the Finance Accounts of Andhra Pradesh for the period 1 April 2014 to 1 June 2014 and for the period from 2 June 2014 to 31 March 2015. Figures under the major heads '0020-Corporation tax, 0021-Taxes on income other than corporation tax, 0028-Other taxes on income and expenditure, 0032-Taxes on wealth, 0037-Customs, 0038-Union excise duties, 0044-Service tax and 0045-Other taxes and duties on commodities and services - share of net proceeds assigned to states booked in the Finance Accounts under A-Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this table. The figures in the seventh column relate to erstwhile state of Andhra Pradesh with 23 districts while the figures under last column relate to the successor state of Andhra Pradesh with 13 districts.

Similarly, during the period from 2 June 2014 to 31 March 2015, the revenue raised by the State Government (₹ 38,038.22 crore) was 58 per cent of the total revenue receipts. The remaining 42 per cent of the receipts during the period was from the Government of India.

**1.1.2** The details of the tax revenue raised during the period from 1 April 2014 to 31 March 2015 are 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*		BE for the period from 1 April 2014 to 31 March 2015	Actuals for 1 April 2014 to 1 June 2014	Actuals for 2 June 2014 to 31 March 2015 <sup>2</sup>
		BE	Actuals	BE	Actuals	BE	Actuals	BE	Actuals			
1.	Taxes / VAT on sales, trade etc.	31,838	29,145	38,306	34,910	45,000	40,715	52,500	48,737	28,749	8,852	21,672
2.	State excise	7,512	8,265	9,014	9,612	10,820	9,129	7,500	6,250	4,027	710	3,642
3.	Stamp Duty and Registration Fees	3,546	3,834	4,240	4,385	4,968	5,115	6,414	4,393	2,460	689	2,561
4.	Taxes on vehicles	2,778	2,627	3,434	2,986	3,640	3,356	4,351	3,335	1,384	2,264	1,423
5.	Others	1,325	1,269	1,445	1,390	1,593	1,560	1,676	1,409	17,616	246	559
	<b>Total</b>	<b>46,999</b>	<b>45,140</b>	<b>56,439</b>	<b>53,283</b>	<b>66,021</b>	<b>59,875</b>	<b>72,441</b>	<b>64,124</b>	<b>54,236</b>	<b>12,761</b>	<b>29,857</b>

\* Data pertains to composite State of Andhra Pradesh for 23 districts.

**1.1.3** The details of the non-tax revenue raised during the period from 1 April 2014 to 31 March 2015 are indicated in **Table 1.1.3**:

**Table 1.1.3**  
**Details of Non-tax revenue raised**

(₹ in crore)

Sl. No.	Head of revenue	2010-11*		2011-12*		2012-13*		2013-14*		BE for the period from 1 April 2014 to 31 March 2015	Actuals for 1 April 2014 to 1 June 2014	Actuals for 2 June 2014 to 31 March 2015 <sup>3</sup>
		BE	Actuals	BE	Actuals	BE	Actuals	BE	Actuals			
1.	Interest receipts	7,097	5,774	7,164	6,279	8,632	9,626	8,656	8,646	4,813	198	4,597
2.	Mines and Minerals	2,695	2,065	2,995	2,337	2,734	2,771	3,083	2,731	1,226	408	811
3.	Education, Sports, Art and Culture	194	238	204	675	274	1,196	1,219	1,676	90	342	1,087
4.	Others	5,717	2,643	1,976	2,403	2,213	2,406	2,436	2,420	2,882	1,847	1,686
	<b>Total</b>	<b>15,703</b>	<b>10,720</b>	<b>12,339</b>	<b>11,694</b>	<b>13,853</b>	<b>15,999</b>	<b>15,394</b>	<b>15,473</b>	<b>9,011</b>	<b>2,795</b>	<b>8,181</b>

\* Data pertain to composite State of Andhra Pradesh for 23 districts.

<sup>2</sup> Source: Statement 14 of Finance Accounts.

<sup>3</sup> Source: Statement 14 of Finance Accounts.

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 on some principal heads of revenue amounted to ₹ 8,960.12 crore as detailed in the **Table -1.2**

**Table 1.2**  
**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
1	Taxes / VAT on sales, trade etc.	4,008.04	869.84
2	State excise	14.98	14.98
3	Taxes on vehicles	1,085.16	0.63
4	Stamp Duty and Registration Fees	41.39	41.39
5	Mines and Minerals	226.05	NA
6	Taxes and duties on electricity	3,584.50	1,951.63
<b>Total</b>		<b>8,960.12</b>	

Source : Information furnished by the concerned Departments.

The Departments concerned did not furnish any reasons for the amounts in arrears, collection of which was pending for more than five years.

## 1.3 Arrears in assessments

As per the provisions of the AP VAT Act, annual assessments are not mandatory for the VAT dealers. Assessments under the CST Act are to be completed within four years. However, Commercial Taxes Department has furnished inadequate information i.e., information was not furnished separately for the composite State from 01 April to 01 June 2014 and for the successor State with 13 Districts from 02 June 2014 to 31 March 2015.

## 1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Departments, cases finalised and the demands for additional tax raised and cases pending finalisation as on 31 March 2015 under different heads of revenue were called for from Departments concerned. Departments of Registration and Stamps, Commercial taxes did not furnish the information in full shape. Department of Prohibition and State Excise, Mines and Geology furnished the information as 'Nil'. Remaining Departments i.e. Transport, Land Revenue, Energy did not furnish any information in this regard.

## 1.5 Pendency of Refund Cases

The number of refund cases pending on 2 June 2014, claims received during the period till 31 March 2015, refunds allowed during the period and the cases pending as on 31 March 2015 as reported by the Departments is given in **Table 1.5**.

**Table 1.5**  
**Details of pendency of refund cases**

(₹ in crore)

Sl. No.	Particulars	Commercial Taxes		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the period	--	--	--	--
2.	Claims received during the year	160	223.55	4	0.48
3.	Refunds made during the year	160	223.55	4	0.48
4.	Balance outstanding at the end of period	--	--	--	--

Other Departments did not furnish the relevant details though called for.

### **1.6 Response of the Government / Departments towards Audit**

The Accountant General (E & RSA), Andhra Pradesh and Telangana conducts periodical 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 reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Inspection reports issued upto December 2014 disclosed that 11,681 paragraphs involving ₹ 1,288.81 crore relating to 4,197 IRs remained outstanding at the end of June 2015 as mentioned below along-with the corresponding figures for the preceding two years in **Table 1.6**.

**Table 1.6**  
**Details of pending Inspection Reports**

	June 2013	June 2014	June 2015
Number of IRs pending settlement	6,001	5,297	4,197
Number of outstanding audit observations	15,825	14,080	11,681
Amount of revenue involved (₹ in crore)	4,498.86	2,683.51	1,288.81

**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 IRs**

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Revenue Department	Taxes/VAT on Sales, Trade etc.	1,625	5,023	604.80
		State Excise	230	541	44.48
		Land Revenue	780	1,797	158.19
		Stamp duty and Registration Fees	1,241	3,269	225.54
2.	Transport, Roads and Buildings	Taxes on vehicles	206	884	102.40
3.	Industries and Commerce	Mines and minerals	108	160	148.27
4.	Energy	Taxes and duties on electricity	7	7	5.13
<b>Total</b>			<b>4,197</b>	<b>11,681</b>	<b>1,288.81</b>

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs, for 164 IRs issued during 2014-15. 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 Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

The Government may consider having an effective system for prompt and appropriate response to audit observations.

### **1.6.2 Departmental Audit Committee Meetings**

The Government set 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 (ACMs) held during the year 2014-15 and the paragraphs settled are mentioned in **Table 1.6.2**.

**Table 1.6.2**  
**Details of Departmental Audit Committee Meetings**

(₹ in crore)

Sl. No.	Head of revenue	Number of meetings held	Number of paras settled	Amount
1.	Commercial Taxes	2	94	8.44
2.	State Excise	13	101	2.59
		15	195	11.03

### 1.6.3 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue / Non-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.

During the year 2014-15 as many as 97 records such as Demand, Collection and Balance (DCB) Registers, CST assessment files, challan posting registers, cash books, receipt books, motor vehicle inspection records, bank scrolls etc. were not made available to Audit. Break up of these details is given in **Table 1.6.3**.

**Table 1.6.3**  
**Details of non-production of records**

Name of the Office/ Department		Number of cases not audited
Revenue	Commercial Taxes	47
	Prohibition and Excise	20
	Registration and Stamps	9
	Land Revenue	18
Transport, Roads and Buildings	Transport	3
<b>Total</b>		<b>97</b>

### 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 AG to the Principal Secretaries / Secretaries of the concerned Departments, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

76 draft paragraphs including one Performance Audit were sent to the Principal Secretaries/ Secretaries of the respective Departments by name between July and October 2015. The Principal Secretaries/ Secretaries of the Departments did not send replies to 56 draft paragraphs despite issue of reminders and the same have been included in this Report without the response of the Departments.

### 1.6.5 Follow up on the Audit Reports-summarised position

The internal working system of the Public Accounts Committee, 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 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 Reports are delayed inordinately. One hundred and seventy one paragraphs (including

performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Andhra Pradesh for the years ended 31 March 2010, 2011, 2012, 2013 and 2014 were placed before the State Legislative Assembly between March 2011 and March 2015. Of these 15 pertain exclusively to Andhra Pradesh whereas 131 paragraphs pertain to both Andhra Pradesh and Telangana. The explanatory notes from the Departments of Andhra Pradesh on these paragraphs were received in respect of only four paragraphs pertaining to Andhra Pradesh and nine paragraphs pertaining to both the states with delay ranging from two to 49 months in respect of Audit Reports for the years ended 31 March 2010 to 31 March 2014 respectively. Explanatory notes in respect of 133 paragraphs from eight Departments (Commercial Taxes, Prohibition and Excise, Land Revenue, Stamp Duty and Registration Fee, Transport Roads & Buildings Department, Industries and Commerce, Energy and Endowments) have not been received for the Audit Reports from year ended March 2010 to March 2014 so far (January 2016). Of these 11 pertain exclusively to Andhra Pradesh and 122 pertain to both the states.

## 1.7 Analysis of the mechanism for dealing with the 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 audits included in the Audit Reports of the last five years for one Department is evaluated and included in this Audit Report.

The succeeding paragraph discusses the performance of Land Revenue Department under revenue head 0029 and cases detected in the course of local audit during the last five years and also the cases included in the Audit Reports for the years 2010-11 to 2014-15. These cases relate only to the 13 Districts of the successor State of Andhra Pradesh.

### 1.7.1 Position of Inspection Reports

The summarised position of the inspection reports relating to the Land Revenue Department, issued during the last five years in the 13 Districts of the successor state of Andhra Pradesh, paragraphs included in these reports and their status as on 31 March 2015 are tabulated in **Table -1.7.1**

**Table 1.7.1**  
**Position of Inspection Reports**

(₹ in crore)

Sl. No.	Year	Opening Balance			Additions 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
1.	2010-11	2390	5543	1654.74	183	598	1731.79	16	79	NIL	2557	6062	3386.53
2.	2011-12	2557	6062	3386.53	211	892	9.37	287	894	11.76	2481	6060	3384.14
3.	2012-13	2481	6060	3384.14	25	118	3.29	838	2702	1888.29	1668	3476	1499.14
4.	2013-14	1668	3476	1499.14	39	253	333.04	500	1426	6.81	1207	2303	1825.37
5.	2014-15	1207	2303	1825.37	110	756	84.83	2	3	0.75	1315	3056	1909.45

## 1.8 Action taken on the recommendations accepted by the Department/Government

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

The following reviews were featured in the last five years' Reports. Number of recommendations and their status is given in **Table 1.8**

**Table 1.8**  
**Status of Audit recommendations**

Year of Report	Name of the Performance Audit	No. of recommendations	Status
2009-10	Functioning of the Prohibition and Excise Department	9	Explanatory notes for Performance Audits featured in Audit Reports for the years 2009-10 to 2013-14 (except "Functioning of Directorate of Mines and Geology" appeared as a separate Audit Report for the Year 2012-13) are awaited (January 2016).  Explanatory notes on "Functioning of Directorate of Mines and Geology" have been received and recommendations made by Audit have been partially accepted by the Government. The discussion of the Report on "Functioning of the Directorate of Mines and Geology" was completed by the Committee on Public Accounts on 5 <sup>th</sup> December, 2015. Proceedings of the committee are awaited (January 2016).
2010-11	Taxation of works contracts under the APVAT Act	5	
	Cross verification of Declaration Forms used in Inter State Trade.	7	
	Alienation of Government land and conversion of agricultural land for non-agricultural purposes.	3	
2011-12	VAT Audits and Refunds.	3	
2012-13	Functioning of the Directorate of Mines and Geology.	6	
	Functioning of Registration and Stamps Department including Information Technology (IT) Audit of CARD in Andhra Pradesh	6	
2013-14	Public Service Delivery including functioning of IT Services (CFST) in Transport Department.	5	

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

There were a total of 1336 units of which 301 units were planned and 350 units were audited during the year 2014-15, which is 26 per cent of the total auditable units. Besides the compliance audit mentioned above, one

performance audit was also taken up to examine the efficacy of the tax administration of these receipts.

## **1.10 Results of audit**

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

Test check of the records of 350 units of Commercial Taxes, Prohibition and Excise, Transport, Land Revenue, Registration and Stamps and other departmental offices conducted during the year 2014-15 showed under-assessment/ short levy/ loss of revenue aggregating ₹ 936.10 crore in 1,487 cases. During the course of the year, the Departments accepted under-assessment and other deficiencies of ₹ 28.80 crore in 244 cases which were pointed out in audit during 2014-15. The Departments collected ₹ 1.01 crore in 128 cases during 2014-15, pertaining to the audit findings of previous years.

### **1.10.2 Coverage of this Report**

This Report contains 41 paragraphs (selected from the Audit detections made during the local audit referred to above and during earlier years, which could not be included in earlier reports) including one Performance audit on 'Implementation of VAT (including IT Audit of VATIS)', involving financial effect of ₹ 122.44 crore.

The Departments/ Government have accepted audit observations involving ₹ 34.65 crore out of which ₹ 2.17 crore has been recovered. The replies in the remaining cases have not been received (January 2016). These are discussed in succeeding Chapters.