

# **CHAPTER – I**

## **GENERAL**

## Chapter-I General

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Madhya Pradesh during the year 2014-15, 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 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	2	3	4	5	6	7
1.	<b>Revenue raised by the State Government</b>					
	• Tax revenue	21,419.33	26,973.44	30,581.70	33,552.16	36,567.31
	• Non-tax revenue	5,719.77	7,482.73	7,000.22	7,704.99	10,375.23
	<b>Total</b>	<b>27,139.10</b>	<b>34,456.17</b>	<b>37,581.92</b>	<b>41,257.15</b>	<b>46,942.54</b>
2.	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	15,638.52	18,219.14	20,805.16	22,715.27	24,106.80 <sup>1</sup>
	• Grants-in-aid	9,076.56	9,928.77	12,040.20	11,776.82	17,591.44
	<b>Total</b>	<b>24,715.08</b>	<b>28,147.91</b>	<b>32,845.36</b>	<b>34,492.09</b>	<b>41,698.24</b>
3.	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>51,854.18</b>	<b>62,604.08</b>	<b>70,427.28</b>	<b>75,749.24</b>	<b>88,640.78</b>
4.	<b>Percentage of 1 to 3</b>	<b>52</b>	<b>55</b>	<b>53</b>	<b>54</b>	<b>53</b>

(Source: Finance Accounts of the Government of Madhya Pradesh)

The above table indicates that during the year 2014-15, the revenue raised by the State Government (₹ 46,942.54 crore) was 53 per cent of the total revenue receipts. The balance 47 per cent of the receipts during 2014-15 was from the Government of India.

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

<sup>1</sup> For details, please see Statement No.14-“Detailed accounts of revenue and capital receipts by minor heads” in the Finance Accounts of the Government of Madhya Pradesh for the year 2014-15. Figures under the head “Share of net proceeds assigned to States” under Major heads “0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0032-Taxes on wealth, 0037-Customs, 0038-Union Excise duties and 0044-Service Tax” 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.

**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 (+)/ decrease (-) in actual of 2014-15 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2014-15	Actual of 2013-14
1.	Taxes on sales, trade etc.	<u>9320.00</u> 10256.76	<u>11830.00</u> 12516.73	<u>14000.00</u> 14856.30	<u>16500.00</u> 16649.85	<u>19500.00</u> 18135.96	(-) 7.00	(+) 8.93
2.	State excise	<u>3400.00</u> 3603.42	<u>4050.00</u> 4316.49	<u>4800.00</u> 5078.06	<u>5750.00</u> 5907.39	<u>6730.00</u> 6695.54	(-) 0.51	(+) 13.34
3.	Stamps duty	<u>1900.00</u> 2514.27	<u>2000.00</u> 3284.46	<u>3200.00</u> 3944.24	<u>4000.00</u> 3400.00	<u>4000.00</u> 3892.77	(-) 2.68	(+) 14.49
4.	Taxes on goods and passengers	<u>1500.00</u> 1746.20	<u>1815.00</u> 2047.46	<u>2150.00</u> 2395.03	<u>2640.00</u> 2578.74	<u>2900.00</u> 2686.39	(-) 7.37	(+) 4.17
5.	Taxes and duties on electricity	<u>1090.00</u> 1476.32	<u>1370.00</u> 1773.32	<u>1370.00</u> 1477.71	<u>1600.00</u> 1972.20	<u>2050.00</u> 2010.20	(-) 1.94	(+) 1.93
6.	Taxes on Vehicles	<u>1050.00</u> 1198.38	<u>1285.00</u> 1357.12	<u>1400.00</u> 1531.25	<u>1650.00</u> 1598.93	<u>2000.00</u> 1823.84	(-) 8.81	(+) 14.07
7.	Land revenue	<u>182.46</u> 360.81	<u>500.31</u> 279.06	<u>550.00</u> 443.59	<u>572.00</u> 366.23	<u>700.10</u> 243.10	(-) 65.28	(-) 33.62
8.	Others	<u>227.54</u> 263.17	<u>267.69</u> 1398.80	<u>842.00</u> 855.52	<u>670.00</u> 1078.82	<u>1109.50</u> 1079.51	(-) 2.70	(+) 0.06
<b>Total</b>		<u><b>18670.00</b></u> <b>21419.33</b>	<u><b>23118.00</b></u> <b>26973.44</b>	<u><b>28312.00</b></u> <b>30581.70</b>	<u><b>33382.00</b></u> <b>33552.16</b>	<u><b>38989.50</b></u> <b>36567.31</b>		

(Source: Finance accounts and Budget Estimates of Government of Madhya Pradesh)

It can be seen from the Table 1.2 that there was a variation of (-) 0.51 and (-) 65.28 per cent between the budget estimates and the actual during 2014-15. Further, there was a variation of (-) 33.62 per cent to (+) 14.49 per cent between actuals of 2013-14 and 2014-15 under various heads of taxes.

The following reasons for variation were reported by the concerned Departments.

**State Excise:** The increase (13.34 per cent) over actual of 2013-14 was mainly due to increase in the rate of Security Deposit from eight per cent to 10 per cent.

**Stamp and Registration Fees:** The increase (14.49 per cent) over actual of 2013-14 was mainly due to increase under “Stamps Judicial- Sale of Stamps”, “Registration Fees – Fees for registering” documents.

**Land Revenue:** The decrease (33.62 per cent) over actual of 2013-14 and the decrease (65.28 per cent) over the BE were mainly due to less receipt under “Other Receipts” which was due to unseasonal rains and hailstorm and due to allocation of other important duties to concerned Revenue officers.

**Taxes on vehicles:** The increase (14.07 per cent) over actual of 2013-14 was mainly due to increase in receipts under “Other Receipts”.

**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 (+)/ decrease (-) in actual of 2014-15 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2014-15	Actual of 2013-14
1.	Non-ferrous mining and metallurgical industries	<u>1650.00</u> 2121.49	<u>2540.00</u> 2038.31	<u>2300.00</u> 2443.39	<u>2220.00</u> 2306.17	<u>2500.00</u> 2813.66	(+) 12.55	(+) 22.01
2.	Interest receipts	<u>167.09</u> 298.56	<u>166.90</u> 1571.41	<u>202.00</u> 301.47	<u>204.15</u> 317.85	<u>1133.60</u> 1260.65	(+) 11.21	(+) 296.62
3.	Forestry and wild life	<u>1000.00</u> 836.61	<u>1027.32</u> 878.81	<u>969.04</u> 910.38	<u>1100.00</u> 1036.80	<u>1250.23</u> 968.77	(-) 22.51	(-) 6.56
4.	Public works	<u>42.31</u> 36.77	<u>55.54</u> 47.92	<u>63.55</u> 33.22	<u>38.49</u> 46.92	<u>49.50</u> 50.82	(+) 2.67	(+) 8.31
5.	Miscellaneous general Services	<u>20.09</u> 143.00	<u>22.07</u> 145.44	<u>19.88</u> 30.40	<u>16.95</u> 33.69	<u>17.48</u> 222.37	(+) 1172.14	(+) 560.05
6.	Other administrative services	<u>113.42</u> 85.14	<u>117.50</u> 106.05	<u>93.49</u> 239.15	<u>184.40</u> 380.22	<u>165.50</u> 140.21	(-) 15.28	(-) 63.12
7.	Police	<u>65.00</u> 62.55	<u>85.00</u> 63.19	<u>100.00</u> 83.59	<u>107.04</u> 71.92	<u>100.00</u> 93.50	(-) 6.5	(+) 30.01
8.	Medical and Public Health	<u>49.54</u> 22.77	<u>40.11</u> 30.16	<u>21.00</u> 44.83	<u>46.65</u> 57.76	<u>56.25</u> 120.16	(+) 113.62	(+) 108.03
9.	Co-operation	<u>8.60</u> 17.05	<u>9.01</u> 11.65	<u>9.59</u> 13.02	<u>10.06</u> 12.24	<u>9.97</u> 16.58	(+) 66.30	(+) 35.46
10.	Major and medium irrigation	<u>82.31</u> 194.89	<u>90.44</u> 263.15	<u>96.18</u> 137.74	<u>116.86</u> 138.48	<u>120.09</u> 137.55	(+) 14.54	(-) 0.67
11.	Other Non-tax receipts	<u>1123.64</u> 1900.94	<u>1845.11</u> 2326.64	<u>3452.27</u> 2763.03	<u>3538.40</u> 3302.94	<u>1356.27</u> 4550.96	(+) 235.55	(+) 37.79
<b>Total</b>		<u><b>4322.00</b></u> <b>5719.77</b>	<u><b>5999.00</b></u> <b>7482.73</b>	<u><b>7327.00</b></u> <b>7000.22</b>	<u><b>7583.00</b></u> <b>7704.99</b>	<u><b>6758.89</b></u> <b>10375.23</b>		

(Source: Finance accounts and Budget Estimates of Government of Madhya Pradesh)

It can be seen from the Table 1.3 that there was a variation of (-) 22.51 and (+) 1172.14 *per cent* between the budget estimates and the actual during 2014-15. Further, there was a variation of (-) 63.12 *per cent* to (+) 560.05 *per cent* between actuals of 2013-14 and 2014-15 under various heads of taxes.

**Non-ferrous mining:** The increase (22.01 *per cent*) over actual of 2013-14 was mainly due to increase in receipts under “Mineral concession fees, rents and royalties”.

**Interest Receipts:** The increase (296.62 *per cent*) over actual of 2013-14 was mainly due to increase in receipts under “Interest from Public Sector and other Undertakings”.

**Miscellaneous general services:** The increase (560.05 *per cent*) over actual of 2013-14 was mainly due to increase in receipts under “Unclaimed Deposits” and “Deduct-Refund”.

**Other Administrative Services:** The decrease (63.12 *per cent*) over actual of 2013-14 was due to decrease in receipts under the sub-head “Fine and forfeitures under administration of justice”.

**Police:** The increase (30 *per cent*) over actual of 2013-14 was mainly due to increase in receipts under “Police supplied to other Govt. and other parties”.

**Medical and Public Health:** The main reason of increase (108.03 *per cent*) over actual of 2013-14 was due to the increase in receipts from Employees’ State Insurance Schemes.

**Co-operation:** The increase (35.46 *per cent*) in receipts was mainly due to increase in receipts under “Audit Fees”.

**Other Non-tax receipts:** The increase in receipts was mainly due to increase in receipt under “General Education-General” under the head “0202-Education, Sports, Art and culture”.

Reason for variations between budget estimates and actual receipts of 2013-14 was not furnished by the remaining Departments concerned despite request (between May 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 ₹ 1,016.75 crore of which ₹ 488.49 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	Replies of Department
1.	Taxes on sales, trade etc.	603.91	305.80	Out of ₹ 603.91 crore, Department accepted ₹ 483.73 crore as difficult to recover. Out of ₹ 603.91 crore, ₹ 92.58 crore was pending due to non-recovery of dues through RRC, ₹ 50.75 crore was pending due to court cases, ₹ 108.47 crore was involved in attachment, ₹ 3.47 crore was pending with the departmental authorities, ₹ 83.87 crore was pending from sick mills, ₹ 7.55 crore was recommended for write-off and remaining amount of ₹ 257.22 crore was pending at other stages.

2.	State Excise	76.64	68.53	An amount of ₹ 10.17 crore was not recovered due to stay by the Hon'ble Court and ₹ 46.26 crore was not recoverable for which action has been initiated to write off the amount as irrecoverable.
3.	Stamp and Registration	168.92	89.96	Stages at which the arrears were pending for collection have not been intimated despite being requested (May and August 2015).
4.	Non-ferrous mining and metallurgical industries	10.32	Not furnished	Stages at which the arrears were pending for collection have not been intimated despite being requested (May and August 2015).
5.	Taxes and duties on Electricity	156.96	24.20	Out of ₹ 156.96 crore, ₹ 125.25 crore was pending due to non-recovery of dues through RRC, ₹ 9.23 crore was pending due to court cases and ₹ 23 lakh was pending with the departmental authorities, ₹ 3.67 crore was pending from sick cloth mills and other remaining amount of ₹ 18.58 crore was pending at other stages.
<b>Total</b>		<b>1016.75</b>	<b>488.49</b>	

It would be seen from the Table 1.4 that 59 per cent of the total arrears of revenue pertains to the Commercial Tax Department. Moreover, approx 80 per cent of the arrears of Commercial Tax Department has been stated as difficult to recover.

### 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 the Commercial Tax Department in respect of sales tax, profession tax, entry tax, luxury tax and tax on works contracts is detailed below in **Table-1.5**.

**Table – 1.5**  
**Arrears in assessments**

Head of revenue	Year	Opening balance	New cases due for assessment during the year	Total assessments due	Cases disposed of during the year	Balance at the end of the year	Percentage of column 6 to 5
1	2	3	4	5	6	7	8
Taxes on Sales, Trade, etc.	2012-13	88,124	2,32,539	3,20,663	2,00,552	1,20,111	62.54
	2013-14	1,20,111	2,78,856	3,98,967	2,30,404	1,68,563	57.75
	2014-15	1,68,563	3,42,803	5,11,366	3,42,242	1,69,124	66.93
Profession tax	2012-13	63,411	89,708	1,53,119	1,05,945	47,174	69.19
	2013-14	47,174	96,790	1,43,964	89,473	54,491	62.15
	2014-15	54,491	89,140	1,43,631	1,03,005	40,626	71.72
Entry tax	2012-13	62,066	1,93,494	2,55,560	1,64,443	91,117	64.35
	2013-14	91,117	2,28,794	3,19,911	1,87,253	1,32,658	58.53

Head of revenue	Year	Opening balance	New cases due for assessment during the year	Total assessments due	Cases disposed of during the year	Balance at the end of the year	Percentage of column 6 to 5
1	2	3	4	5	6	7	8
	2014-15	1,32,658	3,06,952	4,39,610	2,89,572	1,50,038	65.87
Luxury tax	2012-13	420	1,337	1,757	871	886	49.57
	2013-14	886	1,517	2,403	1,256	1,147	52.27
	2014-15	1,147	1,831	2,978	2,037	941	68.40
Tax on works contracts	2012-13	2,620	7,371	9,991	6,305	3,686	63.11
	2013-14	3,686	7,793	11,479	5,192	6,287	45.23
	2014-15	6,287	12,724	19,011	9,164	9,847	48.20

Thus, there has been an increase in disposal of assessment cases relating to Sales tax/VAT, Entry tax and luxury tax during 2014-15 as compared to the previous year but was lower than the achievement in 2012-13 in the case of Tax on works contracts.

#### 1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table-1.6**.

**Table - 1.6**  
**Evasion of Tax**

Sl. No.	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)	
1.	Taxes on sales, trade etc. and Entry Tax	269	352	621	274	269.10	347
2.	Stamp and Registration fees	13576	12036	25612	10368	32.98	15244
	<b>Total</b>	<b>13845</b>	<b>12388</b>	<b>26233</b>	<b>10642</b>	<b>302.08</b>	<b>15591</b>

It would be seen from the above table that the number of cases pending is high at the end of the year in respect of Stamp duty and Registration fees.

#### 1.5 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 close of the year 2014-15 as reported by the Departments are given in **Table-1.7**.

**Table - 1.7**  
**Details of pendency of refund cases**

(₹ in crore)									
Sl. No.	Particulars	Taxes on Sales, Trade, etc.		Taxes and duties on electricity		Stamps and Registration Fees		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	512	65.16	169	4.18	1482	4.8	11	0.27
2.	Claims received during the year	5475	1134.12	27	4.48	882	12.52	14	0.82
3.	Refunds made during the year	5368	1067.66	22	1.30	759	9.51	15	0.90
4.	Balance outstanding at the end of year	619	131.62	174	7.36	1605	7.81	10	0.19
5.	Percentage of refund (3 to 1+2)	89.66	89.03	11.22	15.01	32.11	54.91	60	82.57

It can be seen from the above table that the progress in issuance of refunds was slow in Energy Department and Stamps and Registration Department.

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

The Accountant General (Economic & Revenue Sector Audit), MP, 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.

Analysis of inspection reports issued upto December 2014 disclosed that 18,181 paragraphs involving ₹ 8,450.35 crore relating to 4,273 IRs remained outstanding at the end of June 2015 as mentioned below along with the corresponding figures for the preceding two years in **Table-1.8**.



**Table - 1.8**

**Details of pending Inspection Reports**

	June 2013	June 2014	June 2015
Number of IRs pending for settlement	3,695	3,757	4,273
Number of outstanding audit observations	14,752	16,280	18,181
Amount of revenue involved (₹ in crore)	6,783.96	7,520.60	8,450.35

**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-1.9**.

**Table - 1.9**

**Department-wise details of IRs**

(₹ in crore)					
Sl. No	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved
1.	Finance	Taxes on Sales, Trade etc.	1,215	6,370	1,297.76
2.	Energy	Taxes and duties on electricity	64	222	494.10
3.	Excise	State Excise	279	1,110	997.73
4.	Revenue	Land Revenue	1,179	3,897	2,743.34
5.	Transport	Taxes on vehicles	474	2,815	404.11
6.	Stamp and Registration	Stamp duty and Registration fees	576	1,903	589.69
7.	Mines and Geology	Non-ferrous mining and metallurgical industries	286	1,472	1,904.21
8.	Entertainment	Entertainment duty	200	392	19.41
<b>Total</b>			<b>4,273</b>	<b>18,181</b>	<b>8,450.35</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 130 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 sets up audit committees to monitor and expedite progress of the settlement of the IRs and paragraphs in the IRs. No audit committee meeting (ACM) was held during the year 2014-15.

**It is recommended that the Government may ensure convening of ACMs by all the Departments for effective and expeditious settlement of outstanding paragraphs.**

**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, 3,953 assessment files, returns, refunds, registers and other relevant records were not made available to audit. The tax effect could not be computed in all the cases. Break up of these cases are given in **Table-1.10**.

**Table - 1.10**  
**Details of non-production of records**

Name of the Office/Department	Year in which it was to be audited	Number of cases not audited	Tax Amount
Land Revenue	2014-15	63	-
Excise	2014-15	6	-
Commercial Tax	2014-15	3,884	-
<b>Total</b>		<b>3,953</b>	

#### **1.6.4 Response of the Department 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 Department, 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 Department / Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Twenty six draft paragraphs and three Performance Audits (PAs) were sent to the Principal Secretaries / Secretaries of the respective Departments by name between April and July 2015. The Principal Secretaries/Secretaries of the Departments did not send replies to any draft paragraphs including PAs despite issue of reminders and the same have been included in this Report without the response of the Department/Government. However, responses received for PAs during exit conferences held with the Government, have been appropriately included at relevant places in the Report.

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

As per the instructions issued (November 1994) by the State Legislative Affairs Department, Action Taken Reports (ATR) on the recommendations of the Public Accounts Committee (PAC) should be submitted within six months from the date of recommendations by the PAC. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Two hundred forty seven paragraphs included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Madhya Pradesh for the years ended 31 March 2010, 2011, 2012, 2013 and 2014 were placed before the State Legislature Assembly between March 2011 and July 2015. Action taken explanatory notes in respect of 124 paragraphs from State Revenue Departments (Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamp Duty and Registration Fee and Mining) had not been received so far (March 2015).

The PAC discussed 27 selected paragraphs pertaining to the Audit Reports for the years from 2009-10 to 2013-14 and has not made any recommendations.

### 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 Department / Government, the action taken on the Draft Paragraphs and PAs included in the Audit Reports of the last 10 years for **State Excise Department** is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the **State Excise Department** under revenue head 0039 and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2004-05 to 2013-14.

#### 1.7.1 Position of Inspection Reports

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 **Table-1.11** below:

**Table - 1.11**  
**Position of Inspection Reports**

(₹ in crore)												
Year	Opening Balance			Addition during the year			Clearance during the quarter			Closing balance at the end of 31 March 2015		
	IRs	Paras	Money value	IRs	Par as	Money value	IRs	Par as	Money value	IRs	Paras	Money value
2005-06	353	1,191	604.59	27	153	70.02	09	72	44.56	371	1,272	630.05
2006-07	371	1,272	630.05	24	127	65.64	15	116	46.19	380	1,283	649.50
2007-08	380	1,283	649.50	31	173	89.51	23	251	154.55	388	1,205	584.46
2008-09	388	1,205	584.46	43	242	98.48	58	307	184.27	373	1,140	498.67
2009-10	373	1,140	498.67	45	302	181.53	72	348	109.70	346	1,094	570.50
2010-11	346	1,094	570.50	23	168	146.02	165	474	71.35	204	788	645.17
2011-12	204	788	645.17	26	173	85.89	28	178	118.50	202	783	612.56
2012-13	202	783	612.56	36	226	159.11	4	88	58.01	234	921	713.66
2013-14	234	921	713.66	29	188	198.37	4	81	45.31	259	1,028	866.72
2014-15	259	1,028	866.72	30	164	185.00	0	27	21.83	289	1,169	1,029.89

The Government arranges ad-hoc Committee meetings between the Department and AG's office to settle the old paragraphs. As would be evident from the above table, against 353 outstanding IRs with 1,191 paragraphs as on start of 2005-06, the number of outstanding IRs declined to 289 with 1,169 paragraphs at the end of 2014-15. The marginal settlement of outstanding IRs and paragraphs is indicative of the fact that adequate steps were not taken by the Department to reduce the number of outstanding IRs and paragraphs except in 2010-11.

#### 1.7.2 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-1.12**.

**Table - 1.12**  
**Recovery of accepted cases**

(₹ in crore)						
Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03.2015
2004-05	9	9.60	4	0.88	0	0.04
2005-06	7	7.67	5	2.62	0.30	0.55
2006-07	1 Review	4.57	1	1.62	0.29	0.65
2007-08	11	7.95	5	1.82	0.15	0.21
2008-09	18	21.68	8	1.80	0.005	0.64
2009-10	9	5.09	5	3.90	0.007	0.35
2010-11	8	38.74	1	6.73	0.007	0.007
2011-12	1+1 review	49.31	1	2.24	0.008	0.008
2012-13	1 (PA)	42.47	3	17.08	0.05	2.32
2013-14	8	60.43	3	4.31	0.02	0.02

It is evident from the above table that the progress of recovery even in accepted cases was very slow during the last 10 years. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government.

**The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.**

### **1.7.3 Action taken on the recommendations accepted by the Department/Government**

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

The following PA on the State Excise Department featured in the last five years' Reports. The number of recommendations is given in **Table-1.13**

**Table - 1.13**

Year of Report	Name of the PA	No. of recommendations	Summary of recommendations
2011-12	Collection of Excise receipts on liquor	4	<ol style="list-style-type: none"> <li>1. Introducing provisions in the distillery rules for control over molasses and other bases kept in the distillery for production of alcohol;</li> <li>2. fixing norms for minimum yield of beer;</li> <li>3. making necessary provision for recovery of <i>Ahata</i> licence fee on revised annual value of shops worked out after adjustment of licence fee; and</li> <li>4. strengthening the internal audit mechanism.</li> </ol>

All the above recommendations of the PA were accepted by the Department during the exit conference. However, no information on its implementation has been received so far (November 2015).

## **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 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.

During the year 2014-15, there were 1,039 units, of which 443 units were planned and 434 units had been audited, which is 98 *per cent* of the total auditable units. Due to shifting of RSA Wing to Bhopal eight units of Commercial Tax Department could not be audited as planned. One unit of Mining Department could not be audited as planned due to de-allocation of M/s. MP Monnet Mining Co. Ltd.

Besides, the compliance audit mentioned above, three PAs 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**

We test-checked records of 515 units relating to Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Mining receipts, Forest Receipts and Electricity Duty during the year 2014-15 and observed underassessment/short levy/loss of revenue amounting to ₹ 1,486.50 crore in 13,55,453 cases. The Departments concerned accepted underassessment and other deficiencies of ₹ 411.49 crore involved in 2,49,393 cases which were pointed out in audit during 2014-15 and collected ₹ 4.85 crore in 654 cases.

### **1.10 Coverage of this Report**

This Report contains 29 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 three Performance audits, involving financial effect of ₹ 614.76 crore.

The Departments/Government have accepted audit observations involving ₹ 153.15 crore out of which ₹ 1.06 lakh was recovered. The replies in the remaining cases have not been received. These are discussed in succeeding Chapters II to VIII.