

# CHAPTER-I



## CHAPTER I

### GENERAL

#### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of West Bengal 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 – 1.1.1**.

**Table – 1.1.1**

#### Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	<b>Revenue raised by the State Government</b>					
	• Tax revenue	21,128.74	24,938.16	32,808.49	35,830.56	39,411.98
	• Non-tax revenue	2,380.49	1,340.25	1,918.15	2,022.72	1,626.66
	<b>Total</b>	<b>23,509.23</b>	<b>26,278.41</b>	<b>34,726.64</b>	<b>37,853.28</b>	<b>41,038.64</b>
2.	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	15,954.95	18,587.81	21,226.27	23,175.02	24,594.93
	• Grants-in-aid	7,800.02	13,888.82	12,342.84	11,853.49	20,880.64
	<b>Total</b>	<b>23,754.97</b>	<b>32,476.63</b>	<b>33,569.11</b>	<b>35,028.51</b>	<b>45,475.57</b>
3.	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>47,264.20</b>	<b>58,755.04</b>	<b>68,295.75</b>	<b>72,881.79</b>	<b>86,514.21<sup>1</sup></b>
4.	<b>Percentage of 1 to 3</b>	50	45	51	52	47

During the year 2014-15, the revenue raised by the State Government (₹ 41,038.64 crore) was 47 per cent of the total revenue receipts. The remaining 53 per cent came 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 1.1.2**.

<sup>1</sup> For details, please see Statement No. 14 – Detailed statement of revenue by minor heads in the Finance Accounts of Government of West Bengal for the year 2014-15. Figures under the heads 0020 – Corporation tax, 0021 - Taxes on income other than Corporation tax, 0032 - Taxes on wealth, 0037 – Customs duty, 0038 - Union Excise duties and 0044 - Service tax mentioned in the Statement under caption “A - Tax revenue” have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes.

**Table 1.1.2**  
**Details of Tax revenue raised**

(₹ in crore)

Sl. No.	Head of revenue	2010-11		2011-12		2012-13		2013-14		2014-15		Percentage of increase (+) / decrease (-) in 2014-15 over 2013-14
		BE	Actual									
1.	Taxes on sales, trade etc.	12,257.73	13,275.77	17,024.44	15,888.41	20,167.37	18,554.76	22,783.98	21,931.09	27,472.66	24,021.91	(+)9.53
2.	Stamp duty and registration fees	2,358.57	2,265.21	3,002.92	2,731.68	2,940.74	4,357.23	4,500.00	4,053.07	5,399.06	4,196.20	(+)3.53
3.	State excise	1,759.78	1,783.34	2,418.83	2,117.04	2,786.47	2,621.43	3,202.02	3,017.66	3,810.41	3,587.02	(+)18.87
4.	Land revenue	1,190.93	1,253.66	1,694.37	1,872.23	1,805.27	2,023.72	3,942.82	2,253.54	2,829.13	2,275.74	(+)0.99
5.	Taxes and duties on electricity	710.90	769.09	1,040.95	408.19	884.46	1,837.15	1,380.00	1,213.30	1,403.74	1,946.83	(+)60.46
6.	Taxes on vehicles	890.13	936.01	1,358.97	1,007.23	1,595.13	1,221.55	1,389.97	1,350.66	1,667.96	1,504.68	(+)11.40
7.	Others	839.68	845.66	1,149.51	913.38	1,042.80	2,192.65	2,584.83	2,011.24	2,830.99	1,879.60	(-)6.55
	<b>Total</b>	<b>20,007.72</b>	<b>21,128.74</b>	<b>27,689.99</b>	<b>24,938.16</b>	<b>31,222.24</b>	<b>32,808.49</b>	<b>39,783.62</b>	<b>35,830.56</b>	<b>45,413.95</b>	<b>39,411.98</b>	<b>(+)10.00</b>

Source : Finance Accounts and Budget Publications of the Government of West Bengal.

The Departments reported the following reasons for large variation in 2014-15 over 2013-14:

**Taxes and duties on electricity:** The large increase in respect of taxes and duties on electricity was due to receipts on taxes on consumption and sale of electricity and other receipts.

However, the actual reason for variation was that the receipts showed a large decline during 2013-14 due to adjustments and waivers allowed by the government; receipts do not show much variation between 2012-13 and 2014-15.

**State excise:** The increase in respect of State excise was due to receipts on country spirits; foreign liquors and spirits and malt liquor.

**Taxes on Vehicles:** The increase was due to receipts under the Indian Motor Vehicles Act and the State Motor Vehicles Taxation Act.

**1.1.3** The details of the non-tax revenue raised during the period 2010-11 to 2014-15 are given 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		2014-15		Percentage of increase (+)/ decrease (-) in 2014-15 over 2013-14
		BE	Actual									
1.	Interest receipts	987.07	716.84	602.91	291.54	1,008.14	934.10	478.41	986.29	775.45	277.46	(-)71.87
2.	Miscellaneous general services	392.24	71.36	158.61	273.10	88.71	187.96	330.46	231.78	227.73	185.79	(-)19.84
3.	Forestry and wild life	59.96	75.49	84.86	92.47	93.00	113.61	111.89	123.76	137.47	135.73	(+)9.67
4.	Police	112.73	103.62	130.91	152.79	127.67	133.76	184.87	139.17	161.85	126.61	(-)9.02
5.	Other Non-tax receipts	1,965.54	1,413.18	2,217.17	530.35	1,945.34	548.72	650.57	541.72	687.85	901.07	(+)66.34
<b>Total</b>		<b>3,517.54</b>	<b>2,380.49</b>	<b>3,194.46</b>	<b>1,340.25</b>	<b>3,262.86</b>	<b>1,918.15</b>	<b>1,756.20</b>	<b>2,022.72</b>	<b>1,990.35</b>	<b>1,626.66</b>	<b>(-)19.58</b>

Source : Finance Accounts and Budget Publications of the Government of West Bengal.

The Department reported the following reasons for variation in 2014-15 over 2013-14:

**Interest receipts:** The decrease in respect of interest receipts was due to decrease on receipts on interest realised on investment of cash balances, interest from public sector and other undertakings and other receipts under interest receipts of State/Union Territory Governments.

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 as furnished by the Directorate of Excise amounted to ₹ 45.85 crore (in cases exceeding ₹ two lakh). The Directorate further stated that ₹ 2.60 crore (in cases exceeding ₹ two lakh) was outstanding for more than five years due to legal interventions, cases pending at appeal stage before the Government and recoveries held up due to rectification/review of the demands. As per procedure described by the Directorate of Excise (July 2015), the Internal Audit Wing of the Excise Department posted at the Excise Directorate regularly monitors the arrear revenue data in consultation with the Excise Authority posted at the district level. Regular feedback is taken from District Excise Authority regarding cases pending and new cases, if detected. Regular compilation of data and updating take place at the district level as well as at the Excise Directorate.

Directorate of Electricity Duty stated that an amount of ₹ 6.05 lakh remained outstanding in 23 cases as on 31 March 2015.

Despite being requested (August 2015), the other principal revenue generating Departments/Directorates, viz. Directorate of Commercial Taxes, Directorate

of Registration and Stamp Revenue, Land and Land Reforms Department and Transport Department did not furnish the figures of arrears of revenue (October 2015).

### **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 Directorate of Electricity Duty and Commissioner of Agricultural Income Tax are given in **Table 1.3**.

**Table – 1.3**

#### **Arrears in assessments**

<b>Head of revenue</b>	<b>Opening balance</b>	<b>New cases due for assesment uring 2014-15</b>	<b>Total assessments due</b>	<b>Cases disposed of during 2014-15</b>	<b>Balance at the end of the year</b>	<b>Percentage of disposal (col. 5 to 4)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
Taxes and duties on electricity	NIL	153	NIL	153	NIL	100
Taxes administered by Directorate of Agricultural Income Tax	38,065	10,622	48,687	5,856	42,831	12.03

The Directorate of Agricultural Income Tax may expedite the assessment procedure as the disposal rate is rather low.

### **1.4 Evasion of tax detected by the department**

Commerce and Industries Department, Directorate of Electricity Duty, Directorate of Registration and Stamp Revenue and Directorate of Agricultural Income Tax stated that cases of evasion pending as on 31 March 2014 and cases detected during 2014-15 were nil. However, the Excise Department stated that only one case of evasion was pending as on 31 March 2014 and cases detected during 2014-15 were nil.

Despite being requested (August 2015), the other principal revenue generating Departments/Directorates namely Directorate of Commercial Taxes, Land and Land Reforms Department and Transport Department did not furnish any information of evasion of tax (October 2015).

### **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 1.5**.

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

(₹ in crore)

Sl. No.	Particulars	Taxes and duties on electricity		Taxes administered by Directorate of Agricultural Income Tax	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	80	Not furnished	14	3.60
2.	Claims received during the year	63		6	0.96
3.	Refunds made during the year	64	29.48	8	0.97
4.	Balance outstanding at the end of the year	79	Not furnished	12	3.59

Directorate of Registration and Stamp Revenue and Excise Department furnished a nil report regarding claims outstanding at the beginning of the year, claims received during the year, refunds made during the year and balance outstanding at the end of the year.

Other principal revenue generating Departments/ Directorates namely Directorate of Commercial Taxes, Land and Land Reforms Department and Transport Department did not furnish details of refund cases (October 2015), though requested (August 2015).

### 1.6 Response of the Government/departments towards audit

The Accountant General (Economic and Revenue Sector Audit), West Bengal conducts periodical inspection of the Government Departments to test check transactions and verify 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 4,695 paragraphs involving ₹ 2,311.57 crore relating to 918 IRs had remained outstanding at the end of June 2015 as mentioned 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 for settlement	757	882	918
Number of outstanding audit observations	3,595	3,997	4,695
Amount of revenue involved (₹ in crore)	1,313.57	1,472.12	2,311.57

**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	Numbers of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Finance	Sales Taxes/ VAT	222	1,694	1,280.57
		Electricity duty	39	89	78.31
		Amusement Tax	26	70	6.74
		Profession Tax	75	218	9.98
		Stamp duty and registration fees	239	656	86.51
		Non-judicial Stamp duty	14	34	8.44
		Departmental Receipts	2	4	0.16
2.	Excise	State excise	28	121	47.21
3.	Land and Land Reforms	Land Revenue	102	1,020	380.31
		Receipts from mines and minerals	106	497	158.70
4.	Transport	Taxes on motor vehicles	65	292	254.64
<b>Total</b>			<b>918</b>	<b>4,695</b>	<b>2,311.57</b>

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of 236 IRs issued during 2014-15. The large pendency of 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 instituting 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 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.	Name of the Department	Nature of receipts	Number of meetings held	Number of paras settled	Amount
1.	Land and Land Reforms	Land Revenue	1	7	0.07
		Receipts from mines and minerals	1	3	0.02
2.	Excise	State excise	1	Nil	Nil
Total			3	10	0.09

The progress of settlement of paragraphs pertaining to the Land and Land Reforms Department and Excise Department was negligible as compared to the huge pendency of the IRs and paragraphs despite holding Departmental audit committee meetings. The Finance Department and the Transport Department did not hold any audit committee meeting during 2014-15 despite being requested.

### 1.6.3 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 PAG/AG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their responses 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.

41 draft paragraphs (DPs) including two Performance Audits (PAs) were sent to the Principal Secretaries/ Secretaries of the respective Departments by name between June and September 2015. The Principal Secretaries/ Secretaries of the Departments did not send replies to 38 draft paragraphs despite reminders and these have been included in this Report without their response.

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

The internal working system of the Public Accounts Committee (PAC), notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, explanatory notes on audit paragraphs of the Reports were being delayed inordinately. 204 paragraphs (including

Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of West Bengal for the years ended 31 March 2009, 2010, 2011, 2012 and 2013 were placed before the State Legislature Assembly between 30 July 2010 and 10 July 2014. The action taken explanatory notes from the concerned Departments on 68 paragraphs were received late with average delay of 18 months in respect of Audit Reports for the years ended 31 March 2009, 2010, 2011, 2012 and 2013. Of these, action taken explanatory notes in respect of five paragraphs (reviews/ Performance Audits) were received partly. Action taken explanatory notes in respect of remaining 136 paragraphs from five departments (Finance, Commerce & Industries, Transport, Home and Land & Land Reforms) had not been received for the Audit Reports for the years ended 31 March 2009, 2010, 2011, 2012 and 2013 so far (October 2015).

The PAC discussed (December 2014) one selected sub-paragraph pertaining to the Audit Report for the year 2009-10 during 2014-15.

### **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 IRs/Audit Reports by the Departments/Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 and 1.7.2 discuss the performance of the Directorate of Registration and Stamp Revenue 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 2005-06 to 2014-15.

#### **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 1.7.1**.

**Table 1.7.1**  
**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	ara-graphs	Money value	IRs	ara-graphs	Money value	IRs	Para-graphs	Money value
1.	2005-06	562	728	66.00	25	54	5.16	20	21	4.76	567	761	66.40
2.	2006-07	567	761	66.40	20	43	6.12	19	17	1.25	568	787	71.27
3.	2007-08	568	787	71.27	10	21	8.51	16	34	1.54	562	774	78.24
4.	2008-09	562	774	78.24	23	40	4.14	5	12	0.09	580	802	82.29
5.	2009-10	580	802	82.29	37	48	4.53	328	416	33.19	289	434	53.63
6.	2010-11	289	434	53.63	37	84	24.09	38	56	4.12	288	462	73.60
7.	2011-12	288	462	73.60	65	205	37.94	30	43	3.98	323	624	107.56
8.	2012-13	323	624	107.56	56	257	10.58	171	294	43.98	208	587	74.16
9.	2013-14	208	587	74.16	66	246	21.25	9	56	2.26	265	777	93.15
10.	2014-15	265	777	93.15	54	237	76.51	64	271	29.21	255	743	140.45

The Government arranges ad-hoc Committee meetings between the Department and AG's office to settle old paragraphs. As would be evident from the above table, against 562 outstanding IRs with 728 paragraphs as at beginning of 2005-06, the number of outstanding IRs were 255 with 743 paragraphs at the end of 2014-15. This indicates that during these years, the paragraphs were cleared with promptness during 2009-10, 2012-13 and 2014-15.

### 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 1.7.2.**

**Table 1.7.2**  
**Recovery of accepted cases**

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount of recovery of accepted cases as of 31.03.2015
2004-05	1	2.90	1	2.90	Nil
2005-06	-	-	-	-	-
2006-07	1	2.28	1 <sup>2</sup>	1.96	Nil
2007-08	2	1.48	2 <sup>3</sup>	0.69	Nil
2008-09	3	52.30	2 <sup>4</sup>	50.54	Nil
2009-10	1	1.84	1 <sup>5</sup>	1.54	0.20
2010-11	1	5.23	1	5.23	0.99
2011-12	3	3.33	3	3.33	0.92
2012-13	1	154.10 <sup>6</sup>	1 <sup>7</sup>	106.93	Nil
2013-14	5	4.16	3 <sup>8</sup>	1.04	Nil

It is evident from the above table that the recovery even in accepted cases was meagre during these 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.

### **1.8 Action taken on the recommendations accepted by the Departments/Government**

The draft performance reviews conducted by the PAG/AG are forwarded to the concerned Department/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 finalising the reviews for the Audit Reports.

The status of action taken on recommendations<sup>9</sup> as furnished by Departments till October 2015 is given in **Table 1.8.1**.

<sup>2</sup> Partly accepted.

<sup>3</sup> One paragraph partly accepted.

<sup>4</sup> Partly accepted.

<sup>5</sup> Partly accepted.

<sup>6</sup> High money value is due to inclusion of a Performance Audit that year.

<sup>7</sup> Partly accepted.

<sup>8</sup> Two paragraphs partly accepted.

<sup>9</sup> Follow-up audit on Performance Audit on 'e-Services in the Directorate of Commercial Taxes'(2011-12) has been dealt with separately in this Audit Report.

Table 1.8.1

Year of Report	Name of the PA	No. of recommendations	Details of recommendations	Status
2009-10	Management of Forest Receipt	8	Putting a place a monitoring system by way of periodical returns and creating and maintaining a database for monitoring revenue realisable and realised from various sources;	As per memo No. 5000/A&A/1A-401/15 dated 4.09.2015, the reply of the Principal Chief Conservator of Forests, General, WB is as follows: Monitoring of actual revenue and expenditure, revenue realisable and realised from various sources are maintained in a database by DCF, MIS Section, PCCF (HpFF), WB.
			Making a provision for levy of interest to deter non/belated payment of revenue;	Provision for levy of interest to deter non-payment of revenue.
			Establishing a system to watch the deductions made by the WBFDC from the revenue and also define the percentage component of the service charge;	The reconciliation of revenue, deduction of service charges and FPCs/EDCs shares and total timber supplied etc. are done meticulously between DFO and DM, WBFDC Ltd. to avoid complications.
			Establishing liaison with the customs authorities in respect of imported timber to avoid leakage of revenue;	DFO, Utilisation Division, has constant liaison with customs officials in case of imported timber to avoid leakage of Government revenue.
			Strengthening system of monitoring disposal of timber to avoid deterioration of its quality and consequent revenue loss;	DFO/DM of the concerned Division are monitoring conditions of the respective depot lots to avoid deterioration of quality and loss of Govt. revenue.
			Fixing a time limit for disposal of vehicles confiscated for forest offences;	As per Section 59-A (3) of IFA, 1927, there is no fixed time limit for disposal of confiscated vehicles used in committing forest offence.
			Strengthening Internal Audit Branch to ensure that internal audit of a certain percentage of units of the Forest Department is conducted at regular intervals; and	At present, extra manning for Internal Audit is not possible. However, the Forest Department has Internal Audit at regular intervals.
			Updating the Forest manual so that it serves the purpose for which it was intended.	The up to date amendment of the West Bengal Forest Manual has already been published by DFO, Publicity Division. It is also circulated on Website <a href="http://www.westbengalforest.gov.in">http://www.westbengalforest.gov.in</a> and hard/soft copies both are available in every forest offices.
2010-11	Assessment, levy and collection of Excise Duty and fees	4	Incorporating suitable provisions in the Acts and Rules regarding charging fees on short production of spirit from molasses, charging Late Fee for delay in application for renewal of licence of foreign	As per memo No. 2A-09/2011-12/112/1 E.G. dated 10.09.2015, the reply of the Excise Commissioner, WB is as follows: In terms of a policy decision taken by the Government, production of

			<p>liquor manufactories and charging interest for non/delayed payment of excise duties;</p>	<p>spirit has shifted from molasses-based to grain-based. Accordingly, production of molasses-based spirit has been discontinued and being discouraged henceforth. Hence, recommendation in this context is not considered at present.</p> <p>Introduction of Penal Measure(s) by charging Late Fee and any other fees, as would deem fit by the Competent Authority, for delay in application for Foreign Liquor Manufactory(s), is under active consideration of the Government.</p> <p>Excise Duty(s) in respect of all Excise Licence(s) in West Bengal, is/are collected in advance, i.e., at the point of production or import. Hence, there is the least chance for non-payment of delayed payment of excise duty(s). Therefore, the consideration of the recommendation in this context does not arise.</p>
			<p>Amending the provision of transit and handling wastages of spirit in respect of foreign liquor manufactories to remove the discrepancies of allowable wastages between CS manufactories and FL manufactories and introduction of minimum penalty for contravention of conditions of license under BE Act/WBMC Act;</p>	<p>In terms of Government Notification No: 300-EX; dated 19.03.2013, allowable limit of Transit Wastages, in respect of FL Manufactories [Rule-32 of the WBE (FL) Rules], has been revised downward; making the allowance at par with the CS Sector.</p> <p>In respect of handling wastage, the manufacturing process of foreign liquor involves number of steps. Primarily OP spirit is reduced in strength, blended with specialised spirit, matured over a period of time ranging from five to 20 days and then colouring and flavouring agents are added to obtain the final product.</p> <p>Manufacture of country spirit involves the simple process of reduction of strength of OP spirit and maximum period of maturation is 48 hours only.</p> <p>As such, the handling and bottling wastages involve in manufacture of foreign liquor will always be slightly higher than that of country spirit. Based on this logic, the rate of allowable handling wastage and bottling wastage should be proportionately higher in a foreign liquor manufactory than that of country spirit bottling plant.</p>

			<p>In terms of existing provision of the Rules under BE Act, the Excise Commissioner/WB has the power for composition of the contravention of the conditions of any Excise Licence, including Molasses Licence, to impose a fine/penalty, not exceeding ₹ one lakh, in lieu of cancellation or suspension of the licence under consideration.</p> <p>Introduction of minimum penalty will transgress into the discretionary power of the Trying Authority and would be <i>ultra vires</i> to the spirit of Law.</p>
		<p>Introducing computerised system of chemical examination of samples to avoid delay and improving the infrastructure in the chemical examination laboratory; and</p>	<p>Introduction of computerised system for keeping a vigil on the samples under analysis and the report thereof, in the chemical examination laboratory, has been prepared and is now under testing.</p> <p>It has been admitted by the Government that the process of analysis of samples of various alcoholic products suffered in the chemical examination laboratory due shortage of men-in-position and inadequate infrastructure which were hitherto unavailable. However, attention is drawn to the reply furnished by the Government to the Audit Para(s) 4.7.26 and 4.7.27 of the CAG Report – 2011.</p> <p>In the mentioned reply, it was submitted that: (i) Stress has been given for utilisation of modern equipments and instruments, which were hitherto unavailable.(ii) Emphasis has been given to fill up the vacant posts.</p> <p>It may be mentioned that a number of technical posts have been filled up through Public Service Commission, West Bengal.</p>
		<p>Strengthening the internal control for effective implementation of Rules and Regulations and control over the functioning of the Department.</p>	<p>To improve the internal control of the Excise Department for effective implementation of Rules and Regulations, re-organisation of Excise Administration has been effected on and from November 2012, in terms of Government Notification No.: 1074-EX; dated 01.11.2012.</p> <p>In terms of this direction, Excise Districts have been divided in suitable numbers of Ranges and Ranges have been divided in</p>

				<p>suitable numbers of Circles, to provide round-the-clock vigil over the area under their control. Eight Excise Divisions have also been re-organised, headed by Additional Excise Commissioners, to control the 24 Excise Districts in this State.</p> <p>Further, vacant posts under different categories of Excise Establishment, are also being filled up through Public Service Commission/Staff Selection Commission.</p>
2013-14	Administration of taxes under various Acts by Directorate of Agricultural Income Tax in West Bengal	7	<p>Establishing a system to mandatorily coordinate with different departments, local bodies and other sources and exchange relevant information so as to bring eligible tax payers into the tax net;</p>	<p>All Agricultural Income Tax Officers have been directed to coordinate systematically with different departments, local bodies and other sources and exchange relevant information to bring maximum number of tax payers into the tax net. Accordingly, a good number of Agricultural Income Tax Offices have requested the District Collector to see from the Cinema Hall Owners the Entertainment Tax Clearance Certificate issued by the Agricultural Income Tax Office before renewal of Cinema Hall licence. The same line has been taken in respect of Entertainment programmes.</p>
			<p>Timely initiation of recovery proceedings and evolving a mechanism to monitor compliance of Appellate orders for efficient tax administration;</p>	<p>Deputy Commissioner of Agricultural Income Tax in charge of different Circles have been directed to monitor timely initiation of recovery proceedings and early compliance of the Appellate orders at the level of Assessing Officers.</p>
			<p>Making the definition of luxury more inclusive in the tax;</p>	<p>Scope of imposition of tax on complimentary tickets for the sports/amusement events under the Bengal Amusement Tax Act, 1922 and widening definition of Luxury Tax under the West Bengal Entertainments and Luxuries (Hotels &amp; Restaurants) Tax Act, 1972 will be examined by the Government. If it is found justified considering all aspects, necessary amendment will be made in the said Act.</p>
			<p>Widening the scope of taxation under the Bengal Amusement Tax Act, 1922 on complimentary tickets of commercialised entertainment /sports events;</p>	
<p>Ensuring timely assessment of taxes under the West Bengal Entertainment-cum-Amusement Tax Act, 1982 and the Bengal</p>	<p>In the Directorate, strength of Assessing Officers has not been changed since long. The Directorate is presently having</p>			

			Amusement Tax Act, 1922;	acute shortage of staff also. However, the Agricultural Income Tax Officers have been asked to reduce the number of pending assessments under the West Bengal Entertainment-cum-Amusement Tax Act, 1982 and the Bengal Agricultural Income Tax Act, 1922 substantially through suitable administrative supervision.
			Contemplating provisions in the Bengal Amusement Tax Act, 1922 for levy of interest; and	No reply furnished.
			Establishing an effective Internal Audit Wing and formulating the office procedure manual to ensure that various provisions of the Acts and Rules are efficiently administered for effective tax administration.	At present, there is an Internal Audit Wing of the Directorate which is functioning in spite of shortage of staff and other infrastructural facilities. Steps are being taken to remove the aforesaid difficulties so that functioning of the Internal Audit Wing can be streamlined.

Despite being requested (August 2015) to furnish status of recommendations of reviews/Performance Audits featured in the last five years' Reports, the following Departments did not furnish the same as mentioned in **Table 1.8.2**.

**Table 1.8.2**

Name of the department	Year of Audit Report	Name of the Performance Audit
Finance	2010-11	Utilisation of declaration forms in inter- state trade and commerce
	2012-13	Efficiency of the administration of Value Added Tax in West Bengal
	2012-13	Evasion of Stamp Duty and Registration Fees
	2013-14	Assessment, levy and collection of Value Added Tax from works contractors
Transport	2009-10	Collection of Motor Vehicle Taxes, Fees and Fines in the Transport Department
	2010-11	Computerisation in Motor Vehicles Department
Home	2010-11	Assessment and collection of Police Receipts
Land and Land Reforms	2011-12	Management of Government Land
		Receipts from Major Minerals

## 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 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 573 auditable units, of which 187 units were planned and 188 units had been audited, which was 32.81 *per cent* of the total auditable units. The details are shown in the **Appendix – I**.

Besides the compliance audits mentioned above, two Performance Audits were also taken up to examine the efficacy of the tax administration of these receipts.

### **1.10 Results of audit**

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

Test check of the records of 188 units of Sales tax/Value Added Tax, State Excise, Motor Vehicles, Land and Land Reforms, Stamp Duty and Registration Fees and other Departmental offices conducted during the year 2014-15 revealed under assessment/ short levy/ loss of revenue aggregating ₹ 1,444.73 crore in 1,837 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 341.25 crore involved in 715 cases which were pointed out in audit during 2014-15. The Departments collected ₹ 2.14 crore in 97 cases during 2014-15 pertaining to the audit findings.

#### **1.11 Coverage of this Report**

This Report contains 27 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 two Performance Audits on “System of Assessment under Value Added Tax” and “Assessment and Collection of revenue from Minor Minerals”, involving financial effect of ₹ 752.64 crore.

The Departments/Government have accepted audit observations involving ₹ 315.38 crore out of which ₹ 37.31 lakh had been recovered. The replies/ specific replies in the remaining cases have not been received (October 2015). These are discussed in succeeding Chapters II to VII.